

**Developments in Corporate Governance and Responsibility**  
Volume 1

# NGOs and Social Responsibility

**Güler Aras**  
**David Crowther**  
Editors

DEVELOPMENTS IN CORPORATE GOVERNANCE AND  
RESPONSIBILITY VOLUME 1

# NGOS AND SOCIAL RESPONSIBILITY

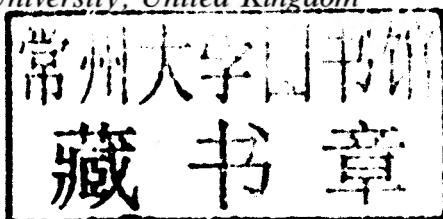
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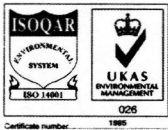
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INVESTOR IN PEOPLE

# **NGOS AND SOCIAL RESPONSIBILITY**

# **DEVELOPMENTS IN CORPORATE GOVERNANCE AND RESPONSIBILITY**

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# PREFACE

Although the relationship between organisations and society has been subject to much debate, often of a critical nature, evidence continues to mount that the best companies make a positive impact on their environment. Furthermore, the evidence continues to mount that such socially responsible behaviour is good for business, not just in ethical terms but also in financial terms – in other words that corporate social responsibility is good for business as well as all its stakeholders. Thus, ethical behaviour and a concern for people and for the environment have been shown to have a positive correlation with corporate performance. Indeed, evidence continues to mount concerning the benefit to business from socially responsible behaviour, and, in the main, this benefit is no longer questioned by business managers. The nature of corporate social responsibility is therefore a topical one for business, governments, nongovernmental organisations (NGOs), consultants and academics. This book is designed to act as a forum for the debate and analysis of some of the contemporary issues in this broad area. In doing this, it is based on contributions from people from a wide variety of disciplines and geographic regions leading to diverse views and a stimulating interchange.

This book is a part of the series on Developments in Corporate Governance and Responsibility, which is published in association with the Social Responsibility Research Network (SRRNet). Each book in the series focuses on one of the factors that influence societal or business behaviour and thereby contribute towards social responsibility. This particular volume focuses on the increasingly important topic of NGOs and social responsibility. The purpose of the book therefore is to explore this issue and its significance around the world. In doing so, we will inevitably also consider the relationship between these and corporate performance and corporate social responsibility. This is also something we consider at our conferences.

In September 2009, the 8th International Conference on Corporate Social Responsibility took place in Cape Town, South Africa. The conference was jointly organised by the University of South Africa and the SRRNet and hosted by the University of South Africa in Cape Town. This book is an

indirect outcome of this conference as it is a policy of the organisers to publish a book related to each conference. The theme of that conference was CSR and NGOs and this has been adopted as the theme for this volume. This book contains contributions from scholars from around the world who have written about their views concerning various important aspects of this issue; all chapters have been specially commissioned for the book. The conference itself was the eighth in the series and is part of an ongoing series of conferences on this topic which are taking place in different parts of the world. Full details of past and future conferences can be found at the conference website [www.davideacrowther.com/csrhome.html](http://www.davideacrowther.com/csrhome.html).

The beginnings of this conference programme were in 2003 when on three days in September around 140 delegates from nearly 30 countries from around the world gathered in London at London Metropolitan University for the first annual series of international conferences on the topic of Corporate Social Responsibility. Over the three days, the delegates engaged in discussion on a range of issues concerning this topic and around 100 papers were presented. Topics covered ranged from business ethics to social reporting to implications for biodiversity to sustainable construction, reflecting the interdisciplinary nature of the backgrounds and expertise of the participants. Conversation about many of the important issues raised during the conference continued into the evenings at the dinners organised for delegates at various London hotels, and the success of the conference was continued into various collaborative projects instigated among the international delegates during the conference. In the intervening years, conferences have been held in places such as Malaysia, India, Turkey as well as the United Kingdom, whereas future conferences are scheduled to take place in other parts of the world.

Although there are a number of colleagues who have attended all of these conferences, each has seen many people attending for the first time. Consequently, the network of people engaged in CSR research continues to increase and this will continue into the future conferences that are also planned. A direct outcome of this has been the formation of the SRRNet with the aim of fostering the collaborative, cross-cultural interdisciplinary and international research on any aspect of its social responsibility agenda. The SRRNet is a body of scholars who are concerned with the social contract between all stakeholders in global society and consequently with the socially responsible behaviour of organisations. The Network has grown steadily and now comprises around 600 members from countries worldwide – and is surely a valuable resource for comparative research.



Apart from organising conferences, the Network has its own journal – *Social Responsibility Journal* [www.emeraldinsight.com/info/journals/srj/srj.jsp](http://www.emeraldinsight.com/info/journals/srj/srj.jsp) – which is also published by Emerald. The journal is concerned with social responsibility, which is of course an essential part of citizenship. This is interpreted by this journal in the widest possible context. The journal is international in its perspective and believes that in the global environment in which we live any author should speak to the greatest possible audience. It seeks to promote an ethos of inclusion and consequently embraces a broad spectrum of issues and a wide range of perspectives. The journal is interdisciplinary in scope and encourages submission from any discipline or any part of the world which addresses any element of the aims of the journal. It encompasses the full range of theoretical, methodological or substantive debates in this area. It particularly welcomes contributions that address the links between different disciplines and implications for societal, organisational or individual behaviour.

The Network has also extended its activities into publishing and produces a quarterly newsletter containing news and short articles. It also published an ad hoc discussion paper series. And it publishes books; this occasional activity has now been formalised into this regular and ongoing series. This is the first book in the series and others will follow – we are already working on them. All chapters for all volumes are specially commissioned, rather than being reproduced from elsewhere and none are actually written for the conferences. So if you are interested in contributing to a future volume, then please discuss with one of the editors.

Details of all of the Network's activities can be found on its website – [www.socialresponsibility.biz](http://www.socialresponsibility.biz). These various activities will however remain just a part of the activities of the Network, with the main focus being on the conferences and on facilitating collaboration among like-minded people around the world. The rationale for the conferences has been based on the fact that over the past decade, the question of the relationship between organisations and society has been subject to much debate. The conferences are designed to act as a forum for the debate and analysis of contemporary issues in this broad area. In doing so, they attract people from a wide variety of disciplines and geographic regions for an exchange of views. The broad range of topics that are of concern in the area of Corporate Social Responsibility are reflected not just in the conferences that we hold but also in the contents of the journal. The worldwide interest in, and concern for, the subject matter is also reflected by the range of backgrounds from which participants at the conference hail from – not just in terms of areas of

expertise but also in terms of geographical locations. This also is reflected in the contributions to this book. We hope that reading them creates an interest, which will encourage you to join the discourse and to participate in a future conference.

Güler Aras  
David Crowther  
*Editors*

# FOREWORD

The agenda of research concerning corporate social responsibility (CSR) has changed a lot recently and continues to change. It is quite noticeable for example how much more prominent CSR has become – not just in the academic world and in the business world but also in everyday life. There are obviously a lot of factors that have led to this increasing interest – things such as poor business behaviour towards customers, employees and the environment. Since then, other things have also featured prominently in popular consciousness. One of these which has become more pronounced is the issue of climate change, and this has affected concern about CSR through a concern with the emission of greenhouse gases, particularly carbon dioxide. Nowadays, it is quite common for people to know and discuss the size of their carbon footprint, whereas three years ago, people in general did not even know what a carbon footprint was.

Another thing that has become prominent is a concern with the supply chain of business; in particular, people are concerned with the exploitation of people in developing countries, especially the question of child labour and also things such as sweatshops. Therefore, no longer is it acceptable for a company to say that the conditions under which their suppliers operate is outside of their control and so they are not responsible. Customers have said that this is not acceptable and have called companies to account. And there have recently been a number of high-profile retail companies that have held their hands up to say *mea culpa*<sup>1</sup> and taken very public steps to change this. Interestingly, the popularity of companies increases after they have admitted problems and taken steps to correct these, thereby showing both that honesty is the best practice and also that customers are reasonable. The evidence suggests that individual customers are understanding and that they do not expect perfection but do expect honesty and transparency. Moreover, they also expect companies to make efforts to change their behaviour and to try to solve their CSR problems.

It would be reasonable to claim (see, e.g., Aras & Crowther, 2009) that the growing importance of CSR is being driven by individuals who care – but those individuals are not just customers, they are also employees, managers, owners and investors of a company. Therefore, companies are partly reacting to external pressures and partly leading the development of responsible

behaviour and reporting. Therefore, accountability – one of the central principles of CSR – is much more recognised and is being responded to by increasing transparency – another principle of CSR.

The third principle of CSR is that of sustainability, and this is a term that has suddenly become so common as to be ubiquitous for business and for society. Every organisation mentions sustainability and most claim to have developed sustainable practices. A lot of this is just rhetoric from people who, we would claim, do not want to face the difficult issues involved in addressing sustainability. There is a danger therefore that sustainability has taken over from CSR itself as a target for greenwashing – everybody and everything makes claims about sustainability without any consideration of what the term really means (see Aras & Crowther, 2008). Nevertheless although the relationship between organisations and society has been subject to much debate, often of a critical nature, evidence continues to mount that the best companies make a positive impact on their environment. Furthermore, the evidence continues to mount that such socially responsible behaviour is good for business, not just in ethical terms but also in financial terms – in other words that CSR is good for business as well as all its stakeholders. Thus, ethical behaviour and a concern for people and for the environment have been shown to have a positive correlation with corporate performance. Indeed, evidence continues to mount concerning the benefit to business from socially responsible behaviour, and, in the main, this benefit is no longer questioned by business managers. The nature of CSR is therefore a topical one for business and academics.

Another thing that has been recognised to be important as far as the CSR research agenda is concerned is that a large number of nongovernmental organisations (NGOs) exist around the world<sup>2</sup> and that these are increasing in influence. Many commercial businesses are recognising this and are forming alliances and other relationships with NGOs. The cynics suggest that this is just for PR purposes, but if both parties gain from such a relationship, then it is difficult to suggest that there is a problem. It is also becoming more apparent that NGOs are important in their own right and not just through any association with commercial organisation. The retreat of the state is also raising their importance and influences as they seek to fill the gaps left by this retreat.

NGOs themselves are also changing. There is a growing movement within the ‘non’-profit and ‘non’-government sector to define itself in a more constructive, accurate way. Instead of being defined by ‘non’ words, organisations are suggesting new terminology to describe the sector. The term ‘civil society organisation’ (CSO) has been used by a growing number of

organisations, such as the Centre for the Study of Global Governance. The term 'citizen sector organisation' (CSO) has also been advocated to describe the sector – as one of citizens, for citizens. This labels and positions the sector as its own entity, without relying on language used for the government or business sectors. However, some have argued that this is not particularly helpful given that most NGOs are in fact funded by governments and business.

The first thing we must remember about this sector is that there is no profit motive and decisions must be taken according to different criteria. Instead, the emphasis is on the provision of a service, which is the essential reason for the existence of such an organisation. Additionally, there is normally a disconnection between the acquisition of resources and their use – in other words, the money to provide the services normally does not come from the recipient of those services. Moreover, the need for those services frequently outstrips the ability of the organisation to satisfy those needs, and it is forever operating under a situation of resource constrain. This means that there are different motivations operating in the not for profit (NFP). It also means that the stakeholders are different, which raises a question concerning their operation in terms of CSR. Do the standard business models and theories apply to these organisations or is it necessary to develop new ones? The paucity of research suggests that we do not yet know the answer to this question.

Nevertheless, we can say that NGOs are of considerable significance and that all of these factors have implications as far as CSR is concerned. It is often thought that if an organisation exists for a public or charitable purpose, then it must be a socially responsible organisation. CSR is about how an organisation conducts its operations and deals with its stakeholders. For NGOs, we can see that there is a different focus and we need to consider this in terms of CSR implications. We can consider this according to the criteria applied to commercial organisations:

*Stakeholders:* There are different stakeholders for a not-for-profit organisation, and the different stakeholder groups have different amounts of power to a profit-seeking organisation. It is inevitable therefore that dealing with these stakeholders will be a much more important function for a NGO. Moreover, the sources of conflict might be different and the actions taken in resolution of this might also be different. Inevitably the decision-making process also is likely to be different.

*Sustainability:* In terms of doing more with fewer resources (see Aras & Crowther, 2009), then this is always an objective for this kind of

organisation. In terms of affecting the choices available to future generations, then an NFP actually seeks to do this and to redistribute resources more equitably. In terms of seeking a continual existence, then really an NFP should strive to make its purpose of existence no longer relevant and should not seek sustainability. Thus, sustainability is an equally important issue for these organisations, but its implications are very different in terms of both motivation and decision making.

*Accountability:* Accountability is an even more important issue for this kind of organisation and who it is accountable to can be very different. Without either shareholders or customers, the accountability is to donors, beneficiaries and a wide range of other stakeholders. Moreover, it needs to address this accountability – which can be different for different stakeholders – to be able to continue with its operations.

*Transparency:* With this diverse set of stakeholders groupings that all have considerable interest in the organisation and its activity, there is obviously a great need for transparency, and all such organisations will strive for this. This is particularly exacerbated by the need to keep fund for specified restricted purposes. On the contrary, it is in the interest of the NFP to seek to use its accounting system and procedures to classify indirect costs as direct and thereby to minimise the apparent administrative costs incurred. This is contrary to the principle of disclosure but completely understandable!

*Disclosure:* Increasing disclosure is a feature of corporate reporting as they seek to satisfy stakeholders through increased accountability and transparency. Disclosure has of course always been a feature of NFP activity as such disclosure is necessary to seek additional funds as well as to satisfy the diverse but powerful and vociferous stakeholder groupings. In this respect, it might be considered that profit-seeking organisations are becoming more like not-for-profit organisations.

There is much that we need to understand about NGOs and CSR, and this book therefore is timely. With this in mind, the chapters in this volume are presented to bring together academics to share their research and ideas on this topic. The aim is to present a set of papers that reflect some of the new developments, current thinking and approaches regarding this topic of research within a truly global context. The backgrounds and interests of all of those who have contributed to this special edition span various disciplines. Furthermore, the chapters offer both theoretical approaches as well as empirical investigations. It is hoped therefore that combination of all of these contributions will improve and reinforce the exchange and discussion of research ideas between the different disciplines, rather than

offering a narrowly focussed view within any particular discipline. Such enriched discourse is one of the primary aims of the Social Responsibility Research Network.

## NOTES

1. 'I am guilty'.

2. For example, in chapter 6, we state that there are estimated to be 2 million NGOs just in India. The number worldwide is unknown but must be in the order of 10–20 million.

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