

How Bank-NGO Interactions Induce Corporate Social Responsibility

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Abstract

Interaction with stakeholders is a key aspect of CSR (Pedersen, 2006). The practice of stakeholder engagement in the sphere of CSR is rapidly gaining ground. According to a recent study by KPMG among more than 1600 of the world's largest corporations, 39% of these companies mention structured stakeholder dialogue in their CSR reports (KPMG, 2005). While references to stakeholder dialogues and other forms of stakeholder engagement in CSR reports suggest that these interactions contribute to CSR activities, it is not reported how.

The aim of this paper is to fill this knowledge gap. Therefore, we address the question *if and in what way do bank-NGO interactions lead to changes in the bank's CSR policies and practices and how can this be explained?* Organizational and management literatures provide us with several perspectives suitable for exploring these mechanisms. Organizational learning and dialogue theory (e.g.: Habermas, 1981; Isaacs, 1993), resource dependence theory (Pfeffer & Salancik, 1978) and the stakeholder view of the firm (Freeman, 1984; Post, Preston, & Sachs, 2002) are combined in an analytical framework that is applied to a case of bank-NGO interaction.

Recently the financial sector is given an increasingly central role in sustainable development, given the extensive economic power of banks, especially because of their steering capacity through investments. The founding of the NGO watchdog 'Banktrack' in 2004, and the launch of the Equator Principles in 2003 are clear and recent indications of this trend. Although scholars (e.g.: Jeucken, 2004; Weber, 2005) are picking up on this development, relatively little is still known about the way in which banks organize their CSR, let alone about the explanations therefore. This paper analyses the interactions throughout time between a Dutch bank and a Dutch NGO, around the issues of palm oil production in South-eastern Asia and soy production in Latin-America. By applying the analytical framework to a field that is highly relevant and yet relatively under exposed, I hope to increase the value of my contribution.

All in all I aim to contribute to our knowledge on collaborative innovation and change in two ways: a) empirically, by assessing the outcomes in terms of organizational change in the CSR realm of one innovative bank-NGO interaction process through out time, and b) theoretically, by developing and subsequently

assessing an analytical framework for bank-NGO interactions inspired by several existing yet relatively unrelated theories, that expands our understanding of the mechanisms behind the influence of these interactions on CSR.

Keywords

Business-NGO interaction, Corporate Social Responsibility, Organizational Change

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