THE CHANGING LANDSCAPE OF DEVELOPMENT COOPERATION IN FINLAND FOLLOWING THE DEVELOPMENT AID BUDGET: ENVIRONMENTAL NGO PARTNERSHIPS, STRATEGIES AND WORK.

JYVÄSKYLÄ UNIVERSITY SCHOOL OF BUSINESS AND ECONOMICS

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ABSTRACT

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Abstract

This thesis studies the changing landscape of NGO strategies in Finland after the development aid budget. The research studies the strategies NGOs utilize after budget cuts and tries to link it to Firm and Non-governmental organization collaborations as a strategy to compensate for the budget deficit. Diversifying on funding sources from previous studies shows is the most common strategy utilized by NGOs after budget cuts especially by government.

The research addresses the most common problem which most NGOs are experiencing in this century due to economic crisis which is funding shortage. The study uses thematic analysis to analyze both the secondary data and primary data from the interviews. The budget cuts affects all the NGOs getting funding from the government but the smaller NGOs are affected more. Though the budget cut forces NGOs to change their strategies, collaboration with firms to get funding and help firms with environmental issues is not part of the strategy. This has been attributed to lack of interest by firms to work with NGOs or the lack of knowledge on what NGOs can offer the firms.

To adapt to the budget cuts NGOs have used the strategy of fundraising from the Finnish citizen to cater for budget deficit. The reluctance by NGOs to get funds from the firms is attributed to NGOs strategy to remain independent from firm influence.

Keywords NGO, development aid, NGO strategies

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ACRONYMS

NGO  Non-governmental organization
ENGO  Environmental Non-governmental organization
CSOs  civil society organizations
MOFA  Ministry of Foreign Affairs
CSR  Corporate Social Responsibility
EU  European Union
UN  United Nations
OECD  Organization for Economic Cooperation and Development
ILO  International Labour Organization
MDG  Millennium Development Goals

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1 INTRODUCTION

Nongovernmental organizations (NGOs) play a crucial role in development issues and other global issues which we are experiencing today. The role civil society organizations (CSOs) has played in climate changes issues, environmental issues and health issues in the world is remarkable. NGOs work and strategies has experienced numerous changes in the last decade due to new legislation, policies by government policy makers and changing mode of operations and pressure by different stakeholders. In Finland the development aid budget was reduced by over 43% which is a big turn for Finland as a country which is viewed as a champion of development\(^1\). This is the budget allocated to development NGOs to undertake different projects outside Finland.

The budget cuts took effect in 2015 and revenue from emission allowances auction and reduction of 330m euros is to take effect in 2016. The move is seen to affect mainly small NGOs which have more of advocacy role rather than big projects which cost millions of euros with the move having been dramatic as Finland has been at the forefront in development issues. The cuts are assumed by NGOs to force them stop their work in developing nations (Gotev, 2015)\(^2\). I argue that the development aid is worth studying for because budget cuts is one of the biggest challenges facing NGOs in the last two decades due to economic crisis facing many nations (Roeder & Simard, 2013). What strategies should NGOs adopt to be able to operate efficiently despite the funding challenges will be of importance now and the future by selecting the best practices.

This research studies the impact and outcome of cut in development aid budget to NGOs since shortage in funding affects their operations if alternative sources of funds are not found. The budget cut affects direct monetary flow to NGOs thus affecting NGOs ability to undertake their advocacy role and their projects outside Finland. The research extends to examine if budget cuts leads NGOs to adopt the strategy of collaboration with firms to diversify its funding sources. According to a report by KEHYS (2010) some Finnish NGOs apply for EU funding but most of them are funded enough by the ministry of foreign affairs so budget cut by the ministry of foreign affairs affect NGOs.

AIM OF THE RESEARCH

The aim of the research is to study the impact of budget cuts on NGOs and how they affect their strategies and operations. The research studies how budget cuts can lead NGOs to seek alternative form of collaborations with firms in order to di-


versify fund sources or change their strategy mode of operation to encourage collaborations with firms for instance offering environmental certification to firm or allowing firms to use their label so as to be able to raise funds for the projects. The research aims to study how NGOs are compensating for the development aid budget cut, how it affects operations and the strategies they utilize in their organizations.

1.1 RESEARCH TASK

The aim of the research is to study and analyze the changing landscape of development cooperation after development aid budget cut in Finland, its impact to NGOs and their response in terms of their strategies. The research question aims to clarify the type of research questions I am putting forward and I plan to answer at the end of my research (Eriksson et al, 2008). The research aims to study in detail the impact of budget cut funding by the Ministry of foreign affairs and how NGOs react to it in order to continue with their operation. Detailed research questions are presented to help comply with the research task:

Main research question:
How budget cuts on NGOs affect their strategies and operations?

Subsequent questions:
1. How NGOs view firm collaborations with firms?
2. How NGOs perspectives on firms change CSR?

1.2 Research Outline

Theoretical framework: Chapter 2 presents the foundation upon which the thesis is developed from by giving information on NGOs operations, accountability, collaborations and CSR activities in Finland. This section also provides the previous research done on impacts of budget cuts on NGOs, collaboration with firms, recipes for successful collaborations, alliance legitimacy, collaboration challenges and types of collaborations between firms and NGOs.

Methodology: Chapter 3 gives the data and research method used to get the answers to the research questions and gives the state of civil societies organizations in Finland.

Results: Chapter 4 presents the results from the interviews by developing the main themes recorded during the interviews. The themes are developed towards answering the research questions. Background information about the organizations which participated in the research is also included in this section.
Discussion and Conclusion: Chapter 5 and 6 discusses the interview results in details and links them with previous studies or secondary data. The conclusion summarizes the findings its application, gives answers to research questions and present research limitation and future research suggestions.
2 THEORETICAL FRAMEWORK

The main focus of the study is NGO funding’s, operations and strategies. In this section I will give an overview of previous studies which have been done on NGOs; NGO funding, role and partnerships. This section will also provide how partnerships help firms and NGOs, how to make them successful, types of collaborations and NGO accountability.

There has been a growing influence of NGO in international affairs in the last two decades (Doh et al., 2006) in issues ranging from climate change to human rights. According to UN an NGO is “any nonprofit, voluntary citizen which is organized on a local, national or international level, task oriented and driven by people with a common interest” (Graf et al., 2012). NGO are organized around specific issues such as human rights, environment or health. Miguel et al, 2010 define an NGO as a private, voluntary, not for profit organization whose members combine their means and energies in the service of shared ideals and objectives. Joensuu et al, 2015 define NGO as a social, cultural, legal and environmental advocacy groups with goals other than for commercial. Stakeholders in this research will be defined according to Freeman, 1984 as any group or individual who have the ability to affect or are affected by an organization through its achievements or targets. Stakeholders in this case have different issues (stakes) which they want addressed which affects how they interact with the organization.

According to Smillie & Helmich, 1999 the role of NGOs globally has grown and changed too towards reducing infant and maternal mortality, promoting health care and environmental issues improvement. This has resulted to NGOs been used as sub-contractors by governments to undertake some of the related projects due to their ability to reach more people usually the poor and motivate community efforts. Government-NGO relationships have shifted from grants to program grants with the initiative been started by Germany in 1960s which developed a matching grant scheme. This is also the case in Finland where NGO funding by government is project based.

According to Sjur Kasa & Lars Otto Naess, 2005 the financial crisis in 1980s and 1990s in Brazil led to NGOs state funding been cut, though it affected the NGOs operations, NGOS undertook innovative initiatives during the period. For instance the Friends of the earth Brazilian Amazonia in 1999 launched projects that involve voluntary agreements. The cuts in Brazil from the federal government though affected the environmental agencies; the direct impact on the ground remained difficult to claim.

Roeder & Simard, 2013, claim that globalization has expanded the role played by NGOs and their impacts on perceptions from local to international level.
Though the global economy is improving, financial crisis has meant that NGOs are facing financial pressure due to decline in individual donations and shift in government and corporation policies in terms of funding. Though the competition to raise funds by NGOs is high, for instance in US some NGOs especially humane NGOs do not take donations from corporations as they are of the view that all corporations are involved in some sort of exploitative practices. NGOs need to build a large diversified donor portfolio to be able to fulfill her mission and to be able to avoid donations which can affect its image. According to a study by UN and OECD, governments usually pledge money but most of it fails come through so government funding remains highly unreliable.

Financial crisis has meant that many governments are cutting development co-operation budget usually channeled to NGOs. According to Ravelo L., 2015, Dutch NGOs have had to come with new strategies after the coalition government plan to cut 1 billion euros by 2017 form development cooperation budget. Some NGOs in Netherlands have changed their strategies and created business units within their organizations for instance responsible for fundraising. Another NGO Hivos has commissioned a study on donor trends to know how to get external funding and has also stepped up on its fundraising efforts with institutions and foundations. Hivos has also started a green agenda project (renewable energy) which is away from its sexual and women rights agenda which can lead to getting sustainable funding.

According to Smillie & Helmich ,1999, just like other organizations face administrative costs, they need to hire accountants to manage their funds and maintain their staff to prevent them from moving to other jobs for instance by government or other international bodies. Dependency on government for funding differ between different NGOs, some rely on the funding 100% other not at all while others just a certain percentage. Many of the biggest NGOs for example Plan and Christian Children’s Fund in the world though they get government funding they can survive if government funding is withdrawn as most of them raise funds from public.

Salamon,1999 highlight that NGOs stand at a cross road due to different challenges they experience for instance government budget cuts which have eliminated a significant amount of revenue and concerns on accountability and effectiveness. Budget cuts by government on NGOs usually are due to changing political force which is more commercial oriented. Budget cuts have forced NGOs to operate more efficiently, reduce their demands and look for alternative sources of funding. For instance in United States, the nonprofit sector has been experiencing budget cut from the government and the organizations have moved to commercialization by entering new markets which yield commercial returns which has in turn exposed them to competition from the private sector. This is the same strategy used by Netherlands NGOs (Ravelo L., 2015) where NGOs created business unit within them.
According to Molenaers et al, 2012 on their article on NGOs and aid fragmentation on Belgium, NGOs have adopted legitimacy strategies to be able to get funding in terms of private gifts which in turn has led to aid fragmentation. Legitimacy strategies adoption has been due to competition for funding. Aid fragmentation is having many donors, operating in many countries, working in many sectors, projects and contractors. For NGOs funding fragmentations helps them to tap diversified funding sources, avoiding dependence on one source of funding.

Pope et al, 2015 on their article on do small NGOs outsources, the authors, NGOs are usually financially constrained which leads them to outsource to be able to be cost effective. Outsourcing enables organizations to focus, minimize costs and acquire external expertise. NGOs make decisions based on limited resources and the use of resource dependence theory by NGOs can be used to explain how NGOs funding affects the organization behavior. The adoption of profit business strategies by NGOs is common to help in funding their operations. For small NGOs most of the funding may end up going to administration and transaction costs creating a challenge for donors who want their entire donation to end up to projects. Outsourcing thus becomes the only way to save on costs for instance outsourcing IT and accounting tasks.

According to AbouAssi, 2013, NGOs who abandon donor funding usually take the path of activism and confrontation with potential donors for instance corporations and governments. NGOs can react differently when the donor changes the funding strategies; the NGO can exit the relationship with the donor, the NGO can try to influence the donor relation and try to reach a common ground, the NGO can comply with the donor and continue the relationship or the NGO can adjust and try to cope with the new donor strategy to continue secure funding. NGOs react differently to donor changing strategy depending on the type of donor. For instance, NGO may exit the relationship with one donor or try to reach a common ground with another. The strategy adopted by an NGO after donor change strategy is determined by its funding source type that is if it is fragmented or not (AbouAssi, 2013 & Molenaers et al., 2012).

According to Khieng & Dahles, 2015 on their article on resource dependence and effects of funding diversification strategies in Cambodia NGOs, they highlight that the demand for donor funding is increasing but donor funding is decreasing. This has been complicated further by the growing number of NGOs creating competition on getting funding. NGOs have adopted new strategies to getting donors and this has led to NGOs forming collaborations with corporations. The number and intensity of collaborations between firms and NGOs has grown in the last 30 years due to changing firm approach to problem solving and the nature of resources it has (Graf et al, 2012). According to Greve, 2003 public private partnerships are common in Scandinavia and there is a history of cooperative arrangements between organizations.
Resource dependence theory (RDT)

RDT is the study of how the external resources of organizations affect the behavior of the organization. The basic argument of RDT is that organizations depend on resources, the resources originate from organization’s environment, the environment is comprised of other organizations, the resources organization are often in possession of organization, resources create power and power and resource dependence are linked. RDT has been used to explain why NGOs are using marketization techniques to acquire funds due to reducing government grants. The theory can also be used to explain why NGOs form partnerships with other organizations (Hillman et al., 2009) so as to get resources available with other organizations.

According to Nienhuser & Werner, 2008 RDT was first introduced by Jeffrey Pfeffer and Gerald Salanck in 1978. The theory had been criticized for emphasizing on power and leaving other aspects for instance cost effectiveness and economics. David & Cobb, 2009 highlight that RDT had been used occasionally off late due to economic crisis, increased social activism and dissatisfaction with political leaderships which have created power imbalance and increase on dependency.

NGOs use both tangible and intangible resources to implement their strategies. These resources include human, technology, legitimacy and network resources. The theory holds that the more an NGO rely on other organization the more the external organization is important to the NGO which in turn affects its independence. The theory tends to emphasis the importance of the external environment to the NGO and under appreciating NGO independence. Resource diversification has been highlighted to be the best strategy to address resource dependence. The theory has been used to explaining shift in NGO funding strategies. Though government funding is predictable and stable it is usually affected by economic crisis. (Khieng & Dahles, 2015)

NGOs role and CSR

NGOs undertake different services and humanitarian roles, bring issues raised by the population to governments also referred to as advocacy role, monitor policies and also motivate political participation at the community level. They also offer analysis and expertise on social issues and how to solve them and keep check on international agreements on national levels to ensure their fully implementation (Graf et al., 2012). International agreements vary from climate change in terms of environment related to human rights issues. Internationally there are some recognized CSR principles and guidelines which include OECD guidelines for multinational enterprises, the principles of the UN global compact, the ISO 26000 guidance principle on social responsibility, the ILO Tri+partite declaration concerning multinational enterprises on social policy
and the UN guiding principle on business and human rights (CSR resolution, 2011)

NGOs changing strategies and wide range of issues under their operations have led to firm-NGO collaborative partnerships since late 1990s. NGOs assist firms with corporate social responsibility activities which include legal, scientific and ecological expertise and also social influence for instance linking firm with other stakeholders in the society (Stafford et al, 1998). Albareda et al, 2007 define CSR as a concept where firms or corporations decide to help to better society, clean environment and manage her stakeholders voluntarily. The EU commission defines CSR in terms of firm going beyond legal constraints and taking responsibility for their impacts on society (Crifo et al., 2013).

There has been a shift from adversarial relationships between NGOs and firms to a more cooperative and dialogic relationships (Kourula et al., 2010) fostered to achieve common goal. Greve, 2003 concurs with Kourula et al, 2010 on the visible shift of NGO and firm collaboration. The changing nature of NGO collaboration can also be witnessed at EU level according to Doh et al, 2006 where NGOs employ a collaborative approach with policy makers at EU level and activist level at national level. The shift is not only from adversarial relationships but also from confrontational relationships to a more strategic type (Mariette et al., 2010). Strategic relationships require both firm and NGO to have strategies aimed at working together due to differences in terms of expertise and finances (Austin, 2000).

Different authors have defined the relationship between firm and NGOs differently, in this research collaboration will be defined as a process by which partners who view different issues differently come together and try to come up with solutions beyond their visions which are limited. Through this collaborations come up with a level ground for both NG interests and corporations’ commercial interests of profits (Stafford et al., 1998). On the other hand, Chen et al, 2012 in their own findings define partnership (collaboration) as a stable long term relationship that enables members to share risks, benefits and resources i.e. information and knowledge. From these definitions, it can be deduced that companies, firms or organization come together to share information and knowledge, in order to put up a joint or collective effort to solve issues.

NGOs working with firms help them improve their CSR activities. Crifo et al, 2013 are of the view that CSR is a pro-social behavior and it shows that managers engage on philanthropic activities for altruistic factors. They also support the view that CSR is a business strategy where firms can gain competitive advantage over its competitors and improve its reputational concerns both for its stakeholders and regulation purposes. CSR too can be used as a product differentiation strategy whereby the firm produces goods or services to tap environmentally conscious consumers who are willing to pay for products and services with ethical attributes.
Stakeholder collaboration is a new trend in CSR where different stakeholders work together, in this research. The collaboration will be of interest to some extent NGO and other stakeholders for instance government and the public. Rondinelli et al., 2003 though have the view that firm and NGO relationships so far have been of tension and distrust. The engagement between corporations and environmental groups has become more constructive with firms taking more roles in society as agents of social change. Societal rules, norms and values are pressuring firms to adopt new sustainable practices, strategies and structures (Shah, 2011).

According to Rondinelli et al., 2003, environmental issues have become an important aspect to all stakeholders, until recently, the internal environmental management operations of firms were determined by regulatory compliance or viewed in terms of cost saving opportunity. The relationships between firms and NGOs have also been primarily philanthropic where firms give donations to NGOs. In the last two decades, firms have shifted beyond regulatory compliance and adopted environmentally friendly practices for instance pollution control, waste reduction, water and energy conservation which all aim to cost saving.

Firm-NGO collaborations primary objective are environmental, social and economic oriented and its main use is to improve firm reputation and finance NGO projects. Firms licensing NGO names, sponsorships of NGOs projects and NGO endorsement of firm products are part of the benefits firms and NGOs get from their collaborations (Wassmer et al., 2012). Environmental non-governmental organizations (ENGOs) have become active stakeholders in pushing companies to improve on their environmental issues (Joensuu et al., 2015). According to Rondinelli et al., 2003, firms partner with environmental NGOs to get information and knowledge on complex environmental impacts on their operations and marketing opportunities.

According to Graf et al., 2012, firms want reputation and legitimacy of NGO while NGOs want financial resources to undertake their projects and to advance their managerial skills through managing their partnership with firms. According to Miguel et al., 2010, firm NGO alliances are on increase and have become important toll for both firm and NGOs. There has been a lot of research mostly on a case analysis by researchers providing specificities and challenges on B2N alliances which usually involve joint CSR activities. In 2000 for instance firms gave more than US$9B to NGOs in terms of donations (Rondinelli et al., 2003).

Firm NGO relationship has shifted from been a non-stakeholder relationship to more socially proximate (situation where relationship between actors is socially involved and involves trust based on friendship and experience). This only happens when the relationship between the firm and the NGO become a strategic partnership where the level of interaction increase at organization level.
The need for organizational approach change has led firms to shift from philanthropically level (charity) to more strategic partnerships with NGOs (Lorenzen, 2012). Austin, 2000 also concurs with Lorenzen, 2012 and notes that collaborations have shifted from philanthropic towards deeper strategic alliances. There are different reasons for collaboration and Austin, 2000 mentions that funding cut by government to NGO is one of the reasons NGOs seek collaboration. Most corporations are voluntarily choosing to engage in CSR activities due to changing government role in promoting business, social and environmental practice. Despite the fact that firms are practicing CSR, the increased debate on the role of companies in society and increased number of public initiatives to promote CSR especially in Europe has forced governments to adopt measures to promote CSR with firms (Albareda et al., 2007). More and more firms or businesses are working to become more socially responsible (Austin, 2000).

Doh et al, 2006 on their article on CSR, public policy and NGO activism in Europe and US on an institutional stakeholder perspective highlight that stakeholder’s legitimacy and its causes affect the expectations on CSR. This increased power and legitimacy by stakeholders has pushed businesses to rethink their strategies in order to deal with stakeholder demands.

2.1 Theories for NGO-firm alliances

Different theories have been used to explain why firm and NGOs form collaboration or strategic alliances. The main theories used are the stakeholder management theory and the collaboration theory. In this research the collaboration theory will be of interest as the study is on NGOs getting funds for their operations. NGOs in this case form partnerships to pool resources which they need for their activities.

The Stakeholder management theory was first brought forward by Edward Freeman. The theory suggest that alliances are formed is caused by firm desire to mollify stakeholders. NGO been a stakeholder forming alliance with an NGO will be solving one stakeholder issue (Shumate et al., 2010). NGOs have legitimacy and power making them an important stakeholder to firm. By forming alliance with NGOs, firms also are able to connect with other stakeholders for instance the consumer. Environmentally conscious consumers may trust a firm to have sustainable operations if for example the firm is using a well-known NGO label on its products.

The Collaboration theory holds that collaborations happen when a firm or NGO individually cannot solve an identified problem. Partnership occurs to pool
tangible resources by two stakeholders when none of the parties can solve the problem alone (Shumate et al., 2010). NGO for instance can collaborate with firm to get finances to be able to undertake a certain project while a firm can partner with firm to get expertise which they lack for example on environmental issues within the firm. With NGOs facing funds shortage from the government there is a likelihood they will try to form partnerships with firms to get funds to be able to proceed with their operations. NGOs and firms partnerships can generate both positive and negative impacts to both organizations. The negative impacts are more on the NGOs and this is elaborated further in the impacts of collaboration section.

2.2 Impacts of collaboration

Collaboration between two or more organizations has an impact on all the actors taking part in the organization, affecting them at organizational level and at stakeholder level. Collaborations between firms and NGOs lead to a change in CSR which implies changes in policies, formalized documents, practices and structures of organizations (Mariette et al., 2010). Partnerships can either have a positive or a negative influence to the organizations involved. NGOs suffer more negative perception from the public if a firm they have supported behaves badly or has a bad reputation (Graf et al., 2012 & Mariette et al., 2010). Firms gain legitimacy (Joensuu et al., 2015) and good reputation while NGOs gain financial growth and advancement in their managerial skills. Graf et al, 2012 however, notes that it is hard to evaluate the success of collaborations since reputation and legitimacy are unquantifiable.

Firms have economic power while NGOs have political and societal influence on social issues. Firms usually collaborate with NGOs to increase profit by staying alive in terms of retaining customers, abiding to new legislations and cost cutting practices while NGOs want to further their missions or activities. NGOs provide expertise (Rondinelli et al., 2003), legal and scientific knowledge to firms and an access to other stakeholders like communities and governments. Through this firms are able to gain sustainable competitive advantage. NGOs can help firms to comply with new regulations (Graf et al., 2012; Stafford et al., 1998). Collaborations can build brand identity and goodwill and improve employee commitment and an opportunity for new business and a source of revenue (Austin, 2000).

According to Austin, 2000 benefits of collaboration to NGO include Cost saving in terms shared facility services where NGO is able to use firm facilities to undertake research or its operations, Economies of scale and scope-image and credibility, client increase, from local to nationwide operations, Synergies-accomplish more together than one and Revenue enhancement in terms of revenue generation. Benefits to firms include strategy enrichment which is part of
business strategy, human resource management, culture building and business generation. He also adds that collaboration can help build brand identity and improve on employee commitment, new business opportunities and source of revenue. Other benefits to firms include human resource management which involves an attraction to potential employees to practice management and leadership at the same time broadening their perspective. Through alliances both firm and NGO benefit in building their culture and firms can expand their operation network to new regions.

NGOs can also benefit through collaboration by making some money for instance issuing certification to firms. Green office is an environmental management system for offices (WWF). To get the management system the office has to sign a collaboration agreement with WWF. In return WWF get funds to finance conservation work from the green office environmental service fee which is charged according to the number of employees as shown in the table 3 below.

Table 1. WWF green office fees

<table>
<thead>
<tr>
<th>The number of employees</th>
<th>Admission fee (euros)</th>
<th>Annual fee: the largest office (euros)</th>
<th>Annual fee: additional offices (euros)</th>
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<tbody>
<tr>
<td>1-30</td>
<td>1500</td>
<td>2000</td>
<td>700</td>
</tr>
<tr>
<td>31-60</td>
<td>2000</td>
<td>2800</td>
<td>1000</td>
</tr>
<tr>
<td>61-100</td>
<td>2500</td>
<td>3500</td>
<td>1200</td>
</tr>
<tr>
<td>101-300</td>
<td>3000</td>
<td>4800</td>
<td>1400</td>
</tr>
<tr>
<td>301-700</td>
<td>4000</td>
<td>5800</td>
<td>2000</td>
</tr>
<tr>
<td>701-1200</td>
<td>5000</td>
<td>7500</td>
<td>2500</td>
</tr>
<tr>
<td>1201-2000</td>
<td>6000</td>
<td>8500</td>
<td>3000</td>
</tr>
<tr>
<td>Over 2000</td>
<td>Specified individually</td>
<td>Specified individually</td>
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(Adopted from WWF green office)

2.2.1 Operation performance

Firms have been able to enhance both operational and environmental performance through partnership with NGOs. Environmental collaboration has also been linked to a proactive environmental management where environmental issues are solved before they occur. NGOs can assist firms to be aware of future changes for instance in policies and regulations. In addition, collaborative effort has made it possible for firm to improve on several aspect of their operation, for example, cost performance, quality performance, flexibility, delivery as well as improvement on environmental issues (Vachon et al., 2008)
To solve growing environmental issues which are facing many operations or supply chain of firms, environmental NGOs can provide the expertise needed for instance to get new technologies to reduce emissions. Firms also gain a good reputation by partnering with NGOs giving them legal and access to different stakeholders (Graf et al, 2012). According to Shah, 2011 corporations are now using NGOs to reach grass root stakeholders to be able to undertake their operations. This has been the case when firms want to start operations in new regions where they collaborate with local NGOs which are trusted by local people to gain trust and legitimacy on the communities (stakeholder).

2.2.2 Competitive advantage

Knowledge sharing and technical information exchange between NGO and firm enhances relationship, and leads to innovations that enable firms to gain competitive advantage (Chen et al., 2013; Fiala, 2005; Park et al., 2010). Through continuous effort to collectively improve environmental performance, firms have come to integrate sustainable competitive advantage which is a change from competitiveness based on quality and quantity. Sustainable competitive advantage is a concept which holds that a product or service must at least be rare, valuable, non-substitutable and inimitable (Vachon et al., 2008). Rare in terms of not in the market, valuable in terms of consumers appreciating the product or service, non-substitutable in terms of no other product or service to replace it and inimitable in that it is not easy for competitors to copy and come up with similar or same product or service. This has led many firms to develop innovative products and services that possess these qualities, as it creates long term benefits for firms to position and differentiate their products from competitors (Hoejmose et al., 2012).

Through collaborations between firms and NGOs, firms can gain sustainable competitive advantage which has traditionally been associated with physical and financial assets (Lorenzen, 2012). This is possible due to the NGO expertise which firms can use to come up with a new product which is sustainable giving the firm market share of ecologically conscious consumers. This increases firm product competitiveness and increase consumer trust in her products and services (Weber, 2013). NGOs can help firm to comply with new regulation for instance focusing on emission by advising firm on way to come up with new technology or even giving the firm the technology in case the NGO has it so the firm can stay in operation (Graf et al., 2012). Collaborations can bring new opportunities for corporations in terms of environmental protection and even help the firm achieve greater profitability from the products or services. (Rondinelli et al., 2003).
2.2.3 Learning opportunity

Organizations have also benefitted from collaboration by learning from partners. The sharing of knowledge and exchange of technical has created a spillover effect within the collaboration. Members have been able to take home beneficial that are lacking in their own organization. As a result, they have been able to improve individual performance (Vachon et al., 2008).

According to Stafford et al, 1998 NGOs assist firms with scientific, legal, ecological expertise, social influence and they act as a bridge to other stakeholders affected by firm operations. Crifo et al, 2013 bring another perspective on the impacts of collaboration of firms and NGO. Green alliances increase the standard of CSR and this can force regulators to raise regulation required for new competitors to penetrate new market reducing competition. NGOs involved in advocacy work can influence governments or policy makers to ban the use of some materials for instance some chemical in textile industry which. In this case the textile industry players need to build a certain relationship with the NGOs to come up with the best product to replace the banned materials or chemicals.

2.3 Recipes for success in collaboration

For a partnership to be a success management commitment, previous experience with collaborations, trust between the partners and performance evaluation of the partnership is needed (Graf et al., 2012). Lorenzen, 2012 highlights that the success of a partnership can be measured by firm external factors, internal factors and partnership factors. The author goes ahead to mentions that firms need to partner with an NGO with same shared value(external factor) and there is need for motivation behind the partnership( internal factors) and goal alignment, commitment to partnership, open communication, knowledge sharing and conflict resolution(partnership factors). The need for organizational change both by firms and NGOs has encouraged both to form partnerships.

Top management commitment is critical as far as environmental issues are concerned in an organization (Hoejmose et al., 2012). For firms to work with NGOs their support is needed. Nevertheless, many of the environmental achievements recorded by firms today would have been impossible without their support. This is due to the fact that they occupy decision making positions to create vision, policies and values in organizations (Chen et al., 2012; Hoejmose et al., 2012). Therefore, the top management must be convinced to embrace social responsibility to be able to enter into collaboration with an NGO. Besides, the top management always wants to ensure that the organizations competitive ad-
vantage remains private. Any collaboration and information sharing within the partnership must be consented by the top management (Hoejmos et al., 2012; Soler et al., 2010).

The partners to be involved in the collaboration in this case the firm and the NGO need to evaluate the feasibility of the collaboration, is it going to work, how and by what means. The members involved in the alliance also need to form teams within and across the organizations to deal with all the affairs of the partnership, identify partner goals and objectives, formulate a timeline and specify outcomes and results that can be verified and monitored by both organizations (Rondinelli et al., 2003).

In Europe there is a steady movement of policy making from national level to EU level (Doh et al., 2006) which encourages firm-NGO collaboration. The fact that in Europe interest groups have formal institutionalized place in policy making is enough catalyst on the type of policies implemented on CSR. Over the last two decades NGOs influence has become significant in international affairs which in turn put pressure on corporations to act on sustainable development. The presence of awareness of support of CSR in EU provides an environment which is more responsive to NGO influence in several contemporary public policy issue areas.

The fact that European Union NGOs employ collaborative approach with policy makers at EU level and even at national level as indicated by Doh et al., 2006 stipulates that the policies been implemented are most likely have the influence of NGOs to work for the common good. In EU many firms collaborate with NGOs by including them on management and executive boards. NGOs can develop power (Stafford et al., 1998), urgency and legitimacy (Doh et al., 2006; Joensuu et al., 2015) if the policies been implemented at national level favors them. The difference in the level of power and expertise between firms and NGOs encourage collaboration. It is important for firms to take into account that collaborations with NGOs usually involve undertaking a joint CSR activity (Miguel et al., 2010) for instance using NGO expertise to come up with a new product process or joining efforts with NGO to undertake a conservation project.

According to Graf et al., 2012 firms want good reputation which they can only get sometimes if they partner with NGOs as NGOs are trusted more by consumers than the firms. By gaining good reputation firms are able to stay alive and maintain their customers and be prepared for new legislation. On the other hand NGOs want financial resources to be able to further their mission and to get managerial skills which are well advanced at firm level due to their profit oriented business model. To measure success of collaboration between firm and NGOs is hard since reputation and legitimacy are hard to quantify (Graf et al., 2012). The fact that NGOs have political and social power while firms have the economic power in terms of finances is a recipe for success of a partnership.
Firms and NGOs have different ingredients which are needed to solve social issues.

Graf et al, 2012 on their study on the motivation that drives the collaboration between NGOs and firms and its factors for success and threats highlight that for a collaboration to be successful the management must be committed to make it work and prior knowledge on partnership even between firm and firm can help for success. Trust is essential for any partnership to work. Joensuu et al, 2015 highlight that trust between firms and NGOs is on the rise in the case of Finnish society. The management of both the firm and the NGO need to identify at all-time how to create value from the partnership and at the same time setting clear value expectation from the collaboration (Austin, 2000).

Collaboration success is also influenced by the strategic bridging capabilities of the involved partners. Stafford et al, (1998) define strategic bridging as the ability to negotiate and build social networks by a firm or an NGO. The ability to negotiate and build social networks as highlighted by Stafford et al, 2008 is a support to claims by Graf et al, (2012) on the need for previous experience on partnerships. Austin, (2000) highlights some question which the firm and NGO should consider before getting into any strategic alliance; why to collaborate, what type of collaboration, with whom, when to collaborate and how. These questions will help in making the right decision to be able to go on with a well-established partnership.

Shumate et al (2010) give the things to consider before choosing an alliance partner. They list one to consider the economic capital by NGOs to run a certification program if the NGO plans to offer the same, social capital owned by the partner through relationships, political capital to influence stakeholders and legitimacy. Bigger NGOs have more influence stakeholders than smaller NGOs and this for instance can affect the choice for an alliance partner. Firms are more likely to select an NGO which can offer triple bottom line which includes economic capital, social influence and environmental improvement (Shumate et al, 2010) which is a shift from the previous single financial ‘bottom line’ (Slim, 2002).

For a collaboration to be a success there is need for the stakeholders involved to be in constant communication even with other stakeholders outside the alliance. The partnership should be clearly focused and given maximum attention which involves meetings or having some employees on both organizations to be responsible of the collaboration. The partnership should be a process with continued learning and having clear goals and knowing where you want it to go (Austin, 2000).
2.4 Alliance legitimacy

The success of alliances or partnerships will highly depend on the perception of stakeholders on the alliances. Firms are more answerable to their stakeholders and most mostly to shareholders; stakeholders’ perception on alliance legitimacy affects its success. Firm NGO collaboration is part of organization stakeholder management strategy and CSR strategy (Shah, 2011). Other stakeholders recognizing the alliance between the firm and NGO give the collaboration legitimacy.

New alliances between firms and NGOs weaken legitimacy (Shah, 2011) as stakeholders perception on alliances will change and start viewing them as brainwashing. There is need for clear goals and reasons as to why the alliance is formed and what it intends to achieve so the stakeholders can recognize it as legitimate and for the better good. Information asymmetry (study of decisions in transactions where one party has more or better information than the other), reputation and green washing have been attributed to many corporations. Firms brainwash consumers and withhold negative information on company environmental and social performance while on the other hand giving information on the achievements they have made for example forming partnerships with NGOs to help in conservation work. In Europe though, activist groups have been active in revealing to consumers on firms with this behavior (Crifo et al, 2013).

2.5 Collaboration challenges

Collaborations can also face threats despite it been advantageous for the firm and for the NGOs for instance cheating by one partner, threats from within the organization mostly from NGOs where members feel their reputation is at risk and threats for legitimacy (Graf et al, 2012, Rondinelli et al, 2003). According to Miguel et al (2010) it is important to take into to account that NGOs aim for public good and this is a challenge as NGOs rely on volunteerism and weaker accountability as compared to firms. This also translates to NGO stakeholders as the accountability is weak. NGOs also have fewer legal reporting (Miguel et al, 2010; Joensuu et al, 2015), auditing requirements and validity checks as compared to firms this can lead to alliances challenges as firms may feel like they are doing more than NGO.

According to Crespy et al (2011) collaborations can face challenges due to the fact that NGOs demand bigger role to implement sustainability programs. This can lead to the firm or its employees feeling left out in the program and opposing it. The firm and even the NGO share same concerns for increased disclosure of or organizational sustainability and its information. This may affect partner-
ships since most of them are concerned with sustainability and environmental issues. Firms are resistant to giving detailed information on their environmental impacts especially on emissions and industrial effluents (negative environmental impacts).

Multinational corporations mostly focus on visible, formal institutions and organizations that imitate from them (Doh et al, 2006). Getting potential partners with whom you share same values and goals is an uphill task as information on availability and suitability is minimal (Austin, 2000). Environmental management in networks faces some barriers which include institutional barriers, economic barriers, organizational barriers and informational barriers. Information barriers include problems of standardization, exchange and control of environmental information. There is need for information to grow together with coordination needs, the more the alliance shifts from just donation to more strategic alliance the more need to share information. Control and access to information creates opportunities for opportunistic behavior (Onkila, 2015) and this creates the challenge for fear of information leak in cases where the actors do not trust each other.

NGOs suffer more if a firm they are working with behaves badly or has a bad reputation (Graf et al, 2012; Austin, 2000). NGOs have greater public trust (Shumate et al, 2010) and this may hinder them from forming alliances with firms for fear of losing the public trust (Rondinelli et al, 2003) while firms are viewed as greedy who are just after profits and will do anything to achieve it. Another challenge experienced by collaborations is when the objectives of the collaborations are met and one partner decides to withdraw from the partnership as was the case with Greenpeace and Foron in Germany (Stafford et al, 1998). Shumate et al (2010) also bring another perspective to this topic and mention that alliances are unable to communicate their values, benefits and legitimacy and they are vulnerable to criticism. If one organization views the collaboration to be of no benefit to it, then it poses a potential danger to the partnership (Rondinelli et al, 2003).

According to Miguel et al (2010) the reliance by NGOs on voluntary action translates to weaker hierarchy as compared to firms where administration levels are clear. The weaker hierarchy is a challenge when it comes to making decisions involving collaborations between the firm and NGO as there is no clear hierarchy level. Firm reputation and competitive position (competitive advantage) can be affected incase the NGO turns against the firm, this brings the need for a governance structure in the collaboration which can lead to contracts and involvement of legal expert in the partnership. The fear of one partner turning against the other also leads to trust issues and limits the scope of information disclosure to the other partner. Information sharing according to Li et al (2006) is the extent to which “critical and proprietary information” is shared. Austin (2000) also highlights the issue of trust and in addition mentions that trust leads to miscommunication and lack of accountability. Rondinelli et al
(2003) concurs with Austin (2000) that mistrust between partners is a big challenge. This could lead to fear of loss of control and the misunderstanding of the motivation and intent of each other.

Table 2. Differences between firm and NGO

<table>
<thead>
<tr>
<th>Difference</th>
<th>Firm</th>
<th>NGO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goals</td>
<td>Profit maximization</td>
<td>Ideological success</td>
</tr>
<tr>
<td></td>
<td>Financial success</td>
<td></td>
</tr>
<tr>
<td>Source of power</td>
<td>Economic power</td>
<td>Societal power</td>
</tr>
<tr>
<td>Resources</td>
<td>Financial</td>
<td>Organizational</td>
</tr>
<tr>
<td></td>
<td>Intangible</td>
<td>Physical intangible</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>Owners, trading partners, staff</td>
<td>Societal donors, clients, staff, individual members</td>
</tr>
<tr>
<td>Decision making</td>
<td>Process hierarchical</td>
<td>democratic</td>
</tr>
</tbody>
</table>

(Adapted from Austin, J. E. 2000)

Firms can be accused for green washing other stakeholders’ for instance environmentally conscious consumers if they collaborate with NGOs (Shah, 2011). NGOs too can be seen as brainwashing firms (Joensuu et al, 2015) to get funding in the name of improving firms environmental image. The actors need have stakeholder interest at hand and to work towards building stakeholders trust on the alliance.

2.5.1 Information sharing

High level trust is critical to ensure information is shared between partners in the network (Chen et al, 2012; Julianne et al, 2011; Li et al, 2006; Hoejmose et al, 2012; Blanchard, 2010). Trust is a set of specific beliefs which deal with integrity, benevolence and ability of another party. According to Li et al (2006) organization see the disclosure of information as loss of power and organization will not share important information with parties who may leak the information. For information to be shared the firm must trust the other party to keep the information safe and only use it for the intended purpose. Some information for instance new products or processes may be hard for the firm to share with NGOs due to fear of loss of competitive advantage.

A major obstacle to information sharing is the potential leakage of valuable information. Trust eases communication as the other party knows the information shared is safe (Chen et al, 2012). Li et al (2006) concurs with this and affirms that the fear for the information been disclosed and the loss of competitive advantage is a big challenge in environmental management in networks. Top management support (Hoejmose et al, 2012; Solér et al, 2010) is needed to allow information to be shared as it provides vision, guidance and support for quality and accurate information. If the management does not allow free flow of information due to fear of losing the competitive advantage then the partnership
cannot be involved in environmental management (Li et al. 2006) and will be of no value to the parties involved in the collaboration.

2.5.2 Shared values

Shared values is defined as explicit beliefs or concepts and principles which determine the culture of an organization and guide decisions been made, employee behavior, management and members of the organization. Lacks of shared values between the partners inhibit information sharing. Firms need to be sure that the partners consider her interests before sharing critical information with them. The firms need to have common values (Chen et al, 2012), goals and policies (Li et al, 2006). For information to be freely shared all the parties need to have common values (Hoejmose et al, 2012). If the relationships in the collaboration are valued information exchange is more likely (Solér et al, 2010). Wassmer et al (2012) also concurs that if the organizations do not share same values information sharing is challenging. The authors even go further to state that organization need to have common vision so at allow open communication which could lead to joint research and development

2.5.3 Information content

Firms use distorted information (Li et al, 2006) to avoid losing firms, product or process competitive advantage. Information is likely to suffer delays and distortion (Solér et al, 2010) is it is transferred in the partnership and this may affect the action to be taken by the other partner. The information shared with the other partner also could be restricted and not self-explanatory making it hard for the receiver to be flexible to the information and to act on it (Cachon et al, 2000). This could lead to decisions made on assumptions when more information could easily be procured.

Another challenge is that Information may be too detailed or in difficult language for the decisions being made (Bennet et al, p232, 2010). This may make the information difficult to understand. Organizations can also distort information deliberately to hide the intent to competing firms and also to the suppliers. Firms different perspective on shared information makes it hard to ensure information flow with the alliance, for instance firms see it risky to allow their knowledge asset to become public and a way to lose its competitive advantage (Madenas et al, 2014). Some of the information shared in the partnership is inaccurate or delayed (Li et al, 2006). Information shared should be quality and should have the right content (Zhou et al, 2007) for the receiver to understand and to be able to make the right decision. According to Solér et al (2010) information should be accurate, timely and properly formatted to ensure there is no misunderstanding on the action to be taken on it.
2.6 Types of collaborations


2.6.1 Arm length relationships/independent value creation collaboration

Arm length partnerships (Joensuu et al., 2015; Rondinelli et al., 2003) also referred to as partnership with reciprocal exchange (Lorenzen, 2012) involve firms supporting employees to participate in voluntary work with NGOs usually in environmental activities, corporate contribution in terms of donations and gifts to NGOs and corporate-NGO marketing affiliation. Marketing affiliation is the use of NGO name or label to market firm product commonly referred to as Eco labels. In return the NGO gets donations which are dependent on firm sales. The firm and NGO had own goals though both parties work together to achieve their respective goals (Lorenzen, 2012).

2.6.2 Interactive relationships/transactional partnership

Interactive relationships on the other hand take place when an NGO certifies a firm business practice and when a firm or company support an NGO project or get involved in an environmental awareness program or partner with and NGO to undertake an educational program commonly referred to as education collaboration (Joensuu et al., 2015). Transactional relationship involves marketing, sponsoring an event, licensing and paid service arrangements (Lorenzen, 2012). For instance WWF and NOKIA have environmental awareness program in the year 2013/2014. The program started with informing NOKIA employees and evolved later to more advanced project for using mobile technology in conservation work. In return WWF has supported Nokia in water strategy implementation and stakeholder engagement while Nokia has supported WWF’s living Himalayas Initiative on security natural freshwater systems (WWF, 2015).

2.6.3 Intensive relationships/strategic partnerships

Joensuu et al., (2015) highlight that intensive management alliance take place when one actor in this case the firm looks for or want a more formal partnership with the NGO to solve an internal environmental issue. For instance the firm may partner with an NGO to come up with an efficient process with less environmental damage. In addition to the relations types by Joensuu et al., (2015) on their analysis on three Finnish companies environmental reports the relationships between firms and NGOs can be purely monetary which is giving dona-
tions, management system for instance in the case of WWF and its green office program or the relationship can be collaborative, dialogic in nature or conflicting type. WWF Green Office is an environmental management system for offices to help minimize their ecological footprint and greenhouse gas emissions at the same time cutting operation cost (WWF, 2015).

A strategic partnership which is the most collaborative in nature type of partnership has economic and CSR value to the organization and it is more involving as a lot is shared by the partners and trust between the actors is necessary. Strategic partnership is the most advanced firm NGO collaboration type and is characterized by exchange of resources, information and efforts which involve personal interactions (Lorenzen 2012). For instance WWF Finland cooperates with Fazer with the aim of biodiversity protection by helping Fazer identify and reduce the negative impacts on biodiversity; in return Fazer supports WWF’s work to promote sustainable use of natural resources and biodiversity protection (WWF, 2015)

2.6.4 Philanthropic partnerships

This type of collaboration involves pure donations where the firm gives donations in terms of charity to help NGOs on their environmental projects. Philanthropic partnership is usually the first stage of collaboration according to Lorenzen (2012) but I differ with the author as this is not the case when the relationship starts in a confrontational basis and both the firm and NGO try to come up with a common ground on an issue. In philanthropic relationship the firm gives donation for instance money, products or services to NGO. The exchange is one way where the company gives to the NGO.

Austin (2000) uses the relationship stage between NGO and firm to cluster them in terms of level of engagement, importance to mission of the two, magnitude of resources use or in transaction, scope of activities, interaction level, managerial complexity, and strategic value as shown in table 3 below;

<table>
<thead>
<tr>
<th>Relationship stage</th>
<th>Philanthropic</th>
<th>Transactional</th>
<th>Integrative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of engagement</td>
<td>Low</td>
<td>average</td>
<td>high</td>
</tr>
<tr>
<td>Importance to mission</td>
<td>peripheral</td>
<td>average</td>
<td>strategic</td>
</tr>
<tr>
<td>Magnitude of resources</td>
<td>small</td>
<td>average</td>
<td>big</td>
</tr>
<tr>
<td>Scope of activities</td>
<td>narrow</td>
<td>average</td>
<td>broad</td>
</tr>
<tr>
<td>Interaction level</td>
<td>infrequent</td>
<td>average</td>
<td>intensive</td>
</tr>
<tr>
<td>Managerial complexity</td>
<td>simple</td>
<td>average</td>
<td>complex</td>
</tr>
</tbody>
</table>

Table 3. Collaboration continuum on partnership stages
<table>
<thead>
<tr>
<th>Complexity</th>
<th>modest</th>
<th>average</th>
<th>major</th>
</tr>
</thead>
</table>

Adapted from Austin (2002)

According to WWF, since all business activities have some kind of impact on the environment, the NGO helps companies to be environmentally friendly in the ways they produce products, services and help them consume less of natural resources and energy while businesses help WWF by using their skills or through donations. WWF help companies in development of environmental objectives and strategies by providing expertise on sustainable production, consumption, climate change and biodiversity.

In collaborating WWF guiding principle is transparency where business and WWF report their cooperation and goals, measurable and agreed objectives of the collaboration and a mutual right to express opinion. WWF collaborates with companies to help the firms in getting sustainable raw materials and greening of supply chain. Companies can financially support WWF’s work for the environment and also support WWF’s work if it allows manufacturers to sell products or services (compatible with WWF values) after the prices has WWF royalty fee included. WWF partners with companies that make only eco-friendly products and services.

2.7 NGO accountability

NGOs have a responsibility to lead by example in terms of legitimacy and accountability. NGO legitimacy depends on their accountability to all stakeholders. The changing work of NGOs from simple conservation projects and community work to more complex projects like reducing poverty, social injustices, challenging corporations, governments and other non-state actors, accountability issues have increased. NGOs need to justify the things their put in the campaign materials, press conferences and private lobbying and prove that the projects they are undertaking are efficient to her stakeholders (Slim, 2002).

According to Chene (2013) publication by transparency international on key features of NGO accountability, maintaining public and donor confidence by promoting accountability standards within an organization is necessary. Accountability is the concept that individuals, agencies and organization are held responsible for undertaking their roles properly. Leen (2006) agrees with Chene (2013) definition of responsibility and defines it in terms of being held responsible and taking responsibility. Slim (2002) defines NGO accountability in details “the process by which an NGO holds itself openly responsible for what it be-
believes, what it does and what it does not do in a way which shows it involving all concerned parties and actively responding to what it learns”

According to Smillie & Helmich (1999), there is need for organizations involved in development cooperation to be accountable not only to donors but also to taxpayers and beneficiaries of their activities. Having clear targets makes it easy to improve on accountability and evaluation.

The number of NGOs has increased since 1960s leading to increased competitive pressure for scarce donor resources with donors demanding for greater financial accountability and program impact evidence (Lindenberg, 2011).

Organizations have the responsibility to be accountable to internal stakeholders, donors, regulatory bodies, organization influenced by NGO activities, ecosystem and external stakeholders. Bendel (2006) on NGO accountability brings the perspective on accountability as to who is accountable, to whom, for what and how. There is an increase in NGO scrutiny and calls by different stakeholders for them to increase efficient, accountability and transparency (Chene, 2013; Bendel, 2006, Vayrynen, 2010). NGOs legitimacy in managing aid resources is tied to their accountability, adherence to mission, process transparency and mandate effectiveness.

In most countries only basic legal requirements are set for running NGOs. In most cases NGO accountability are only through self-regulatory mechanisms and internal procedures or rules set by the NGOs themselves (Chene, 2013). NGOs provide essential services or development assistance to communities hence the growing accountability and transparency concerns. As more firms fund or donate to NGOs to undertake their projects there has been a resource increase i.e. the amount of money to the NGOs, which has led to increased scrutiny and pressure for NGOs to demonstrate that they are using their resources efficiently, with accountability and in a transparent manner.

There are different accounting tools which NGOs can use to be accountable to stakeholders and Chene (2013) comes up with holding community meetings, open procurement for instance use of E-procurement, code of conduct, anti-bribery measures, publishing financial statements and annual reports. There is also global voluntary initiatives which have been established to NGOs in accountability; international non-governmental accountability charter which was launched in 2006 as a voluntary self-regulating initiative and it generally defines common values, policies and practices; Istanbul principles which is an open forum for civil society organization (CSO) development effectiveness, it is a global process established by CSO to create a shared framework of principles defining effective development practices and extensive minimum standards for enabling environment for CSO. Other initiatives include; global reporting initiative which provides for sustainable reporting and international aid transparen-
cy initiative which provides information on aid, spending and a common reporting standard.

According to a UN report by Jem Bendell (2006), the author notes that the increase on accountability calls is due to the increased financing to NGOs. Between the years 1975-1985 for instance official government aid to NGOs increased by 1400%. Accountability on developing nations is more complex since most of the funding come from abroad, for instance in Kenya over 90% of NGOs get operational and capital expenses from abroad. Keeping track on how much money the NGOs are receiving and how much is used efficiently is a challenge. Most NGOs see accountability as expensive as it uses resources which would have otherwise been used on projects or to raise the living standards of the poor. NGO accountability is not as serious as it is the case with government and businesses that have to be accountable to the electorate and stakeholders respectively.

Mission driven accountability is often to people intended beneficiaries with little influence or power over the organization. Bendel (2006) criticizes this kind of accountability and calls for more comprehensive accountability measures. In the case of NGOs the general public is not aware or interested on NGO accountability as the common good of NGOs is well established. Donors as NGO stakeholders are more interested in NGO accountability in terms of project efficacy i.e. easy to measure the success, report, read and decide.

Bendel (2006) list different ways which can be used by NGOs to improve their accountability which are mainly within the organization; openness when electing of board members, open board appointment, monitoring and evaluation, code of conduct, use of certification or external auditors, ratings, reporting and dialogue. Leen (2006) concurs with Bendel (2006) that accountability issues on non-governmental development organization (NGDO) are on the rise due to increased budget allocation and adds that other reasons for the increase are growing public and political interest, strategic engagements and greater scrutiny and critic of NGO operations. NGOs tend to be more accountable to donors than other stakeholders in terms of performance. The government is the best critic on NGOs and they have been accused of terrorists financing as the case in Kenya. There has been an increase in regulatory initiatives on NGO accountability for example use of code of conduct (Bendel, 2006).

Accountability increases NGOs legitimacy especially among policy makers and the general public, this in turn gives NGO the public trust which is their important asset. NGOs have always enjoyed the fact that they are accorded the presumption of moral authority and seen to be driven by good values in their activities. NGO accountability is better explained using the stakeholder theory where everyone has the right to accountability if affected. In the case of NGOs the stakeholders involved or affected are upward stakeholders (donors, government and foundation), downward stakeholders (beneficiaries, environment
and clients), inward stakeholders/staff and horizontal stakeholders (peers and for sectorial reputation). Leen (2006) also recommends different accountability mechanism; use of reports to disclose information, public participation and consultation, self-regulation, code of behavior and through social auditing which is a process through which and organization assesses reports and improves upon its social performance and ethical behavior through stakeholder dialogue.

According to Keystone (2006) accountability issues have become central to NGOs and donors and their collaborations. NGOs accountability has raised concerns in the last couple of years as many people see the gap between the talk and the walk in terms of NGO accountability. Reports given by NGOs on accountability usually give so much data which is not useful for learning and improving. Most donors still have the perspective that NGOs are good organizations and thus accountable. Donors should push NGOs to have downward accountability which is often ignored due to less stakeholder power but at the same time they should reduce transaction cost of accountability and bureaucratic requirements.

NGOs have weaker accountability towards her stakeholders as compared to firms due to her noncommercial operations (Miguel et al, 2010). As compared to firms, NGOs have fewer legal reporting requirements, auditing requirements, validity checks requirements and NGOs managers are less accountable to stakeholders as compared to corporations’ managers or chief executive officers. NGOs may lack legitimacy since they do not act on their organization on things they demand firms to act on for instance reporting (Joensuu et al, 2015). Austin (2000) on his article on the collaboration challenge and how nonprofits and business succeed through strategic alliances notes that there is need for NGOs to operate businesslike just like firms by being accountable to all the stakeholders and reporting on their operations. WWF Finland for instance aims to be transparent and the organization does this by report publishing on interaction with businesses

According to Olesen et al., (2013), Finnish NGOs implementing projects jointly with government bodies usually sign an agreement creating room for joint accountability. For NGOs working abroad with partner countries, the Finnish NGOs are required to submit periodic reports annually on their overall operations. However, joint accountability mechanisms between Finnish NGOs and partner countries are missing.
3 DATA AND RESEARCH METHOD

Methodology gives details of the research process: what is to be done, how and why and makes it possible to be able to answer the research questions put forward. (Eriksson et al, 2008). In this research I intend to interview environmental NGOs which have some form of collaboration with firms or are affected by the development aid budget cut. An NGO is a social, cultural, legal and environmental advocacy group whose goals are non-commercial (Kourula et al, 2010).

In this research, the theoretical framework or the literature review was studied from available materials in scientific articles related to NGOs and NGO operations, NGO and firm partnerships, CSR in general and in Finland, public policy, types of partnerships and on accountability. The data to be on development aid budget effect on NGOs was collected through interviewing eight different NGOs in Finland. The interviews were done through face to face conversation, Skype and phone calls. The data used was retrieved from the interview responses which were all recorded.

In this research qualitative analysis will be used due to its effectiveness in getting the results of a case study. Qualitative analysis involves collecting data either in verbal or written form giving good insight on individuals, events or experiences (Ogden et al, 2010) it also relevant research method according to Eriksson et al (2008) it is recommended when prior insight on the topic are modest.. The research also plays an important role in bringing the interpretation and interacting with the participant.

The adoption of a case study is common as there is a tradition of using real life cases in business teaching. According to Erkisson et al., (2008) a case study is an exploration of bounded system usually defined in terms of time and place over time and through a detailed, in depth data collection which involve multiple information sources. The use of case study is popular due to its ability to present complex and hard to understand issues is personal and easy format. Case studies though despite been common have been criticized to lack scientific rigour. Case studies research is used as a research strategy when addressing organizational or business issue. In the research the use of budget cut on NGO organization is an organization issue on how the organizations deal with the budget deficit. This research uses intensive case study research where the impact of budget cuts is studied in a unique way and providing a thick, holistic and contextualized description.

Intensive case study emphasizes interpretation and understanding of the cases as well as elaboration of cultural meaning and cultural meanings and sense making processes in specific context. The main aim is to understand and explore the case deeply and develop understanding from the people studied, in this research the NGO representatives. The use of budget cut case on NGOs in
Finland is a unique one since Finland has been at the forefront in advocating for development aid before the cut came into effect for the first time history. In this research the case will be used as an instrument to allow the researcher to generate knowledge extending beyond the case itself. The case of budget cut is used in this research but the research extends to understanding and creating knowledge on its impact on NGOs (Eriksson et al., 2008).

This case qualifies to be a case study as it fulfills some general features of a case study. According to Eriksson et al., (2008) a case involves studying an employee, manager or customer of an organization. The research studies the immediate impact of budget cut on NGOs and the strategies they took after the same within a period of less than a year. In this case I study the impact of budget cut on NGOs on their operations and strategies and narrate on the same.

The interview questions which guided the conversation with the NGOs can be found at the appendix section of the thesis. It is worth noting that the conversation and the question during the interview were determined by the type of NGO and what kind of activities they undertake. For instance Green peace does not get any funding from the ministry of foreign affairs so its impact on the organization response was left out but the organization has worked with firms in terms of partnerships. Siemenpuu foundation on the other hand has no any connection with firms but gets its funding from the ministry so the organization is affected by the budget cuts.

The interview questions were guided by the research questions and were based on the impact of budget cuts, the NGO strategy on the same and their preparedness. The interview questions also studied on how the NGO was working with firms and their views on the same.

3.1 Civil societies and firms relation in Finland

Civil societies in Finland started their formation in end of the 18th century. This period saw the rise of charitable work due to poverty and saw the formation of numerous associations. In the 19th century, there was rise in trade union activities and public activities mainly on education sector. The period also saw the start of women groups, sports movements, youth groups and religious association. This period saw the start of Finnish development cooperation which the introduction of missionary work by organizations. In the 1960s with the rise of welfare state and expansion of state’s duties gave rise to advocacy and special interest groups which also led to dialogue with government. The same period saw an increase in concerns for the poor in developing nations as televisions
brought news to the people. From 1974 onwards CSOs became Finland’s official development cooperation and also government funding increased. In 1980s and 1990s civil societies activities began to break away from party politics and funding for organizations shifted from annual subsidies to separate grants and project funding. This in turn led to CSO aligning their activities with strong international links. There are around 135,000 registered associations in Finland which is a large association activity compared to the country population (Seppo, 2013)

The state funded by providing support to about 150 organizations by giving grants to 650 projects in 103 countries. CSOs also get boost their funding through fundraising. “Fundraising is linked to money collection legislation under the money collection act which requires a permit when collecting non subscription money by public appeal” Seppo (2013)

Associations in Finland have the words “Rekisteroity yhdistys” (ry) at the end of their name which refers to “registered associations”. After the law of association of 1919, more than 190,000 associations have been registered in Finland and they all share a complementary and supplementary role with the state (Zuhal C, 2012)

CSOs working with businesses create opportunities for realizing their aims and getting more funds. For firms, charity work is not enough as they want to work with NGOs who are able to carry out key operations (Seppo, 2013). To many Finnish companies CSR means compliance with laws, environmental responsibility, doing what is right, transparency, openness, trust and addressing stakeholder concerns. Most firms are driven to CSR due to globalization for companies going abroad, confederation of Finnish industries and employers, employees and pursuit for sustainable development. Most firms in Finland collaborate with NGOs with missions or operations outside Finland in education, youth development sectors in by giving grants, donations and inform of charities (Panapanaan, 2003). Any state owned company or any firm where the state of Finland has majority shareholding is required to compile CSR report (Weber, 2013) which in turn exposes the firm to public scrutiny which forces the firm to act sustainably. Joensuu et al (2015) though view sustainability reporting as a way by corporations to gain legitimacy by green washing stakeholders.

According to Weber (2013) Finland wants to be a forerunner in CSR and already there is a CSR action plan. In 2011 CSR was integrated in central government program a move which required Finnish companies to be in forerunners in CSR activities. In Finland NGOs are active and usually attract public interest on CSR issues. Civil societies in Finland are essential and integral in Finnish development cooperation, this is due to the fact that they make grass root cooperation effective (Vayrynen, 2010) and help in achieving millennium development goals (MNGs) in developing nations (Lehtomaki, 2006).
According to Kourula (2010), CSR in Finland has changed gradually from a philanthropic tradition towards a comprehensive management of sustainability and most Finnish companies view CSR as a competitive advantage. The main areas firms in Finland pay attention on CSR issues include sustainable consumption, climate change and environment and employees rights. Legislation has forced many firms to adhere to CSR practices on employment, accounting, environmental protection and social security.

In 20th century Finland developed extensive and comprehensive welfare state where social policies were towards provision of social services and services within this framework. In 1990s the government understood the importance of economic actors in solving social issues firms (Albareda et al, 2007). In Finland social responsibility has been active for over fifty years when industries were at the center of society through building schools and other public utilities before national government took over the role. Austin (2000) agrees by the responsibility shift and notes that the federal government is no longer looked at as the main source of solution to problems. Support for NGOs by the Finnish government started in 1974 with only ten organizations (Lehtomaki, 2006)

According to a study by Panapanaan (2003) which was carried out through interviewing Finnish companies, CSR to the companies means compliance with set legislation, been environmentally responsible, it is a global phenomenon, involves doing what is right, transparency and honest. Many firms also believe CSR is a stakeholder concern. Most Finnish companies have a code of conduct mostly on ethics, human rights, conflict of interest, gift and bribes, workplace practices and interestingly on respect for environment and service to society. According to Weber (2013) in Finland the focus has mainly been on labor rights of the employees.

According to Vayrynen (2010) on a report for the ministry of foreign affairs Finland titles guidelines for civil society in development policy, notes that the ministry of foreign affairs encourages civil societies to form partnerships with both local administration and private sector. Some Finnish companies have CSR activities outside Finland and they range from educational programs, youth development programs, donations, grants, charities and partnering with NGOs to undertake development projects (Panapanaan, 2003). According to a survey conducted my FIBS on sustainability issue on 1000 large Finnish companies, environmental issues are the third most relevant corporate responsibility theme after operating practices and labor practices or rather employees’ welfare (FIBS 2015).

Finnish companies or corporations invest mainly on environmental issues as part of their practical investment for instant energy saving. Brand building is the main reason why the companies put investment efforts on sustainability as long as the economy is growing and the company profits are good. This was evident from the FIBS study where companies cited recession as a factor which
affects investments on sustainability by them. It is interesting that according to the study by FIBS, profitability is not basis for companies to invest in sustainability rather cost saving is the main factor. This explains why most companies are investing on energy saving (FIBS, 2015).

According to Finnish government resolution on CSR of 2011, CSR is the responsibility for the environment, workers, consumers, local community, stakeholders and other aspects which exceed minimum legal requirements. The resolution is of notion that CSR is the responsibility of an organization for its impacts to the society. In Finland CSR issues are openly debated and there is willingness to work together to get solutions. The government resolution is an indication of commitment to UN policy process for economically, environmentally and socially responsible sustainable development. The Finnish government encourages Finnish firms to take up at least one international CSR project. According to Lehtomaki (2006) organizations are encouraged by the ministry of foreign trade and development to cooperate for knowledge sharing and to develop projects through mutual interactions and training.

According to KEHYS ry (2010) which is an NGO platform for Finnish NGOs to EU on their publication on Finnish NGOs, climate change and development cooperation climate change is the main issue in development cooperation of Finnish NGOs. The ministry of foreign affairs which is also in charge of NGO funding calls for climate change issues to be taken into account in development cooperation. To most ENGOs in Finland, energy efficiency projects, agriculture, disaster risk reduction projects and water projects are the main aspects which the NGOs operate on.

According to a development communication of 2009 by the ministry of foreign affairs there is the basic principle that environmental perspective should be the main focus area in all of Finland’s development cooperation. Environmental perspective according to the communication covers a wide area including women and vulnerable groups and good governance. The ministry priority on its funding considers climate change and environment as priority sectors and this can be supported by the fact Finland is a signatory to over 100 international environmental agreements. NGOs plays a crucial role to attain this goals and they have the expertise to use in ecologically sustainable development in developing nations and they act as a compliment in public development cooperation in providing a direct connection to grass-root level.

Development cooperation assistance for NGOs is divided into projects support for small and medium sized organizations. Sufficient resources and experiences in an organization are needed within an organization to get project support. To qualify as an NGO the board of directors should have at least three members and thirty members, less than thirty members is allowed in case the organization has previously been successful in a certain project (Lehtomaki, 2006)
In Finland NGOs are supported through three instruments by the ministry of foreign affairs; NGO instrument (provided project grants to Finnish NGOs), international NGO instrument (provided grants for international NGOs) and Local co-operation fund instrument (Administered by Embassies of Finland and provided grants to local NGOs in developing nations. (Olesen et al., 2013). Most Finnish development NGOs employ professional due to growing demand for professionalism. Finnish NGOs get almost 58% of their income through self-generation while 36% comes from state subsidies. Finnish NGOs enjoy a well-established public credibility and position in the political system.

Table 4. NGO instrument support 2006-2012 (Adopted from Olesen et al., 2013)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of projects</th>
<th>Total disbursement (million euros)</th>
<th>NGOs total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>541</td>
<td>67.56</td>
<td>129</td>
</tr>
<tr>
<td>2007</td>
<td>686</td>
<td>77.85</td>
<td>157</td>
</tr>
<tr>
<td>2008</td>
<td>1,068</td>
<td>90.96</td>
<td>199</td>
</tr>
<tr>
<td>2009</td>
<td>1,043</td>
<td>105.02</td>
<td>180</td>
</tr>
<tr>
<td>2010</td>
<td>1,149</td>
<td>103.99</td>
<td>202</td>
</tr>
<tr>
<td>2011</td>
<td>934</td>
<td>112.56</td>
<td>207</td>
</tr>
<tr>
<td>2012</td>
<td>955</td>
<td>109.95</td>
<td>176</td>
</tr>
</tbody>
</table>

According to Olesen et al., (2013), allocation of funds through international and national NGOs to complement activities of national governments is an important element of Finnish development operations.

According to Seppo (2013) civil societies organizations (CSOs) in Finland getting sufficient resources is a key challenge. The funding terrain is changing and has become more commercialized and successful fund raising requires the CSO to be able to package activities of the organization for each different sponsor. CSOs are devoting more time to secure funding but there is need to have in mind the boundaries of their operations.

3.2 Research philosophy

Research projects have philosophical aspects and questions that are in the research method and methodological approach. Many researchers fail to state the philosophical view point of the research, implying that they find philosophical questions as non-relevant or view their philosophical position known. By exploring the philosophical concept helps in making decision about issues that affect the research design. Some of the key philosophical concepts are antology,
epistemology, methodology, methods and paradigm. Methodology gives how knowledge on an issue is produced and methods gives on the ways data is collected and analyzed. In this research the method of data collection uses interviews while the method of data analysis uses thematic analysis.

According to Erkisson et al (2008) it is important to have knowledge of the basic philosophical concepts and ideas for the research. Different people have different antology which is the perception and experiences different for each person and change over time and context. The research will try to come into a deeper understanding of the relation between budget cuts and NGO firm collaboration. Much of qualitative research focuses on human actions and understanding, interpretation is an important part in qualitative research. Understanding of human intention in this case the researcher is needed. The researcher in this case intends to study how budget cuts affect NGOs on their strategies and operations.

3.3 Research design and case study

Defines how the thesis approaches the research, the stages, process and data analysis and tools. Research design covers theoretical design, methodological choices, data gathering, analysis and writing process. The questions asked during the interview were formulated with the aim of getting the answers to the research questions. The selection of the research topic on the changing landscape of CSR in Finland due to development aid budget cut was guided by the research questions on how budget cuts force NGOs to seek collaborations with firms.

The research is designed around one study case to examine the impact of budget cut on NGOs. The research is both longitudinal and cross-sectional designed. The time frame for the change studied was immediately the government announced of the budget cut to the period it was implemented. This makes it possible to study how NGOs reacted after the announcement and how they prepared for it and how they managed to operate after the budget cut. The longitudinal study covers the period from the announcement by the government to the time the interviews were done while the cross-sectional study covers the NGOs reaction to the budget cut.

In total eight NGOs were interviewed and were represented by either an employee or a board member.
Table 5. NGOs, persons interviewed and interview type

<table>
<thead>
<tr>
<th></th>
<th>NGO</th>
<th>Person interviewed</th>
<th>Interview type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Finnwatch</td>
<td>Suija Vartiala (Executive director)</td>
<td>Telephone</td>
</tr>
<tr>
<td>2</td>
<td>Greenpeace</td>
<td>Juha Aromaa (communication manager)</td>
<td>Face to face</td>
</tr>
<tr>
<td>3</td>
<td>Friends of the earth</td>
<td>Liisa Uimonen (Board member)</td>
<td>Skype</td>
</tr>
<tr>
<td>4</td>
<td>Japa ry</td>
<td>Kati Kankainen (coordinator)</td>
<td>Email/telephone</td>
</tr>
<tr>
<td>5</td>
<td>KEHYS ry</td>
<td>Juusi Kanner (Advocacy officer)</td>
<td>telephone</td>
</tr>
<tr>
<td>6</td>
<td>Shalin ry</td>
<td>Peter Kuria (Director)</td>
<td>telephone</td>
</tr>
<tr>
<td>7</td>
<td>Siemenpuu</td>
<td>Marko Ulvila (Chairperson)</td>
<td>Face to face</td>
</tr>
<tr>
<td>8</td>
<td>WWF</td>
<td>Kati Malmelin (Director, corporate relations)</td>
<td>Telephone/email</td>
</tr>
</tbody>
</table>

The selection for the NGOs was based on their operations and if they have some environmental role in their operations. The selected NGOs either had environmental projects or were involved in advocacy work related to environmental issues and human rights issues. The selecting the person to interview in an NGO, the person capability to answer the interview questions was considered and their knowledge on the NGO strategies and operations. The NGOs were first contacted through email to request for interview from the contacts provided in their webpages. There was on average five email exchanges before settling on the date and time and getting the right person to do the interview.

Case study:
In the 2016 draft budget, EUR 498.1 million is to allocated for actual development cooperation which is EUR 300 million less than in 2015 allocation (. For financial investments, the draft budget allocates EUR 130 million more than in 2015. The 2016 budget draft proposes EUR 65 million for NGOs which affects NGO funding budget. The cuts for NGO organization is to be implemented by reducing the annual support by 38%. The annual application round for project support for small and medium sized organization usually NGOs which was underway in 2015 is to be interrupted and open again in 2016 (MOFA, 2015). All the cuts combined would add up to 43% compared to 2014 development cooperation allocation (the Guardian, 2015)
According to the government’s budget proposal, the allocation for development cooperation will be subject to EUR 200 million cuts annually beginning 2016. EUR 130 million of grant aid will be converted into loans and capital investment and given to developing countries through organizations committed to CSR. The government also stopped channeling of revenue from emissions trading into development cooperation which also results to revenue decrease for development cooperation (in 2014 for instance revenue emission was EUR 69 million). In 2015, the development cooperation disbursements decreased by EUR 68 million compared to 2014. The disbursements though almost doubled from 1990s to 2015 (EUR600 million to EUR 1.16 Billion in 2015) (MOFA, 2016)

3.4 Data collection

The research is qualitative in nature so both primary data and secondary data will be used. In this study data collection was carried out through semi structured and open ended questions. Semi structured interviews outline topic, issues or themes, but variation in wording and sequence; both what and how questions while open ended questions give freedom to move the conversation in any direction of interest that may come up; both what and how questions. Semi structured interviews give room to vary the order and wording of questions and are somewhat systematic and comprehensive, and the tone is fairly conversational and informal. Open ended interview allows one to move the conversation in any direction of interest that may come up. The interview provides more insights which the researcher may not have anticipated.

Interviews involve a series of questions and answers and the researcher should give the reason for the use of interviews (Erkisson et al., 2008). The use of interviews on NGOs was the preferred means to collect data as the case of budget cut in Finland is new and getting information on its immediate impact on NGOs, interviewing the NGOs was the best way as interviews are efficient and practical way of collecting information. Positivist interviews are used in this research as the research studies a process of organizational change (Erkisson et al., 2008). For secondary data the research utilizes written materials which include academic articles, books, reports, previous thesis, newspaper articles and websites information of different organizations. During the interview session field notes were taken and recording of conversation also.

Interviews often take place face to face, but telephone, online using computer technology is also used (Erkisson et al., 2008). The interviews were done through face to face discussion, through Skype and telephone interviews. The data collection took time as to be successful in getting interview meeting involved several email exchange of emails as also noted by (Meho, 2005). The use of Skype and telephone interviews was preferred as most NGOs had their offic-
es in Helsinki and the employees were all based there. According to Erkisson et al (2008) the use of information technology tools like phone calls and video conferencing tools like Skype is unavoidable in this decade due dispersed offices, meeting individuals who are busy, directors of NGOs, cost and flexibility of the interviewees. The content of the interviews was aimed at examining the impact budget cuts have on the NGO, how the NGO views working with firms, its experience on the same and the adopted strategies after the budget cut.

3.5 Data analysis

For this research, the collected data is analyzed using thematic analysis. The themes used were gathered from the data collected from the interviews and interviewed organization web pages. According to Yardley et al., (2004) thematic analysis is data analysis method focusing on themes identified from the data and patterns. A theme represents a specific pattern got from the data and they represent a key about the data towards answering the research questions.

Thematic analysis is often used to analyze data in primary qualitative research (Thomas & Harden, 2008). Three main themes from the data were identifiable and will be used in this research; advocacy role, strategic partnership and fundraising. The themes were chosen as they appeared in all organizations interviewed. Thematic analysis pays more attention to the qualitative aspect of the analyzed data. The selection of the themes is influenced by the researcher knowledge on the topic and in this research the themes selection from the data was influenced by the research questions and task. The selection of data to code depends on the topic, the research questions and the purpose of the study. Coding is done with the aim of answering the research question to avoid coding any identifiable data. Though coding data usually tends to select certain themes in data and leaving others which are not related to the research question, but data coding helps the research to analyze specific themes in data in more detail (Yardele et al., 2004). To identify the themes, the author read through the notes made during the interviews and listened to the recorded interview conversations. Further data for analysis was collected from the interviewed NGOs website on any information given after the budget cut. To be able to study the impact of budget cut, the strategies of the organizations, projects and operations were studied before and after the budget cut.

The typology by AbouAssi (2013) on how NGOs react to changing strategies by donors will be utilized. According to the author, NGOs can react differently when the donor changes the funding strategies; the NGO can exit the relationship with the donor, the NGO can try to influence the donor relation and try to
reach a common ground, the NGO can comply with the donor and continue the relationship or the NGO can adjust and try to cope with the new donor strategy to continue secure funding.

3.6 Limitations

The use of telephone interviews means that the researcher was not able to take note of social cues for instance facial expression and body language but other social cues like voice and intonations are noticeable. The research quality in this case is dependent on individual skills of the research. The research involved interviewing people who English is not the first language and this could at times lead to misunderstanding of the questions (Meho, 2005)
4 RESEARCH FINDINGS

4.1 General information

Eight different NGOs were interviewed. The research finding of each NGO will be given separately for clarity and in detail. Some basic information about the NGO will be given and the finding of the interview according to the responses given. The research findings are given in table form for easy comparison with other NGOs.

Siemenpuu Foundation is a NGO founded by fifteen other NGOs in 1998. The NGOs provides support to civil societies undertaking environmental work in developing nations. The budget cut for 2015 reduced its budget for 2016 from 2.2 million to 1.25 million euros and the NGO is supporting over 100 projects worldwide with funding from 10,000 to 100,000 euros. The NGO expected budget cut due to the political parties manifestos before the elections but they anticipated a 20% budget cut. Since the organization funds small projects, accounting for efficiency is difficult and most of the funding end up in transaction cost (Ulvila, 2016)

The second NGO interviewed was Japa ry a local non-profit and politically independent association promoting sustainable development based in Jyväskylä region and set up by local residents. Japa ry activities include planning and implementation of various local-level projects and events related to sustainable development. The organization works in close co-operation with local residents associations and the city of Jyväskylä to promote cycling, energy saving, waste recycling and water use reduction (Kankainen, 2016).

The third NGO which participated in the research was KEHYS ry which is an NGO platform for NGOs on EU development policies representing 39 NGOs in Finland. The organization gives information and advice on EU funding and how to apply for them. (Kanner, 2016)

The fourth NGO interviewed was WWF Finland which is one of the largest and most experienced conservation organizations in the world. WWF world has more than 5 million supporters and it is active in over 100 countries. WWF at the moment is running several projects in Finland; Finnish nature project, Baltic Sea project, ecological footprint and international development currently run by WWF Finland. The fifth NGO which was involved in the research is Friends of the earth Finland (maan ystävät in Finnish) which is the world largest grass root network.
Friends of the earth Finland has operations and lobbying in Finland and to some extends on global crisis. The organization is undertaking projects which all involve activities groups and lobbying. Most of the work done by the organization is advocacy work which mainly involve campaigns especially in climate change, community energy (local power productions from a centralized power generation). The organization is also undertaking part in development projects with the global education program where they educate schools on mining impacts so they can think consumption patterns for instance recycling mobile phones. The budget cuts by the Ministry of foreign affairs affected the NGO operation. The NGO has been having money campaign by applying funds from the ministry of foreign affairs communication and global education program funding instrument. The instrument was cancelled in 2015 but it will be is expected to start again in 2016 but more organization will applying making it competitive to get funds of the same. The Ministry of environment Finland where the organization has been getting funding before is also cutting its budget which affects the organization further. Though budget cuts by the government affect NGOs to some extent, most of the work done by NGOs is based on voluntary work so the budget cuts mainly affects bills payment, rent payment and paying for coordinator or the employees employed by the NGO. The organization work on campaigns which relies mostly on volunteers’ still runs smoothly. The fundraising strategy is not there but plans are underway to have a clear strategy on it or to become a movement instead of an NGO with an office or facilities where it operates from.

The sixth organization is Greenpeace Finland which belongs to Nordic greenpeace. Greenpeace strategy on dealing with firms is organized in such a way that the organization first recognizes the environmental problems then finds the big actors contributing to these problems for instance deforestation (palm oil plantation) in Indonesia from biofuels by Neste oil. After starting a campaign which is usually public, the first step is discussion with the business in question then if it does not work then it goes to public campaigns like website or petition which then leads discussions again due to public pressure on the organization. If the situation is difficult for instance the company has invested a lot campaign takes long. The same happens in cases where a campaign is started to remove a certain raw material or chemical from production process and there is no alternative at the time. Some campaign takes shorter like taking toxic materials from textiles since the alternatives are available. Greenpeace for example had a campaign to save Boreal forest valuable trees. Stora Enso which is a Finnish company was getting raw materials from the forest and Greenpeace started campaign to force the company to stop the forest exploitation. Stora Enso wanted to solve the solution and helped to find the solution by working together with Greenpeace. In this case since the solution was easy to get co contract were signed but only a negotiation on how to save the valuable trees led to agreement (Aromaa, 2016).
The Seventh organization interviewed was Finnwatch which is a Finnish organization focusing on global corporate responsibility. The NGO monitors firms operation abroad and researches about them before taking any action on the business. The NGO holds discussion and gives recommendation on human rights issues and responsible tax policies on Finnish companies operating abroad. Usually the firms try to remedy the situation in case the supply chain is irresponsible by forcing the suppliers to do improve on the issues in question.

The last organization involved in the research is Shalin ry, a Finnish NGO with project experience in Africa, Asia and Europe. The organization agrees that to work with businesses or institutions it is easier to have a good relationship with the management as collaborations are easier with individuals. In the case of a business, as an NGO there is need to have a good network at least with one person in the firm. To be able to run collaboration which can lead to development both the firm and the NGO need to have the knowledge on what they aim to achieve. Finnish companies are slow in understanding strategic collaboration with NGO, but if you partner with research institution they have projects which are easier to collaborate and work together (Kuria, 2016).
4.2 Findings

The research findings are given in table form for easy comparison of different NGOs roles, collaborations with firms, funding and budget cut impact.

Table 6. Research findings

<table>
<thead>
<tr>
<th>Advocacy role</th>
<th>Strategic collaboration with firms</th>
<th>Funding from the ministry of foreign affairs</th>
<th>Fundraising from public after the budget cut</th>
<th>Budget cut impact on the NGO</th>
<th>Funding strategy before the cut</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>WWF</strong></td>
<td>Political lobbying to protect the environment</td>
<td>Yes, working with firms, WWF aims to change their behavior and drive conservation results. WWF has three types of partnerships with companies; driving sustainable business practices, communication and awareness raising and philanthropic partnerships - WWF has entered in-</td>
<td>The NGO gets funding from the ministry. Private donation or individuals and businesses funding also part of its budget funding.</td>
<td>Data on NGO strategy not available</td>
<td>The organization adopted a strategic plan to compensate for the cut but the plan is not yet public (Malmelin, 2016)</td>
</tr>
<tr>
<td>Advocacy role</td>
<td>Strategic collaboration with firms</td>
<td>Funding from the ministry of foreign affairs</td>
<td>Fundraising from public after the budget cut</td>
<td>Budget cut impact on the NGO</td>
<td>Funding strategy before the cut</td>
</tr>
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<td>-----------------------------------------------</td>
<td>----------------------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>Advocacy role</td>
<td>to strategic partnership with businesses to be able to make changes on businesses and to raise funds for the conservation work</td>
<td>Data on budget cut strategy not available</td>
<td>Projects still ongoing despite the cut, the full impact of the cut were not addressed in the interview.</td>
<td>The NGOs allows for individuals and firms to become members and pay annual fee to add to the government funding</td>
<td></td>
</tr>
<tr>
<td>Shalini</td>
<td>No advocacy role, mainly undertaking projects in Africa</td>
<td>Collaboration with research institutions mainly organizing forums and seminars where firms can be invited to give presentations.</td>
<td>Ministry of foreign affair funding forms the biggest contribution. Other funding comes from member contributions (individual and organization)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>No advocacy role but organizes events to enlighten the people on Short term for instance event planning, donations - A more strategic</td>
<td>The NGO does not getting any funding from the</td>
<td>No budget cut since no funding from the government</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Shalini**: No advocacy role, mainly undertaking projects in Africa. Collaborates with research institutions mainly organizing forums and seminars where firms can be invited to give presentations.

**Japan**: No advocacy role but organizes events to enlighten the people on short-term projects. The Ministry of Foreign Affairs does not contribute to the NGO's strategy. After the budget cut, no impact was observed on the NGO's funding strategy.
<table>
<thead>
<tr>
<th><strong>Friends of the Earth</strong></th>
<th><strong>Advocacy role</strong></th>
<th><strong>Strategic collaboration with firms</strong></th>
<th><strong>Funding from the ministry of foreign affairs</strong></th>
<th><strong>Fundraising from public after the budget cut</strong></th>
<th><strong>Budget cut impact on the NGO</strong></th>
<th><strong>Funding strategy before the cut</strong></th>
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<td></td>
<td>Advocacy role, monitors companies and their impacts and petitions them or organize demonstrations.</td>
<td>No collaborations with firms, critical NGO and not working with firms at the moment. But they have had campaigns against companies - work with other NGOs for instances Finnwatch and Greenpeace especially in lobbying and campaigns operating supported by the government of Jyväskylä municipality in organizing events for the residents. Firms can contribute to support the events.</td>
<td>The NGO is funded by the ministry of foreign and also gets funds from the ministry of environment (Uimonen, 2016)</td>
<td>Yes, started working groups to work on fundraising</td>
<td>Discussions underway to become a movement rather than an NGO which have facilities to operate from. By becoming a movement the NGO will cut costs associated with having an office for example.</td>
<td>sustain-able transport for in- stance cycling and lobbying against general vandalism</td>
</tr>
<tr>
<td>Advocacy role</td>
<td>Strategic collaboration with firms</td>
<td>Funding from the ministry of foreign affairs</td>
<td>Fundraising from public after the budget cut</td>
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<td><strong>Advocacy</strong></td>
<td><strong>Role</strong></td>
<td><strong>Strategic collaboration with firms</strong></td>
<td><strong>Funding from the ministry of foreign affairs</strong></td>
<td><strong>Fundraising from public after the budget cut</strong></td>
<td><strong>Budget cut impact on the NGO</strong></td>
<td><strong>Funding strategy before the cut</strong></td>
</tr>
<tr>
<td><strong>Greenpeace</strong></td>
<td>Advocacy role characterized by public campaign especially on companies</td>
<td>Yes, involves working together to come up with a solution to an issue but the partnership does not involve getting donations</td>
<td>To maintain its independence and avoid external influence the NGO does not get any funding from the government.</td>
<td>No budget cut but gets its financing from individual donations and not organization</td>
<td>Not affected by the cuts</td>
<td>Individual donations only supported the NGO budget</td>
</tr>
<tr>
<td><strong>Finnwatch</strong></td>
<td>Advocacy role especially for Finnish firms working abroad on human rights issues for instance child labor.</td>
<td>Yes, monitoring Finnish firms abroad on global tax and human rights then giving recommendation on the same</td>
<td>Funded by the government.</td>
<td>Yes, the budget cut resulted in 50,000-100,000 budget cut; the fundraising kit raised over 50,000 euros</td>
<td>Data not available, the cut to affect the NGO to some extend</td>
<td>Supported by the government and citizens in terms of individual donations</td>
</tr>
<tr>
<td><strong>KEHYSry</strong></td>
<td>Advocacy role and policy work characterized by public</td>
<td>No collaboration with firms but encourages NGO members</td>
<td>The NGO gets its funding from the government</td>
<td>Data not available</td>
<td>Data not available, organized demonstration to force</td>
<td>Supported by the government</td>
</tr>
<tr>
<td>Advocacy role</td>
<td>Strategic collaboration with firms</td>
<td>Funding from the ministry of foreign affairs</td>
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<tr>
<td>campaigns</td>
<td>to work with other stakeholders.</td>
<td></td>
<td></td>
<td>the government to withdraw budget cut. The budget cut effect on NGO operations not clear at the moment of the interview.</td>
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<tr>
<td><strong>Siemenmenpuu</strong></td>
<td>Not part of the organization goal but participates in advocacy role if requested by founding organization</td>
<td>No, some cooperative strategy with other NGOs. Lack of collaboration with firms due to lack of interest of firms to work with NGO on environmental issues according to the NGO</td>
<td>Government funding for its entire budget.</td>
<td>Plans underway for fundraising applied for fundraising permit from the police</td>
<td>Plans underway for fundraising applied for fundraising permit from the police supported by the government</td>
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<td>-laying off workers (reducing the num-</td>
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<td>ber of workers)</td>
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<td>Advocacy role</td>
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- Reduction of the number of working hours in a week
- Member organizations reluctant towards fundraising due to competition
- The number of personnel.
- No new projects
- Postponing projects
- Making two year contracts with funded NGOs instead of three years due to budget uncertainty
<table>
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<tr>
<th>Advocacy role</th>
<th>Strategic collaboration with firms</th>
<th>Funding from the ministry of foreign affairs</th>
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<td></td>
<td></td>
<td></td>
<td>NGO is of the view that budget cut is short sighted and sees development aid as part of globalization</td>
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The interview data is classified into three themes which were identifiable from the interviews; NGOs working in collaboration with firms, NGOs supporting their budget from public funding and they type of work the NGOs undertakes either advocacy or undertaking projects.

### 4.2.1 Collaboration with firms

NGOs are encouraged to work in collaboration with other stakeholders and actors especially with other NGOs and the ministry of foreign affairs which is responsible for funding. There seems to be no clear interest on how NGOs can work with firms.

“we encourage our members to form collaboration with other actors but not really with private sector, but mostly with academia and ministries...” (5)

“We work mainly with registered NGOs and community based groups. We have not had company collaboration...firms invite NGOs if it suites them but most of them are profit oriented” (7)

NGOs mainly work with firms to raise funds for their projects and at the same time help firms to become more sustainable. NGOs have the expertise to help
firms to conserve energy and water in their facilities. Firms with strategies to improve on their sustainability are more likely to partner with an NGO to help them on environmental issues while at the same time finance conservation projects been undertaken by the NGO. NGO can also give recommendations to firms to help them solve a certain issue may be on human rights issues by giving solutions to the firm.

“We work with the same principle in all countries on working with businesses. WWF wants to be transparent and publishes report on why we work and how we work with businesses in Finland. Working with business is strategic to us for companies to be more sustainable and raise funds for conservation work” (8)

“We give recommendation to firms and help them remedy human rights issues and responsible tax…” (1)

Some NGOs have a critical strategy on how they deal with firms. The NGOs usually investigate firms’ environmental issues or any other corporate issue and bring the issues to public debate. This is a strategy which is adapted by NGOs which are of the view that firms have more power in case the issues at hand are discussed in board rooms. The use of public or consumers is seen to be more efficient so as to force the firms to address the issues to avoid consumers from buying products or services from competing firms.

“We are critical NGO and we have campaigns against some companies and corporate power structures. We have tried to be in touch with firms but our principle is to bring issues to public and discuss them publicly... for instance in Stora enso we own shares so we go to annual meeting and monitor them” (3)

NGOs can also adapt both a strategic and critical approach when dealing with firms. The strategic approach applies when an NGO learns about the firm environmental issues then tries to give recommendation to the firm as a solution. The firm may remedy the situation with the help of the NGO or if there are no immediate solution the NGO may adapt a critical approach where it takes the debate to the public in terms of campaigns against the firm to force the firm to act.

“We try to recognize the environmental problems then find the big actors who can also find solutions...when we start we campaign we discuss with the company then public campaign for instance petition...sometimes we see firms with same goals with us and work together to solve an issue...it can be a decade long confrontation with companies or just one meeting depending on the issue at hand…” (2)

Many NGOs are finding it hard to work in collaboration with firms as they view firms to be lacking interest to work with them. NGOs find it easier to work with research institutions which may be running some projects related to NGO work. Though this is the case, small NGOs lack the tools to offer firms the environmental tools they would need from the NGOs.
“It is easier to deal with individual rather than institution. Our approach on our strategy is to deal with everyone by giving them the information and allowing them to decide if to partner. Finnish companies are slow in understanding the connection between NGO partnership and economic goal of the companies...what is important between partnership is to learn from each other and most companies do not respect NGO information unless you set yourself as a consultancy”. (6)

4.2.2 Fundraising from Finnish Public/budget compensation strategies

The budget cut by the government affected NGOs which relied their funding from the government. To continue with their operations after the cut, the NGOs had to come up with new strategies to cater for their budgets. NGOs were interested on how to be able to acquire EU funding though it is usually for big and more project experienced NGOs with big projects.

“ We encourage members to apply for EU funds, there was great interest right after the budget cut, the number of participants to EU funding forum increased……” (5)

“We are currently one of the partners with the ministry of foreign affairs, the cut affects us with some 40% budget cut for the international development, the action we took is not public since the situation is acute…and open” (8)

The most noticeable strategy by majority of the NGOs which get funding from the government and participated in the research was the strategy of public fundraising from the Finnish public. To some NGOs the fundraising strategy is new and the organizations are re-organizing themselves to try and learn the method by forming working groups on the same and also use social media to campaign for donations from the public. NGOs which do not get funding from the government were not affected by the budget cut. Organizations which do not get government funding see it as an advantage as they are not influenced by the same and are able to remain independent from external influence or effects in case of changes.

“We have funding from government, trade unions in Finland and EU...the government freezed our major funding. We started fundraising campaign and got more than 50,000 euros...” (1)

“The budget cut affects our operation...we have been forced to make budget to manage our operations. There has been fundraising in general and we started working groups to focus on fundraising, the fundraising have also been social media based...there is no fundraising strategy or any person in charge” (3)
“Donations must be from a legal person not a corporation or government or municipalities or EU…so as to remain independent. It is good to independent so no risk if government has budget cuts” (2)

From the research it is clear though the NGOs anticipated for the budget cut, the strategies to counter the same were lacking. The NGOs started to act when the budget cut was in place and had affected them to some extent. Apart from the noticeable fundraising strategy, reducing working hours and salaries was also used as part of immediate measures by organizations.

“The organization if fully funded by the ministry of foreign affairs...we did not make three year commitment with NGOs but only two and changed working days to four in a week instead of five and reduced the salaries of employees...we started the process of fundraising permit from the police which is in the process but we have no experience and there is some opposition from member NGOs due to fundraising competition” (7)

The level of impact on NGOs project after the budget cut still remains unclear. Though it is expected that the budget cut affects NGOs capabilities to undertake their projects but from the interviews there seems to be unclear on the level of impact government budget cut impact on the projects.

“We are still undertaking our projects despite the cuts, when you a network you do not necessarily need money because sometimes all you need the knowledge...there will be companies interested in projects like renewable energy who can offer financing but it is going to be difficult to get partners”(6)

4.2.3 Advocacy role and project work

NGOs can undertake advocacy work against firms or even try to campaign against government for instance after the budget cut and try to reverse the decision.

“We did reactive advocacy with the ministry after the budget cut, we had a demonstration in September and made a petition…” (5)

In Finland NGOs either undertakes conservation projects or advocacy work as part of their organization roles. The conservation projects can either be in Finland or abroad. The advocacy work on firms mainly extends outside Finland in cases where the firms have partners or operation outside Finland.

“We have four different conservation programs, Finnish nature, the Baltic and artic sea, ecological footprint and international development...” (8)

“We have projects and campaigns in Finland with working groups (advocacy work)...in development project we have mining projects on educating school...most of the advoca-
some work and campaigns there is more collaborations with other environmental NGOs”(3)

Some organizations may participate in environmental projects indirectly by financing environmental projects been undertaken by other NGOs. The organizations give funds to NGOs to do their projects. Though NGOs undertake different projects which can lead to development or environmental improvement there is a limitation on how much NGOs can achieve on the ground. Due to budget limitations and transactional costs, NGOs end up doing very little in terms of development projects.

“We fund over 100 NGOs across the world by providing finances. If requested by our member organization we have taken part in advocacy work...there is a lot of limitation with our projects with small NGOs as a lot is spend on transaction cost.”(7)

“To me there is no connection between development aid and economic advancement...”(6)
5 DISCUSSION

The budget cut is assumed to jeopardize the long term work organizations do in Finland in order to achieve development objectives (Leape, 2015). This is noted also from the interviews where NGOs operations are affected by the budget cuts. Inability to run their operations also extends the stress on the finances to the projects and development work the NGOs are undertaking. The full impact of the cut was evident on small NGOs but on the big NGOs the impact seemed minimal due to diversified funding. Budget cuts on NGOs have led to funding diversification (Molenaers et al., 2012), which has forced the organizations to looking for alternative source of funding (Salamon, 1999). The recent cuts on NGO funding is mostly attributed to the economic situations and the political parties in power and their policies (Salamon, 1999), this is also true in Finland where the political parties manifestos before the elections made it possible for NGOs to anticipate for possible cuts if the parties came to power.

Finnish CSOs are less dependent on state funding since 58% of their income is self-generated while 36% comes from state subsidies. Fundraising accounts for an important and growing share of CSOs total revenue. Apart from membership payments, other forms of fundraising include; raffles, voluntary work, cooperation with businesses, sponsorship, advertising, donations and money collection (Seppo, 2013).

According to AbouAssi (2013) there are four strategies which NGOs can use when there is a change of funding; they can cooperate, confront, complement or co-opt. In other words the NGOs can exit the relationship with the donor, try to influence the new strategy of the donor, comply for instance by reducing their operations or change strategy and finally the NGO can find a new donor to fund its operations. In this research the main strategies used by the NGOs were influence immediately after the cut to try the government to revert its decision and finding new donors which in this case was fundraising from public.

Ravelo (2015) claims that NGOs are creating business units to cater for their budget which is also part for fund diversification (Molenaers et al., 2012). The NGOs used in this research did not create any business unit to cater for their budget cuts and this may be due to set laws governing NGOs operation. Fund diversification is evident as NGOs tried to reach to other sources of funding. To try to get public funding NGOs form fundraising teams (Salamon, 1999) and this was also noted in this research. Pope et al., (2015) claims that transaction cost for small NGOs is a big challenge are supported in this research as evident by Siemenpuu where the organization experiences the challenge of transaction cost when funding small projects. At the end most of the money get spend before getting to the project itself.
Unlike other NGOs WWF has more to offer to companies for instance the green office program. This encourages firms to work with WWF since they are gaining something in return and helping them reduce operational cost which translates to increased profits. In 2013 for instance, the green office program had saved 20,000 tons of carbon dioxide emissions from 2007. In 2014 Finnish Green offices saved a total of 13,130 tons of greenhouse gas emissions, electricity consumption reduced by 13,000,000kWh an equivalent of EUR 800,000.

According to Seppo (2013) there has been an increase in professionalism of CSOs due to due to growing transparency and optimal standards requirements, especially in state funding for projects which need professional planning, monitoring and assessments. The increase in CSO professionalism has led to the interest of business community to work with them. The risks of collaboration with business are greater for small CSOs, who knowledge and resources are limited and there is a possibility for them to change their principles to gain funds. This can in turn impact their independence and get caught up with business strategies of profit making away from the common good work associated with CSOs.

Critical NGOs usually prefer to take environmental issues of firm campaigns to the public. This may force firms to act in fear of consumer and government pressure but the move usually does not encourage firm-NGO collaboration as the firm has to find the solution without the help of the NGO unless the firm invites the NGO to come up with a solution. For instance Friends of the earth notes that they usually try to get in touch with companies but the principle of the NGO is to discuss the issues publicly and avoids board room since the firm will have power.

The success of a project is not based on monetary value one possesses but on the information and knowledge shared for development. Firm and NGO can collaborate and share ideas without any funds exchange and still come up with a successful project. Most companies do not have idea on what they want or the value of the project until they have the project at hand and running. The ideas in companies are formulated by individuals in the company who make decisions which is usually the top management. Employees in the organization in most cases do not understand the picture of the organization so it is hard for them to understand the need for partnerships. Most Finnish firms for instance have the knowledge that there are opportunities in developing nations but they do not know which one. To be able to attract the attention of firms to your organization you have to set up yourself as a consultancy rather than an NGO. Despite the development aid budget cut, the funds are put in renewable energy which will require some engagement with firms and NGOs. The cuts are made to create businesses but it is hard to get to know the opportunities as the knowledge is lacking (Kuria, 2016).
Firms require proactive problem solving and innovation to improve inefficient business processes and products, adaptive to changing environmental regulations which have been characterized by new regulations now and then due to new international agreements and banning of use of some raw materials in processing. Growing concern of environmental expectations and improving environmental and financial performances by different stakeholders has even increased the need for firms to be aware of stakeholder concerns. For firms to make investments and seize opportunities in developing new environmentally friendly products or adopting new pollution prevention practices and technologies green alliances are unavoidable. Corporate environmental innovativeness requires collaboration due to difference in expertise by different actors.

Information sharing facilitates innovation and flexibility to adapt to different market demands. To achieve triple bottom line goals in a firm, firms need enabling processes to acquire the relevant information and facilitate the development of environmental management capabilities. Information is an important resource that enables firms to build and make necessary adjustments to their existing environmental knowledge and practices. According to Japary, good partnerships should be two way in terms of information flow and benefits and should be valuable to all parties (Kankainen, 2016).

The budget cut on development aid will bring a new perspective on the connection between development aid and the real change associated with it. The change affecting the developing aid budget affect the advocacy part of it but does not affect development. Despite the budget cut NGOs operations are still running with minimal impacts. Development aid though it plays a role in helping in development but it is not the main agenda. The development aid affects institutions with operation based in Finland but it appears to have less impact on organization with operations abroad. For instance the Friends of the Earth which had advocacy work in Finland had to result to fundraising activities and it may change to a movement while Siemenpuu which is a small NGO is still undertaking its operations and projects.

According to Gotev (2015) claims, small NGOs are affected more by the budget cuts as compared to big NGOs. For instance WWF has more sources of funding for its operations which even include money from its green office program as compared to Siemenpuu which get its funding only from the Ministry of foreign affairs. The budget cut led NGOs to reformulate their polices to be able to raise funds with fundraising been the most common strategy. The minimal interest on working with firms is attributed to firms not aware of collaboration benefits and most NGOs want to protect their institutions from external influence especially if the organization is to give donations. Most of the NGOs though have nothing to offer to businesses taking into account that firms want to save cost and make profits. The rise of fundraising as the immediate solution
to budget cut can be attributed to the rise of virtual civil society activities where CSOs use internet to reach the public (Seppo, 2013).

Chen et al (2012) define partnership as long term but as seen from Greenpeace experience some partnership last only one board room meeting and end up coming with good solutions to big problems for instance removing toxins from textiles. From the research findings the claims by Kourula et al., (2010), on a shift from adversarial relationships between NGOs and firms to more strategic one is evident. NGOs are reluctant to get donations from firms but they are willing to start strategic relationships. The challenge with NGOs is what they can offer firms in return in case there is partnership. Crifo et al, (2013) define CSR in terms of product differentiation which is in this case associated with sustainable products. How NGOs can help firms in this and form alliances based on market objectives (Stafford et al, 1998) is a challenge especially to small NGO.

Cost cutting is one of the biggest reasons why firms form strategies on environmental practices which in turns lead them to start CSR activities. Graf et al (2012) claim that firms want reputation and legitimacy to address stakeholders concerns but the claim can be addressed by the firm alone by just adopting environmental strategy without necessarily forming collaboration with NGO. From the research finding, though giving the NGO perspective and not the firm perspective, it is clear Finnish firms are not aggressive in forming partnerships with NGOs for reputation or legitimacy purposes.

Firms can get new business opportunities by forming alliances with NGOs especially in developing nations. According to Kuria (2016) there seems to be lack of knowledge on the kind of opportunities available in different regions. According to Shah (2011) firms can utilize NGOs to reach grass root stakeholders in new regions where it is starting operations. NGOs need to help firms get the opportunities available to invest and the same time help firms penetrate the regions but in sustainable way.

Hoejmose et al (2012) highlight the importance of top management in partnership formation and its success. The management commitment and willingness is required and according to Kuria (2016) alliances cannot take place without the people making decisions in the firm. Finnwatch for instance has shares in Stora Enso making it possible to attend shareholder meeting and giving the organization an access to the firm documents. According to Doh et al., (2006), NGOs been members of board of organization is a new trend but how much impact it can have on the firm will be interesting to study. Despite the fact that Finnwatch has share in Stora Enso, Greenpeace has issues with the firm exploiting boreal forest.

According to Shumate et al (2010) smaller NGOs have less power in terms of stakeholder influence. The level of stakeholder influence can also be noticed by
the number of people who are members of an NGO. WWF Finland which is a big NGO has many members which also put pressure on the NGO to be accountable. According to Miguel et al (2010) accountability issues are of concern in forming alliances. WWF has a clear principle on this and to ensure transparency publishes reports on its alliances with firms and their goals.

Shah (2011) claims that firms can use alliance as brainwashing but according to Greenpeace it is easy to know if its green washing by checking the financial statements or budget allocation of the firm after the alliance if the reflects on the said partnership by having some changes on where most of the budget is allocated to. According to Austin (2000) getting the right partner either by an NGO or firm is an uphill task as most firms do not know what they want (Kuria, 2016; Rondinelli et al, 2003).

According to Austin (2000) on levels of alliances, philanthropic alliances seems to be the first stage towards strategic alliances but this is not always the case as first confrontation type of interaction can lead to strategic alliance. Finnish business place a lot of interest on brand building and cost saving as the main issues to invest in environmental issues (FIBs 2015). For the number of collaboration to increase NGOs have to partners with firms with clear objectives on what the firms want so they can offer the same. This can be supported by WWF green office program success as it helps firms to save on energy. Linking climate change issues (KEHYS, 2010) and cost saving is necessary for the number of collaborations between NGOs and firms to increase.

The development aid budget cut affects NGOs getting their funding or part of it from the government. The impact on NGOs is minimal and the only major impacts have included personnel cut in the case of Siemenpuu for instance. The small NGOs have bigger challenges with budgets as they have less to offer to firms and the EU funding is mainly made for big NGOs with big projects. For NGOs, the short term strategy of fundraising will help for a while but better strategies of building relationships with business to change the way firms operate and at the same time raise funds will be unavoidable in the long run.

According to Kanner (2016) it is difficult to apply for EU funding as there is no forum but mostly it is for big NGOs with big projects. For small NGOs it’s hard to get EU funding since EU funding involves hundreds of thousands of euros which huge for small NGO. To be able to qualify for EU funding NGOs need to be able to show capacity to manage funds and show previous experiences.

Increasing access to the internet, social media and mobile phones has enhanced the power of the individual as a “virtual” citizen, which has led to disrupting traditional funding models and channeling social engagement through informal, unorganized structures (Olesen et al., 2013)
6 CONCLUSION

Going back to the research question I set to answer, “How budget cuts on NGOs affect their strategies and operations?” the answer from this research is that budget cuts affect NGOs strategies by forcing them to adopt new strategies mainly aimed at diversifying funding sources. The extent to which budget cut affects their operations remains unclear and further studies will be recommended. Despite the cut, NGOs continued with their operations and this may be due to the fact that government funding only covers a certain percentage of the budget.

Organizational culture, its members influence and affect collaboration and decision making of the organization. Organizations with a culture to solve environmental issues and create awareness are more likely to partner with firms to achieve their goals and not necessarily to get funding or donations. NGOs with a critical role are less likely to partner with firms as they advocate for some changes on firms and most likely end up with public campaigns. NGOs which prefer to protect their independence also are less likely to work with firms or get funding from external organizations or bodies in fear of losing their values and directions.

Weak NGO hierarchy is clearly visible in this research. One year after the budget cut, the NGOs still not which sure which step to take/not sure how to finance their operations. This can also be attributed to weak accountability and decision making process. There were no unique strategies adopted by the NGOs. Almost all NGOs utilized the fundraising strategy which was a faster way to raise funds. The field of NGO management is relatively new (Lindenberg, 2011) and this could contribute as why managers or NGOs management adopt slowly to changing scenarios for instance budget cuts. The NGOs end up copying each other or use private and public sector frameworks to come up with new strategies.

Budget cuts affect NGOs on their operations and projects and this leads to change of strategies and mode of operation. From the research the most NGOs adopted fundraising strategy to cover for the cut though other strategies for instance laying off workers was used by one NGO. NGOs view collaboration with firms as a good strategy both for the NGOs and for the firms environmental issues and NGOs are interested in having some form of partnership with firms though most NGOs do not have the capability to offer much to the firms. NGOs are of the perspective that firms will not work with any NGOs unless the firms’ gains profit, there is also a view that firms are not aware of the opportunities available with NGOs which they can tap. Budget cuts affect more NGOs with projects as compared to those undertaking advocacy works relying on volun-
teers. The level of impact on NGOs project after the budget cut is not clear from the research but the impact is minimal.

Confrontational interaction provides the biggest CSR changes on firms. This is due to the external pressure form multi-stakeholders brought about by NGO public campaigns which force firms to act on their corporate responsibilities. Business-NGO interactions are issue specific and tend to work on a certain issue which when solved the interaction between the two tends to end. Long term firm-NGO collaboration is only evident when the two enter into an agreement for instance in the green office program by WWF.

This research results can be used by policy makers to find how budget cuts affect NGOs or change their mode of operations. The results can also be used by NGOs to learn on how changing landscape of policies have affected different stakeholders and how they need to strategize their mode of operations to cope with the changes. NGOs can also learn how to strategize for future changes in terms of their funding by selecting the best practices.

### 6.1 RESEARCH LIMITATIONS AND FUTURE RESEARCH SUGGESTIONS

All studies have limitations which need to be taken into account. The most relevant limitations of this study are related on the number of NGOs interviewed and exclusion of firms from the study. This had impacts on the research findings as the use of more NGOs and studying them over a long period of time on the budget cut impacts could have brought more conclusive findings on the same. The inclusion of firms in the research could have studied the firms’ perspectives on collaborations and what they look for in NGOs. Another limitation of this study was the timing of the research. The research was undertaken when the budget cut impact was hitting on the NGOs and they were just reorganizing themselves on the strategies to adopt. A later research after sometime would bring a more detailed strategy which NGOs will have adopted to continue with their operations.

The use of different NGOs to collect data gives the data enough credibility while the combining the interview data and secondary gives the data more reliability as previous research is compared with the interview data. Online materials used were scientific articles. For web addresses the author, the date and where the information was compiled from was taken into account to make the website credible as claimed by (Erkisson et al, 2008). Other online materials
used were from website of different NGO organizations. The recording of the conversations gives the data to be more accurate unlike in taking notes. The use of qualitative research made it possible to be able to examine the issues in depth and that data collected was based on NGOs employees’ experience making it powerful and compelling.

As budget cut on NGOs is new topic, a further study on the subject is encouraged. Another topic which will be interesting is how reliance on public donations and government funding affects NGOs willingness to work with firms. What are the incentives for NGOs to become more open, transparent and accountable is also an encouraged subject. Another encouraged subject is how NGO competition for public donations will influence them to seek other sources of funding and which ones.
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7 APPENDIX
Interview questions

INTERVIEW QUESTIONS BY KILONZO DAVID, JYVÄSKYLÄ UNIVERSITY

1. Giving information about my research topic and aims
   Collaborations/ budget cuts/ partnerships

2. Tell me briefly about your organization (NGO)

3. What type of projects are you doing at the moment? And where?

4. What do you think good partnership is like? Have you experienced of such?

5. Have you ended a partnership? How and why?

6. What kind of relationships have you had with firms?

7. Do you have any partnership with a firm? If yes, would you elaborate more on type partnership? If no, do you intend to form any partnership?

8. Do you get your financial assistance from the ministry of foreign affairs of EU?

9. How do you view the budget cut on development aid?

10. How will/did the budget cut affect your operations? How have you prepared for such in terms of strategies?

11. How do you plan to compensate for budget cuts? What kinds of measures have you put in place or intend to do put as a result of budget cut?
