

Developments in Corporate Governance and Responsibility
Volume 1

NGOs and Social Responsibility

Güler Aras
David Crowther
Editors



NGOS AND SOCIAL RESPONSIBILITY

DEVELOPMENTS IN CORPORATE GOVERNANCE AND RESPONSIBILITY

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DEVELOPMENTS IN CORPORATE GOVERNANCE AND
RESPONSIBILITY VOLUME 1

NGOS AND SOCIAL 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.

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 – 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. 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
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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*¹ 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 world² 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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PART I
GLOBAL THEORETICAL
PERSPECTIVES

INTRODUCTION

Nongovernmental organisations (NGOs) are an important topic of research in their own right to understand how corporate social responsibility (CSR) operates in such organisations. To consider this, it is first necessary to consider the extent to which existing theory applies to such organisations. Thus, what we first need to know is whether CSR in NGOs works similarly to the way it does in commercial organisations and therefore existing theory is applicable or whether it works differently but the same theory is applicable or even whether it works completely differently and new theory is needed. The starting point therefore for this book is to investigate some theoretical issues to consider this question and help to arrive at an answer. This is very pertinent because we are still discovering that CSR is not the same in all parts of the world, with differences between developed and developing countries and differences between multinationals and SMEs (see [Aras, Crowther, & Vettori, 2009](#) and the various chapters therein).

It seems apparent therefore that there is much to explore and many ways of undertaking that exploration. The research field regarding NGOs and CSR is an open field that is new and developing. Indeed, as Aras and Crowther identify in the first chapter, there has been very little research beyond looking at the relationship between an NGO and a business – and even this is normally explored from the perspective of the business under the guise of such concepts as cause-related marketing. Indeed, the epithet of marketing betrays the perspective that is taken by such research. In the first chapter in this section, Aras and Crowther commence the investigation by examining changes that are taking place in the field of CSR research before considering the extent to which they apply to NGOs. This chapter is essentially a wide-ranging review of the field and covers a range of important topics, not least of which is the increasing importance of the NGO sector and its increasing size due to the retreat of the state. They also consider the increasing consensus concerning regulation and appropriate standards for CSR activity and reporting. Other topics include the question of social performance – of increasing performance and relevance to NGOs – and social marketing – which is related to the kind of research that had so

far taken place in this field. For each of these, they consider the applicability to NGOs and highlight any expected differences. This chapter finishes with a review of Crowther's (2008) model of the development of CSR in the commercial field and a consideration of its applicability in the NGO sector. This chapter therefore in effect sets the scene for the rest of the book.

In the second chapter, Niekerk follows on from Aras and Crowther by considering global civil society and the role that NGOs increasingly play therein. This chapter aims to offer broader context to the debate of what the role of the global civil society should (and probably could) be in global decision-making, particularly as far as global governance is concerned. As the author shows, the growing role played by the global civil society in global decision-making is becoming more significant; to accommodate this influence, an alteration to current global governance arrangements becomes necessary, and in this 21st century, global governance, and more specifically global economic governance, needs to embrace rather than resist a force such as the global civil society to enhance globalisation. In doing so, he creates an increased awareness of the potential role to be played in policy design by a global civil society that is better organised and more formalised. At the same time, he argues for a remodelling of current global economic governance arrangements and improved organisation and coordination of the global civil society. The chapter therefore creates a theoretical foundation for further study in this area by serving to bring together the need for change in global economic governance and the complementary role that can be played by the global civil society as an integral part of this process.

Costa also, in the subsequent chapter, raises the issue of governance and the role that NGOs play in societal governance. She highlights the problems existing in most societies, which are mostly relating to social injustice and its many manifestations of inequality and raises the question of who takes responsibility for these issues. With the rolling back of the state in the modern era, it increasingly seems that no one is willing to take such responsibility. Governments have abstained and there is a limited role, perhaps inevitably, for businesses through their CSR programmes. It is into this vacuum that NGOs are required to step as such NGOs increasingly become the organs of society to attempt to redress its ills. In this respect, such NGOs act as a secular equivalent of the Church in Medieval times – taking on a role that is needed but which no one else is willing to fill. There is a philanthropic aspect to such activity, but it is much more than mere philanthropy as it addresses basic humanitarian aspects of civil society. This relates to the later stages of Crowther's (2008) model utilised in Chapter 1

and also relates to the way in which CSR have become to be accepted as much more than simple philanthropy. This chapter raises the important issue of responsibility and the questions as to who should accept that responsibility.

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CHAPTER 1

NON-GOVERNMENTAL CSR: AN AGENDA FOR RESEARCH

Güler Aras and David Crowther

INTRODUCTION

The concept of corporate social responsibility (CSR) seems to have become ubiquitous and to be understood all around the world. Not only has it become ubiquitous, but also it has become seen as a positive aspect of corporate behaviour. It seems therefore to have become generally accepted by businesses and their managers, by governments and their agencies, and by the general public that there is considerable benefit in engaging in CSR (Crowther & Seifi, 2010). Consequently every organisation is increasingly going to have its CSR policy that will have been translated into activity. Although many people remain cynical about the genuineness of such corporate activity, the evidence continues to mount that corporations are actually engaging in such socially responsible activity, not least because they recognise the benefits which accrue. It seems therefore that the battle is won and everyone accepts the need for CSR activity – all that remains for discussion is how exactly to engage in such activity and how to report upon that activity. Even this has been largely addressed through such vehicles as GRI and the forthcoming ISO 26000.

There has also been considerable change in the emphasis of corporations reporting of their CSR activity that has taken place in recent years. This change is not just in terms of the extent of such reporting, which has become

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more or less ubiquitous throughout the world, but also in terms of style and content. When researching into corporate activity and the reporting of that activity in the 1990s, it was necessary to acknowledge (Crowther, 2002) that no measures of social or environmental performance existed that had gained universal acceptability. Good social or environmental performance was subjectively based on the perspective of the evaluator and the mores of the temporal horizon of reporting. Consequently any reporting concerning such performance could not easily be made, which would allow a comparative evaluation between corporations to be undertaken. This was regarded as helpful to the image creation activity of the corporate reporting as the authors of the script were therefore able to create an image that could not be refuted through quantificatory comparative evaluation. Instead such images could be created through the use of linguistic and non-linguistic means. Thus each company was able to select measures that created the semiotic of social concern and environmental responsibility and of continual progress, through the selective use of measures that support these myths (Aras & Crowther, 2008). As a consequence of the individual selection of measures to be reported upon, a spatial evaluation of performance, through a comparison of the performance with other companies, was not possible and a temporal evaluation was all that remained.

Although this research was being undertaken, steps were being taken to change this and to develop some kind of standards for reporting. Thus in 1999 the Institute of Social and Ethical Accountability¹ published the AA1000 Assurance Standard with the aim of fostering greater transparency in corporate reporting.

At the similar time the Global Reporting Initiative (GRI) produced its Sustainability Reporting Guidelines that have been developed through multi-stakeholder dialogue. The guidelines are claimed to be closely aligned to AA1000, but focus on a specific part of the social and environmental accounting and reporting process, namely reporting. The GRI aims to cover a full range of economic issues, although these are currently at different stages of development. The GRI is an initiative that develops and disseminates voluntary Sustainability Reporting Guidelines. These guidelines are for voluntary use by organisations for reporting on the economic, environmental and social dimensions of their activities, products and services. Although originally started by a non-governmental organisation (NGO), GRI has been accepted as a leading model for how social, environmental and economic reporting should take place. It aims to provide a framework that allows comparability between different companies' reports while being sufficiently flexible to reflect the different impacts of different business sectors.

The GRI aims to develop and disseminate globally applicable Sustainability Reporting Guidelines. These guidelines are for voluntary use by organisations for reporting on the economic, environmental and social dimensions of their activities, products and services. The GRI incorporates the active participation of representatives from business, accountancy, investment, environmental, human rights, research and labour organisations from around the world. Started in 1997, GRI became independent in 2002 and is an official collaborating centre of the United Nations Environment Programme (UNEP) and works in cooperation with the Global Compact. The guidelines are under continual development, and in January 2006 the draft version of its new Sustainability Reporting Guidelines, named the G3, was produced and made open for feedback. The GRI pursues its mission through the development and continuous improvement of a reporting framework that can be used by any organisation to report on its economic, environmental and social performance. The GRI has become the popular framework for reporting, on a voluntary basis, for several hundred organisations, mostly for-profit corporations. It claims to be the result of a permanent interaction with many people that supposedly represents a wide variety of stakeholders relative to the impact of the activity of business around the world.

GRI and AA1000 provide a set of tools to help organisations manage, measure and communicate their overall sustainability performance: social, environmental and economic. Together, they draw on a wide range of stakeholders and interests to increase the legitimacy of decision making and improve performance. Individually, each initiative supports the application of the other – at least this is the claim of both organisations concerned; AA1000 provides a rigorous process of stakeholder engagement in support of sustainable development, whereas GRI provides globally applicable guidelines for reporting on sustainable development that stresses stakeholder engagement in both its development and its content.

It seems therefore that the case for CSR as a part of the repertoire of corporate behaviour has been firmly established. Indeed the existence of CSR is so firmly entrenched in the lexicon of organisational behaviour that it is being applied to non-corporate bodies also. Thus governmental agencies and NGOs have also adopted CSR and have developed CSR strategies and behaviours despite the seemingly oxymoronic nature of the concept. The term seems to have become adopted even though it does not relate to such bodies, but neither do the alternatives such as corporate responsibility, and so we have deliberately used this term in this chapter. It seems that the adoption of CSR by such NGOs has opened up a new area of research

which is not currently being addressed. Such researchers as Merali (2005, 2009) have investigated government bodies,² whereas researchers such as Papasolomou, Demetriou, and Crowther (2006) have investigated the relationship between corporations and NGOs through the mechanism of cause-related marketing. Nevertheless the research in this area is sparse and much remains to be undertaken, as some of the issues in this book illustrate.

SOCIAL VALUES

The idea that an organisation is not formed merely to provide benefit to its shareholders is not a new concept. Some owners of businesses have always recognised a responsibility to other stakeholders, and this is evident from the early days of the industrial Revolution. Thus, for example, Robert Owen (1816, 1991) demonstrated dissatisfaction with the assumption that only the internal effects of actions need be recorded through accounting. Furthermore, he put his beliefs into practice through the inclusion within his sphere of industrial operations the provision of housing for his workers at New Lanark. Others went further still, and Jedediah Strutt and his sons of Belper, for example, provided farms to ensure that their workers received an adequate supply of milk, as well as building accommodation for their workforce which was of such high standard that these dwellings remain highly desirable in the present.³ Similarly the Gregs of Quarry Bank provided education as well as housing for their workforce. Indeed Salt went further and attempted to provide a complete ecosphere for his workers.⁴ Thus there is evidence from throughout the history of modernity⁵ that the self-centred approach of concern only with the organisation and its owners was not universally acceptable and was unable to satisfactorily provide a basis for human activity.

Many organisations have always recognised that they exist within society and must at least partly meet the needs of all of that society. Attempting this task of meeting differing requirements is based on the recognition of their own position in the community and the values upon which they are founded. This was recognised by Selznick (1957, p. 136) who stated:

Truly accepted values must infuse the organisation at many levels, affecting the perspective and attitudes of personnel, the relative importance of staff activities, the distribution of authority, relations with outside groups, and many other matters. Thus if a large corporation asserts the wish to change its role in the community from a narrow emphasis on profit-making to a large social responsibility (even though the ultimate goal remains some combination of survival and profit-making ability), it must explore the implications of such a change for decision making in a wide variety of organisational activities.

The ethical implications of a firm's behaviour were considered by McCoy (1985, p. 87) who considers ethics to be at the core of business behaviour. He states:

Dealing with values required continual monitoring of the surrounding environment, weighing alternative courses of action, balancing and (when possible) integrating conflicting responsibilities, setting priorities among competing goals, and establishing criteria for defining and evaluating performance. Along with these goes learning ways to bring this ethical reflection directly and fully into the processes by which policy is made, implemented, and evaluated. Increasingly, skills in dealing with values as integral components of performance and policy-making are being recognised as central for effective management in a society and a world undergoing rapid change.

The way in which a business performs in terms of its ethical behaviour and identified place in society as a whole is determined by its relationship with its stakeholder community. It is also to some extent determined by, as well as to some extent determining, the culture of the organisation. Kotter and Heskett (1992) consider corporate culture and show how this can lead not only to good business performance but also to bad business performance and a lack of ability to change to match changing environmental conditions. They consider that effective leadership is crucial to success. Success, like good performance, is always of course a subjective construct depending on the perspective of the evaluator. When we consider NGOs of course that success becomes even more subjective as there are no yardsticks such as profit; consequently different metrics are needed, including qualitative metrics, and it would be useful to research what is needed and what is used.

SOCIAL PERFORMANCE

The question of evaluating performance has been subject to much debate, and Chakravarthy (1986) suggests that traditional measures of performance based on profitability are inadequate for evaluating strategic performance. He argues that, rather than using conventional financially based measures, use should be made of alternative measures, and he suggests composite measures. He also suggests that rather than the conventional perspective of market-based evaluation of performance, alternative perspectives are needed, which recognised the need to satisfy multiple stakeholders. Kimberley, Norling, and Weiss (1983, p. 251) also make this point and argue that traditional measures do not necessarily even measure some

aspects of performance and can certainly lead to inadequate and misleading evaluations of performance. They state that:

Traditional perspectives on performance tend to ignore the fact that organisations also perform in other, less observable arenas. Their performance in these arenas may in some cases be more powerful shapers of future possibilities than how they measure up on traditional criteria. And, paradoxically competence in the less observable arenas may be interpreted as incompetence by those whose judgements are based solely on traditional criteria. Particularly in the case of organisations serving the interests of more than one group where power is not highly skewed and orientations diverge, the ability to develop and maintain a variety of relationships in the context of diverse and perhaps contradictory pressure is critical yet not necessarily visible to the external observer.

It appears therefore that it is difficult to identify the determinants of the level of performance of an organisation⁶ and this point is made by [Child \(1974, 1975\)](#) who examines both the universality theory and the contingency theory of organisational behaviour and finds support for both theories. [Kay \(1993\)](#) considers organisational performance in terms of added value; he argues that strategy involves identifying a firm's distinctive capabilities and applying them to appropriate markets. He also argues that strategy concerns the relationship between the firm and its competitors, customers and suppliers and that strategic management therefore needs an external focus rather than the internal focus of the planning model. [Stacey \(1991\)](#) on the contrary argues that business organisations are feedback mechanisms and that parameters in the performance feedback mechanism need to take account of instability as well as stability, irregularity and random shocks, adapting to as well as shaping customer requirements, and an awareness that small changes escalate over time.

Implicit in this concern with the effects of the actions of an organisation on its external environment is the recognition that it is not just the owners of the organisation who have a concern with the activities of the organisation. Additionally there are a wide variety of other stakeholders who justifiably have a concern with those activities and are affected by those activities. Indeed those other stakeholders have not just an interest in the activities of the firm but also a degree of influence over the shaping of those activities. This influence is so significant that it can be argued that the power and influence of these stakeholders is such that it amounts to quasi-ownership of the organisation. Indeed [Gray, Owen, and Maunders \(1987\)](#) challenge the traditional role of accounting in reporting results and consider that, rather than an ownership approach to accountability, a stakeholder approach, recognising the wider stakeholder community, is needed.⁷

The desirability of considering the social performance of a business has not always however been accepted and has been the subject of extensive debate. For instance [Friedman \(1970\)](#) considers that business exists to generate profits for shareholders. He offers a view that the responsibility of commerce is to 'conduct the business in accordance with desires, which generally will be to make as much money as possible while conforming to the basic rules of society'. These rules are embodied in both law and ethical custom. Hence he believes that efforts in terms of achieving a good performance must be focussed on maximising returns to shareholders, and anything beyond this, such as diverting money for a wider social interest, would be commercially wrong.

In support of this view, [Hetherington \(1973, p. 37\)](#) states:

There is no reason to think that shareholders are willing to tolerate an amount of corporate non-profit activity which appreciably reduces either dividends or the market performance of the stock.

whereas [Dahl \(1972, p. 18\)](#) states:

every large corporation should be thought of as a social enterprise; that is an entity whose existence and decisions can be justified insofar as they serve public or social purposes.

Nevertheless the performance of business in a wider arena than the stock market, and its value to shareholders has become of increasing concern. [Fetyko \(1975\)](#) considers social accounting as an approach to reporting a firm's activities and stresses the need for identification of socially relevant behaviour, the determination of those to whom the company is accountable for its social performance and the development of appropriate measures and reporting techniques. [Klein \(1977\)](#) also considers social accounting and recognises that different aspects of performance are of interest to different stakeholder groupings, distinguishing for example between investors, community relations and philanthropy as areas of concern for accounting. He also considers various areas for measurement, including consumer surplus, rent, environmental impact and non-monetary values. Although these writers consider, by implications, that measuring social performance is important without giving reasons for believing so, [Solomons \(1974\)](#) considers the reasons for measuring objectively the social performance of a business. He suggests that while one reason is to aid rational decision making, another reason is of a defensive nature.

Unlike other writers, Solomons not only argues for the need to account for the activities of an organisation in terms of its social performance but also suggests a model for doing this, in terms of a statement of social

Table 1. Analysis of Social Performance.

Statement of social income	£
Value generated by the productive process	xxx
+ Unappropriable benefits	xxx
– External costs imposed on the community	xxx
Net social profit/loss	xxx

Source: From Crowther (2002).

income. His model for the analysis of social performance can be illustrated as in Table 1.

Although Solomons proposes this model, which seems to provide a reasonable method of reporting upon the effects of the activities of an organisation on its external environment, he fails to provide any suggestions as to the actual measurement of external costs and benefits. Such measurement is much more problematic, and this is one of the main problems of any form of social accounting – the fact that the measurement of effects external to the organisation is extremely difficult. Indeed it can be argued that this difficulty in measurement is one reason why organisations have concentrated upon the measurement through accounting of their internal activities, which are much more susceptible to measurement.

In this respect, Gray et al. (1987) consider social reporting in terms of responsibility and accountability and distinguish between the internal needs of a business, catered for by management accounting, and the external needs, which are addressed for shareholders by financial reporting by largely ignored for other stakeholder interests. Social accounting is an attempt to redress this balance through a recognition that a firm affects, through its actions, its external environment (both positively and negatively) and should therefore account for these affects as part of its overall accounting for its actions.

While the discourse of social accounting was developing the notion of greater accountability to stakeholders during the 1970s, other developments were also taking place in parallel. Thus Lovelock (1979) produced his Gaia Hypothesis⁸ in which he posited a different model of the planet Earth,⁹ in his model the whole of the ecosphere, and all living matter therein, was co-dependent on its various facets and formed a complete system. According to this hypothesis, this complete system, and all components of the system, was interdependent and equally necessary for maintaining the Earth as a planet capable of sustaining life. This Gaia hypothesis was a

radical departure from classical liberal theory, which maintained that each entity was independent, and could therefore concentrate on seeking satisfaction for its own wants, without regard to other entities.¹⁰ This classical liberal view of the world forms the basis of economic organisation, provides a justification for the existence of firms as organs of economic activity and provides the rationale behind the model of accounting adopted by society. The Gaia hypothesis however implied that interdependence, and a consequent recognition of the effect of one's actions upon others, was a facet of life. This consequently necessitates a different interpretation of accountability in terms of individual and organisational behaviour and reporting.

Given the constitution of economic activity into profit-seeking firms, each acting in isolation and concerned solely with profit maximisation, justified according to classical liberalism, it is inevitable that accounting developed as organisation-centric, seeking merely to measure and report on the activities of the firm insofar as they affected the firm. Any actions of the firm, which had consequences external to the firm, were held not to be the concern of the firm. Indeed enshrined within classical liberalism, alongside sanctity of the individual to pursue his own course of action was the notion that the operations of the free market mechanism would mediate between these individuals to allow for an equilibrium based on the interactions of these freely acting individuals and that this equilibrium was an inevitable consequence of this interaction.¹¹ As a consequence any concern by the firm with the effect of its actions on externalities was irrelevant and not therefore a proper concern for its accounting.

The Gaia hypothesis stated that organisations were interdependent¹² and that it was necessary to recognise that the actions of one organism affected other organisms and hence inevitably affected itself in ways that were not necessarily directly related. Thus the actions of an organism upon its environment and upon externalities were a matter of consequence for every organism. This is true for humans as much as for any other living matter upon the planet. It is possible to extend this analogy to a consideration of the organisation of economic activity taking place in modern society and to consider the implications both for the organisation of that activity and the accounting for that activity. Examples of such being the many resources that exist such as the air and sea which are commonly held by all, yet the true cost of such resources in terms of pollution are not accounted for within traditional accounting. As far as profit-seeking organisations are concerned, therefore, the logical conclusion from this is that the effect of the organisation's activities on externalities is a matter of concern to the

organisation, and hence a proper subject for accounting in terms of organisational activity.

Although it is not realistically possible to claim that the development of the Gaia Theory had a significant impact on organisational behaviour, it seems perhaps overly coincidental to suggest that a social concern among business managers developed at the same time that this theory was propounded. It is perhaps that both are symptomatic of other factors that caused a re-examination of the structures and organisation of society. Nevertheless organisational theory has, from the 1970s, become more concerned with all the stakeholders of an organisation, whether or not such stakeholders have any legal status with respect to that organisation. At the same time within the discourse and practice of accounting, there has been a growth in concern externalities and for the effects of the actions of the firm upon those externalities. One externality of particular concern is that of the environment; in this context the environment has been defined to include the complete ecosphere, rather than merely the human part of that ecosphere. These concepts form part of the foundations of a concern with environmental accounting. These issues of course seem equally relevant to NGOs.

SOCIAL MARKETING

More recent developments in organisational theory mean that it has become more concerned with all the stakeholders of an organisation; this has been paralleled elsewhere, such as in marketing. For instance [Kotler, Armstrong, Saunders, and Wong \(1999, p. 12\)](#) see marketing as 'a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others'. In their view, satisfying consumer needs is done so through a philosophy of socially responsible and ethical behaviour. Hence they view commercial marketing as not just about the maximisation of profit but rather balancing between profit maximisation and maximising the quality of life.

Interestingly this was being developed at the same time as Lovelock's Gaia Theory, and it is this view that begins to embrace the concept of social marketing, a term that arose from [Kotler and Zaltman's \(1971\)](#) paper 'Social Marketing: An Approach to Planned Social Change'. Within this paper they characterised the concept as being similar to commercial marketing, however specifically focussing on benefiting the 'target audience and the general society' rather than benefiting the marketer. What [McFayden, Hastings, and MacKintosh \(2001\)](#) refer to as meeting 'society's desire to improve its

Table 2. Differences between Social and Commercial Marketers.

Social Marketing	Commercial Marketing
Want to do good	Want to make money
Funded by taxes, donations	Funded by investments
Publicly accountable	Privately accountable
Performance hard to measure	Performance measured in profits, market share
Behavioural goals long term	Behavioural goals short term
Often target controversial behaviours	Typically provide non-controversial products/services
Often choose high-risk targets	Choose accessible targets
Risk averse managers	Risk taking managers
Participative decision making	Hierarchical decision making
Relationships based on trust	Relationships often competitive

citizen's quality of life' and the Social Marketing Institute (SMI) characterise as being concerned with the bringing about of social change using concepts from commercial marketing (SMI, 2001). In all, the focus is on benefiting the individual and society and not obtaining commercial profits. To distinguish these developments taking place within marketing, Andreassen (2000) develops a comprehensive list of factors that help us to differentiate between social and commercial marketing. This can be summarised as in Table 2.

To this end, the notion of social marketing has been described as embodying a 'higher and more enlightened plane of marketing thought and practice' (Winsor, 1999). It is also what Kotler et al. (1999) has described as the fifth marketing era, which represents support for and justification of social responsibility within business. Recently this has been an extensive area of research that has included marketing in NGOs as well as cause-related marketing and other such interfaces between business and NGOs.

As such, research in social marketing has involved the application and examination of marketing principles, practices and communications to address social and health problems together with the assessment of the effects of commercial marketing on the health and behaviour of people within society. Topics of research, which have been investigated, have included traffic safety, smoking, alcohol, illicit drug use, sexual health and healthy eating (Andreassen, 1994; Lefebvre & Flora, 1988; Ling, Frankin, Kindsteadt, & Gearon, 1992; Anderson, Eadie, MacKintosh, & Haw, 2001; McFayden et al., 2001). Such is the body of this research that a specific journal exists, *Social Marketing Quarterly* plus various research centres have developed, for example within the United Kingdom, the Centre for Social Marketing at Strathclyde University, in the United States, the College of

Public Health at the university of South Florida together with the SMI and in Canada, the Carleton University in Ottawa.

As can be seen earlier, social marketing research predominantly focuses on social and health issues, concentrating on the activities of not for profit organisations such as Action on Smoking and Health (ASH) and International Network of Women Against Tobacco (INWAT). However, recently commercial organisations such as Nike and Daewoo have also begun to embrace such concepts. [Andreasen \(1996\)](#) describes moves in this direction as the new philanthropic paradigm. He suggests that one way of commercial organisations applying marketing principles to social and health issues is through the cultivation of social alliances typically with non-commercial organisations. An illustration of such is Nike's alliance with Imperial Cancer in arranging organised runs around the London area, encouraging individuals to keep active and healthy. Such initiatives have the potential to benefit society through an increased number of healthier individuals and hence less potential burden on the health services, while at the same time, helping to reinforce the Nike brand and therefore help to advance its business goals.

[Berger, Cunningham, and Drumwright \(1999\)](#) argue that such alliances are evidence of broader changes happening in society, specifically that of the government whose responsibilities towards society's problems is both diminishing and changing. Further to this they suggest that given the cut backs in government spending and increased competitiveness among non-profit making organisations for existing funds, there is every likelihood that social alliances will increase in popularity.

Although such examples show that through the application of social marketing techniques, such alliances have the potential to be beneficial to the organisations involved, still further consideration must be given to the consumer. For instance, [Winsor \(1999\)](#) considers that the societal marketing concept prescribes to corporate paternalism as, in his opinion, the concept makes the assumption that the individual consumer is unable to look out for him or herself. As he points out, this is in contrast to [Kotler's \(1977\)](#) view, who considers that the societal marketing concept supports consumer empowerment consistent with [McGregor's \(1960\)](#) Theory Y where individuals are viewed as informed, rational, intelligent individuals. Rather [Winsor \(1999\)](#) considers the opposite, that is, societal marketing treats individuals in terms of McGregor's Theory X and is akin to the earlier era in marketing, the selling concept, in that they both share the assumption of consumer ignorance. This, he considers, can lead to opportunistic

exploitation on the behalf of commercial organisations. Therefore while Kotler (1994) cites The Body Shop as an example of a company that has achieved notable profits through practicing social marketing, evidence of such can be found within their Mission Statement wherein they state they are dedicating their business 'to the pursuit of social and environmental change', Winsor would describe this as 'apparent acts of altruism'.

Nevertheless while a debate ensues regarding the integrity of various commercial organisations concerning their engagement with social marketing, consumers continue to display a developing interest in the social commitments of business (Smith & Higgins, 2001). This is evidenced by an increasing demand for environmentally sensitive and ethically considered products and services (Whysall, 1995). Clearly the practises of social marketing need to be considered as firms are progressively more examined in a societal context, and ethical scrutiny is increasingly being applied to their activities. Here we have reached a position wherein a number of commercial organisations see social marketing as a tool to achieve their corporate objectives, charities and other non-profit organisations see it as a way of capturing alternative sources of funding, and consumers see the effects of social marketing activities as a way of helping them make decisions with regard to which products and services to purchase. Whereas the traditional marketing paradigm focuses on satisfying consumers' needs as a means of ensuring profitability and growth, as a way forward, adopting a stakeholder view, presented earlier in this chapter, helps broaden our thinking and as Whysall (2000) suggests, prompts us to consider 'less directly commercial, but still often fundamental considerations'. In essence therefore, the stakeholder approach offers a useful way forward in terms of unravelling the network of concerns of the various groups who have an interest in a firm.

Although some forays into social marketing may continue to be considered faddist and unsustainable, and some consumers view such initiatives with cynicism, holding on to Kotler and Zaltman's (1971) original definition, social marketing has the potential to benefit individuals and society. Yet there is no reason why such practices cannot benefit marketers also. With this in mind, Thomas (2000) urges educators to think about how marketing can be made to function more effectively and efficiently. He considers that the marketing profession must define itself in its 'social trustee' role, as oppose to 'mechanical, market-driven professionalism, if it is going to survive'. How to effectively achieve this is the challenge.

THE DEVELOPMENT OF CORPORATE SOCIAL RESPONSIBILITY

There has been considerable debate about the relationship between CSR and corporate governance, but in recent years the term CSR has gained prominence, both in business and in the press to such an extent that it seems to have become ubiquitous. There are probably many reasons for the attention given to this phenomenon not least of which is the corporate excesses witnessed in recent years. For many people the various examples of this kind of behaviour – ranging from BCCI to Enron to Union Carbide to the collapse of Arthur Andersen and the Madoff ponzi scheme – will have left an indelible impression among people that all is not well with the corporate world and that there are problems that need to be addressed¹³ (Crowther & Rayman-Bacchus, 2004).

One of the implications of this current concern however is that this is a new phenomenon – one that has not been of concern previously. Issues of socially responsible behaviour are not of course new and examples can be found from throughout the world and at least from the earliest days of the Industrial Revolution, as described earlier, and the concomitant founding of large business entities (Crowther, 2002) and the divorce between ownership and management – or the divorcing of risk from rewards (Crowther, 2004a). Indeed there is evidence from throughout the history of modernity that the self-centred approach towards organisational activity was not universally acceptable and was unable to satisfactorily provide a basis for human activity.

Since that time there has been a concern for the socially responsible behaviour of organisations that has gained prominence at certain times while being considered of minor importance at others. Thus during the 1970s for example there was a resurgence of interest in its socially responsible behaviour. This concern was encapsulated by Ackerman (1975) who argued that big business was recognising the need to adapt to a new social climate of community accountability but that the orientation of business to financial results was inhibiting social responsiveness. McDonald and Puxty (1979) on the contrary maintained that companies are no longer the instruments of shareholders alone but exist within society and so therefore have responsibilities to that society and that there is therefore a shift towards the greater accountability of companies to all stakeholders. Recognition of the rights of all stakeholders and the duty of a business to be accountable in this wider context therefore has been a

recurrent phenomenon. The economic view of accountability only to owners has only recently been subject to debate to any considerable extent.¹⁴ Indeed the desirability of considering the social performance of a business has not always however been accepted and has been the subject of extensive debate.

CSR therefore involves a concern with the various stakeholders to a business, but there are several problems in identifying socially responsible behaviour:

- Research shows that the concern is primarily with those stakeholders who have power to influence the organisation. Thus organisations are most concerned with shareholders, less so with customers and employees and very little with society and the environment. CSR would imply that they are all of equal importance.
- The definitions imply that CSR is a voluntary activity rather than enforced though regulation whereas in actual fact it is an approach and the voluntary – regulated debate is irrelevant.

Claiming a concern is very different to actually exhibiting that concern through actions taken (Crowther, 2004b).

Definitions of CSR abound, but all can be seen as an attempt to explain and define the relationship between a corporation and its stakeholders, including its relationship with society as a whole. Many too are phrased in terms of the triple bottom line, in a way which we argue trivialises the concept. Because of the uncertainty surrounding the nature of CSR activity, it is difficult to evaluate any such activity. It is therefore imperative to be able to identify such activity, and Aras and Crowther (2007) argue that there are three basic principles¹⁵ that together comprise all CSR activity. These are:

- sustainability
- accountability
- transparency

For a few years now the concept of CSR has gained prominence and is gaining increasing attention around the world among business people, media people and academics from a wide range of disciplines. There are probably many reasons (see Crowther & Ortiz-Martinez, 2006) for the attention given to this phenomenon not least of which is the corporate excesses that continue to become manifest in various parts of the world. These have left an indelible impression among people that all is not well with the corporate world and that there are problems that need to be addressed. Such incidents are too common to recount but have left the financial

markets in a state of uncertainty and have left ordinary people to wonder if such a thing as honesty exists any longer in business.

More recently the language used in business has mutated again and the concept of CSR is being replaced by the language of sustainability. Such language must be considered semiotically (Barthes, 1973) as a way of creating the impression of actual sustainability. Using such analysis, the signification is about inclusion within the selected audience for the corporate reports on the assumption that those included understand the signification in a common way with the authors. This is based on an assumed understanding of the code of signification used in describing corporate activity in this way. As Sapir (1949, p. 554) states:

we respond to gestures with an extreme alertness and, one might almost say, in accordance with an elaborate and secret code that is written nowhere, known by none and understood by all.

DEVELOPING A TYPOLOGY OF CSR ACTIVITY

The nature of the activity that is classified as CSR has developed considerably over the past decade or so and continues to develop as different concerns become manifest. This makes the development of a typology of CSR maturity possible. It would be relatively easy to develop a typology of CSR activity based on the treatment of the various stakeholders to an organisation but as Cooper, Crowther, Davies, and Davis (2001) show, all corporations are concerned with their important stakeholders and make efforts to satisfy their expectations. Thus a concern with employees and customers is apparent in all corporations, being merely a reflection of the power of those stakeholder groupings rather than any expression of social responsibility. Similarly in some organisations a concern for the environment is less a representation of social responsibility and more a concern for avoiding legislation or possibly a reflection of customer concern. Such factors also apply to some expressions of concern for local communities and society at large. It is therefore inappropriate to base any typology of CSR activity on the treatment of stakeholders as this is often based on power relationships rather than a concern for social responsibility, and it is not realistic to distinguish the motivations.

A different typology has therefore been developed by Crowther (2008) – one which is based on the three principles of social responsibility outlined earlier. Moreover, it shows the way in which CSR develops in organisations

Table 3. Stages of Maturity of CSR Activity.

Stage of Development	Dominant Feature	Typical Activity	Examples
1	Window dressing	Redesigning corporate reporting	Changed wording and sections to reflect CSR language (see Crowther, 2004b)
2	Cost containment	Re-engineering business processes	Energy efficiency programmes
3	Stakeholder engagement	Balanced scorecard development	Customer/employee satisfaction surveys (see Cooper et al., 2001)
4	Measurement and reporting	Sophisticated tailored measures	CSR reports
5	Sustainability	Defining sustainability: re-engineering processes	Sustainability reporting
6	Transparency	Concern for the supply chain: requiring CSR from suppliers	Human rights enforcement: e.g. child labour
7	Accountability	Reconfiguration of the value chain	Relocating high value-added activity in developing countries

Source: From Crowther (2008).

as they become more experienced and more convinced of the benefits of a commitment to this form of corporate activity. The development of this typology is based on research and interviews with CSR directors and concerned managers in a considerable number of large corporations, many of which are committed to increasing social responsibility. It demonstrates stages of increasing maturity.

This can be explained as stages of growth reflecting increased maturity. The stages can be elaborated as follows (Table 3).

Stage 1 Window Dressing

The initial engagement with CSR was to change corporate reporting to indicate a concern for CSR without any actual change in corporate behaviour. This is the stage that led to accusations of greenwashing. It is also the stage that most observers of corporate activity continue to see even though in reality probably every organisation has progressed to a stage of greater maturity.

Stage 2 Cost Containment

Corporations are always of course looking at their processes and seeking to operate more efficiently, thereby reducing costs. Organisations have realised that some of these can be represented as CSR activity – with things like energy efficiency or water efficiency being obvious examples. So there is a double imperative for this kind of activity – to improve financial performance and also improve the social responsible image. Not surprisingly therefore corporations quickly moved from stage 1 to this stage – where action has been taken even though it is not necessarily motivated by a sense of social responsibility.

Much of this kind of activity is easy to undertake and requires very little in the way of capital investment. Naturally this activity has been undertaken first. Activity requiring capital investment has a longer payback period and tends to be undertaken more cautiously, with the threat of regulation often being needed to encourage such activity. All organisations have progressed through this stage also, although it must be recognised that the possible actions under this stage will probably never be completed by most organisations. Such cost containment there remains ongoing even when the easy targets have been addressed.

Stage 3 Stakeholder Engagement

As stated earlier, all corporations are concerned with their important stakeholders and make efforts to satisfy their expectations. Thus a concern with employees and customers is apparent in all corporations, being merely a reflection of the power of those stakeholder groupings rather than any expression of social responsibility. Similarly in some organisations a concern for the environment is less a representation of social responsibility and more a concern for avoiding legislation or possibly a reflection of customer concern. Such factors also apply to some expressions of concern for local communities and society at large. For CSR though this concern has become formalised, often through the development of a balanced scorecard and such things as customer or employee satisfaction surveys. Most organisations have progressed through this stage also, with such activity being embedded into normal ongoing business practice.

Stage 4 Measurement and Reporting

Some companies have been practicing social and environmental reporting for 15 years, but for many it is more recent. Now most companies – certainly

most large companies – provide this information in the form of a report. Over time these reports have become more extensive and more detailed with a broader range of measures of social and environmental performance being included. Hence, most organisations have reached this stage of maturity also. The problem with this stage though is that at the moment there are no standards of what to report, and so organisations tend to report different things, thereby hindering comparability. Organisations such as AccountAbility, with its AA1000 standard, and the Global Compact have sought to redress this through the introduction of a standard but none have gained universal acceptance. Consequently it is probably true to state that this is the current stage of development for most organisations.

Stage 5 Sustainability

The discourse of sustainability has become as ubiquitous as the discourse of CSR, and [Aras and Crowther \(2007a\)](#) report that every firm in the FTSE100, for example, mentions sustainability with 70% of them focusing on this. Any analysis of these statements regarding sustainability however quickly reveals the uncertainty regarding what is meant by this sustainability. Clearly the vast majority do not mean sustainability as defined by [Aras and Crowther \(2007b\)](#), or as defined by the Brundtland Report. Often it appears to mean little more than that the corporation will continue to exist in the future. A full understanding of sustainability would imply radical changes to business practice and a significant amount of process re-engineering, and there is little evidence that this is happening. So we argue that most companies are only starting to reach this stage of maturity and to grapple with the issues involved.

Stage 6 Transparency

One of the biggest issues of the moment – certainly in Europe – is the question of firms accepting responsibility for what happens further along their supply chain. This is something that has been brought about largely because of customer pressure and has come about because of the revelations made about such things as child labour, slavery and other human rights abuses. So it is no longer acceptable for a firm to say that what happens in a supplying firm – or even the supplier of a supplier – is not their responsibility. Popular opinion says for companies and so we wait for them to become sufficiently mature to enter this stage that the firm is responsible

for ensuring socially responsible behaviour among their suppliers as well as in their own company. Thus there have been examples of some very large companies – such as Gap or Nike – acknowledging responsibility and taking appropriate action to ensure change.

This is an issue that is growing in importance and is being addressed by the more mature (in CSR terms) companies. Thus it is claimed that some companies are at this stage in their maturing, but still a minority of companies.

Stage 7 Accountability

The final stage represents our wishes rather than actuality – at least so far! It is based on the fact the multinationals can decide where to locate their operations and that all high value-added operations are located in developed countries. For many it would be relatively easy to transfer to less-developed countries and if that happened then the company would be making a real contribution towards effecting change. And we argue that there is no real cost involved – just that corporations should seek to do this to benefit society rather than simply for cost minimisation.

Essentially the argument being made here is that CSR must be considered as a process of development for every organisation – a process that is still taking place. Furthermore, every organisation goes through the same stages in the same chronological order.¹⁶ Thus the leading exponents of CSR are only now beginning to address stage 6 and possibly consider stage 7. Less-developed corporations are at lower stages of development. What is significant about this however is that our argument is that sustainability only starts to be recognised once a company has reached stage 5 of its development. More significantly stages 6 and 7 are essential for true sustainability as it is only then that an organisation recognises – and acts on the recognition – that it is an integral part of a value chain and that sustainability depends on the actions of the complete value chain. In other words an organisation cannot be sustainable without its suppliers and customers. At the moment it is doubtful if organisations recognise this and whether any organisation is (yet) truly sustainable.

This model has been developed based on research into commercial organisations and primarily multinational corporations. More recently, as we have shown, CSR has been extended to encompass similar activity in governmental and non-governmental organisations. This inevitably raises a question as to whether or not the same developmental process applies or

whether either the differing nature of these organisations or their relatively late entry into CSR activity means that a different model of development needs to be developed.

CONCLUSIONS: A RESEARCH AGENDA

There is a considerable need for continuing research into CSR practice around the world, as well as an ongoing need to theoretical developments. This applies to profit seeking organisations, and the agenda has recently expanded to incorporate SMEs as well as multi nationals (see for example [Aras & Crowther, 2009a, 2009b](#)). More recently the concern for CSR has expanded to include governmental organisations and NGOs. In this chapter we have raised some current issues regarding CSR research and considered whether or not these apply in the same way to NGOs, our concern in this book. Really however we are seeking to illustrate that there is much further research to do concerning an understanding of how CSR is applied in NGOs and that a whole new research agenda is opening up. It is necessary to understand the extent to which the theory currently developed applies to these organisations and the extent to which our theoretical understanding needs to be developed and even the extent to which new theory is necessary. Various chapters in this volume both start the process and illustrate that much more is needed. Accordingly we finish by baldly stating that there is a new research agenda that need to be addressed.

NOTES

1. The Institute of Social and Ethical Accountability is probably better known as AccountAbility.
2. In his case the National Health Service in the United Kingdom.
3. Indeed the earlier workers' accommodation provided by Richard Arkwright, arguably the instigator of the Industrial Revolution, at Cromford, Derbyshire, remain equally desirable.
4. The illustrations cited here are all from various parts of the United Kingdom and all from the late 18th and early 19th centuries. This is not just because one of the authors is English but also because the Industrial Revolution commenced in the United Kingdom.
5. Examples from pre-modernity also exist primarily in the form of assistance provided by religious institutions to anyone in need. The essential point is that socially responsible behaviour has always existed from people/organisations who care and has been unrelated to any form of regulation.

6. This difficulty arises for various reasons but primarily because of the need to satisfy the differing needs of a diverse group of stakeholders.

7. The benefits of incorporating stakeholders into a model of performance measurement and accountability have however been extensively criticised. See for example [Freedman and Reed \(1983\)](#), [Sternberg \(1997, 1998\)](#) and [Hutton \(1997\)](#) for details of this ongoing discourse.

8. At the time this hypothesis was vigorously disputed. Now it is generally accepted and has become known as the Gaia Theory – showing its general acceptance among the scientific community!

9. He has recently changed his views ([Lovelock, 2006](#)) to suggest that the earth no longer has the ability to heal the damages that have been done by man. Assuming he is right – and many people think that he is – then this has serious consequences for the future.

10. This is of course the standard Utilitarian theory that legitimates the market system.

11. This assumption of course ignores the imbalances in power between various parties seeking to enact transaction through the market.

12. In actual fact Lovelock claimed in his hypothesis that the earth and all its constituent parts were interdependent. It is merely an extension of this hypothesis to claim the interrelationship of human activity whether enacted through organisations or not.

13. Some would argue that these cases are related to corporate social responsibility failures, some to corporate governance failures, and some to both. Our view is that the two are too inter-related to separate.

14. See [Crowther \(2000\)](#) for a full discussion of these changes.

15. See [Crowther \(2002\)](#) and [Schaltegger, Muller, and Hindrichsen \(1996\)](#) for the development of these principles.

16. This can be likened to Erikson's stages of growth for human beings, of which (coincidentally) there are also 7 stages.

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CHAPTER 2

GOVERNANCE FROM BELOW AND GLOBAL GOVERNANCE: ACCOMMODATING CHANGE

Arno J. van Niekerk

INTRODUCTION

Since much of civil society groups' attention has been on pressurising specifically corporate companies to take up their responsibility towards society, it has been an area of focus that is attracting increasing debate. Today companies' corporate social responsibility (CSR) ranges from 'going green' to supporting local charities. However, one thing is increasingly clear: it is not a choice any longer. Employees expect it, and companies need it. What used to be considered good public relations, or window dressing for community relations, is in fact linked to how well a company's employees perform. In fact, in a Global Workforce study done by [Towers Perrin \(2009\)](#) it was found that CSR is the third most important driver of employee engagement overall. For companies in the United States (US), an organisation's stature in the community is the second most important driver of employee engagement, and a company's reputation for social responsibility is also among the top 10 drivers. Importantly, this is one example of the increasing authoritative influence of a rising global civil society in international affairs.

This serves to illustrate the fact that the benefits to be derived by society are starting to take precedence over other priorities (e.g. profits) in the

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broader scheme of how the progression of the world – especially the global economy – is ever more viewed (Monbiot, 2004). At play here is not only companies' CRS but also the emergence of a stronger 'voice of the people', which is becoming more coordinated and strategised by means of technology, particularly the Internet. The chapter thus investigates the rise of the global civil society, particularly in terms of their growing role in global economic decision-making. Their influence on key global economic role players (e.g. corporations, governments and global governance institutions) will be of particular interest. Second section will identify some key theoretical foundations and debates as regards CSR, with the latter being an exemplar for the growing prominence of civil society. Third section will consider some key role players involved in global governance (of which global economic governance forms part of), while section four attempts to identify what, from a global governance perspective, need to change in order to accommodate the rise of the civil society and creating 'mutually beneficialities'.

DEFINITION, DEBATE, THEORY AND CONTEXT

CSR is a form of corporate self-regulation integrated into a business model. The [World Business Council for Sustainable Development \(2008\)](#) defines it as 'the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large'. Ideally, CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure their adherence to law, ethical standards and international norms. Business would embrace responsibility for the impact of their activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, business would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. Essentially, CSR is the deliberate inclusion of public interest into corporate decision-making, and the honouring of a triple bottom line: People, Planet, Profit.

The practice of CSR, however, is subject to much debate and criticism. Proponents argue that there is a strong business case for CSR, in that corporations benefit in multiple ways by operating with a perspective broader and longer than their own immediate, short-term profits. Critics argue that CSR distracts from the fundamental economic role of businesses;

others argue that it is nothing more than superficial window-dressing; others argue that it is an attempt to pre-empt the role of governments as a watchdog over powerful multi-national corporations (MNCs). There is even a difference between the 'US model' and the 'European model' of CSR (Baker, 2009). The former views it as much more as a philanthropic model. Companies make profits, unhindered except by fulfilling their duty to pay taxes. Then they donate a certain share of the profits to charitable causes. It is seen as tainting the act for the company to receive any benefit from the giving. The latter, the European model of CSR, is much more focused on operating the core business in a socially responsible way, complemented by investment in communities for solid business case reasons. This appears to be a more sustainable model because:

- social responsibility becomes an integral part of the wealth creation process – which if managed properly ought to enhance the competitiveness of business and maximise the value of wealth creation to society and
- when times get more challenging, there is the incentive to practice CSR more and better – if it is a philanthropic exercise which is peripheral to the main business, it will always be the first thing to go when times are difficult.

This, in corresponding more with the European model, is illustrated by Fig. 1 where outside stakeholders are taking an increasing interest in the activity of the company. Most look to the outer circle – what the company has actually done, good or bad, in terms of its products and services, in terms of its impact on the environment and on local communities, or in how it treats and develops its workforce. Of the various stake-holders, it is financial analysts who are predominantly focused – as well as past financial performance – on quality of management as an indicator of likely future performance.

As aforementioned, this is part of a broader context of change in the world, specifically the global economy, which has intensified the sharing of interests and taking collective action as a result of the growing formation of networks of interdependence. Contemporary globalisation is considered to be the process that caused an emergent new global economy, i.e. the latest progression of contemporary globalisation. Ohmae (1993) argued that the development of a new economic structure has already started to take shape, and not just conjunctural change towards greater international trade and investment within an existing set of economic relations. In this respect, the new global economy is viewed as being more than merely extensive and intensifying international economic relations (Hirst & Thomson, 1999).

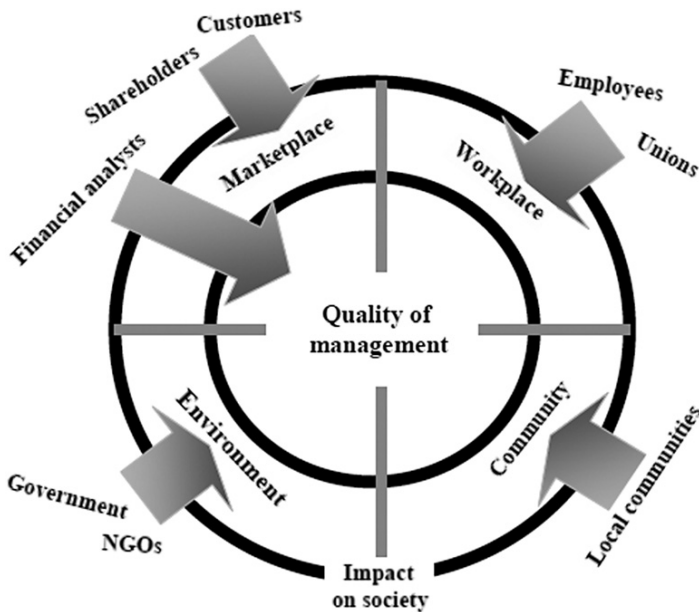


Fig. 1. An Integrated Model for CSR. Source: Baker (2009, p. 1).

According to [Held and McGrew \(2000\)](#), what has changed is not the kind of activities humankind is engaged in, but its technological ability to use it as a direct productive force. What distinguishes the present global capitalist economy from that of prior epochs is arguably its particular historical form. Over the recent decades, the core economies in the global system have undergone a profound economic restructuring – especially after the Cold War. As [Muller, Cloete, and Badat \(2001\)](#) suggest, in the process they have been transformed from essentially industrial to post-industrial economies. More specifically, as [Castells \(1996\)](#) underlines, the new global economy is considered to be a new social and economic structure – an unprecedented *network society*. In its character, it is centred on informational capitalism in that it has involved a structural transformation in the relations of production and power. As the new technological basis for this new economy, the Internet is creating new rules as it induces the networking form. It is adding a new dimension to global competitiveness and social interaction. This new social structure is considered to be a transition from industrialism to the network society and is also associated with the diffusion of knowledge and innovation, not merely technology per se ([Muller et al.,](#)

2001). Although it is still in its infancy, history has remarkably shown that developments such as the current rise of the new global economy are of particular significance in stretching the confines of globalisation.

This has, undoubtedly, led to – among other things – the empowerment of social society on a global scale. In trying to dissect and identify the societal roots and growth that evolved parallel to the aforementioned economic progression, it becomes apparent that a trend has formed against the centralised management of power. And in favour of the idea of a proliferation of diverse, overlapping and spatially differentiated self-governing communities of fate in which there would be multiple sites of power but no sovereign or centralised structures of authority whatsoever. Hence, the emphasis is towards a major shift in power in favour of the disadvantaged, causing a radical change in the overall pattern of global society. Importantly, this trend – in corresponding with Radical communitarian theory – conceives democracy as inseparable from the achievement of social and economic equality and the establishment of the necessary conditions for self-development. It is a ‘bottom-up’ theory (i.e. governance from below) of the democratisation of world order that promotes humane governance as the basis for engendering global development and international cooperation. This is in contrast to the theory of Cosmopolitanism, which has a misappreciation of reform of current global governance arrangements and requires the subordination of regional, national and local sovereignties to an overarching legal framework.

Radical communitarianism theory is particularly valuable for stressing the principle that democratic global governance should be organised along functional (e.g. trade, finance, environment), as opposed to territorial lines, and that such functional authorities should be directly accountable to the communities and citizens whose interests are directly affected by their actions (Held & McGrew, 2000). Another theory, Liberal-democratic internationalism theory, which is aligned to this view, stresses the fact that the need to ensure that global governance institutions are more democratic (through reform) also increases. What has become critical, as argued by the *Commission on Global Governance* (1996), ‘is the need to balance the rights of states with the rights of people, and the interests of nations with the interests of the global neighbourhood’. Notably, the value of all three theories – as is the case with globalisation – have encouraged a revival of liberal international thought, which has led to a growing emphasis on the global need for improved governance arrangements that deal with global concerns. Both the liberalism of progress and the liberalism of fear emphasise the need for international institutions.

OLD AND NEW ACTORS OF GLOBAL AUTHORITY: CHANGE AND ADJUSTMENT

The growing interest in the idea of 'governance without government' is an interesting – and quite momentous – discourse in global governance as it provides an important context for the asymmetry problem.¹ For instance, the role which social organisations, rather than governments, can perform in resolving collective action problems that are currently at the top of global political and economic agendas are increasingly being recognised. In fact, according to [Young \(1997\)](#), 'the general proposition that groups of interdependent actors can and often do succeed in handling the function of governance without resorting to the creation of governments in the conventional sense is now well established'. Although there still is significant uncertainty regarding the conditions under which governance without government can succeed, one cannot deny the need and desire of various stakeholders to become engaged in processes involving the institutionalisation of global decision- and policy-making. Hence, the emphasis is shifting towards the growing acknowledgment of and deference for, new actors of authority in global governance.

In view of both the intensifying asymmetry problem and the fact that states still remain among the main players on the global stage, governments are indeed no longer the only main players. [Held and McGrew \(2002\)](#) thus argue that in light of increasing global interdependence, the structure of the world order is changing – in particular after the Cold War. From a governance perspective, one decisive implication of this is the following: as the demand for governance increases with the proliferation of complex interdependencies, rule systems can increasingly be found in civil society or advocacy groups, nongovernmental organisations (NGOs), business associations, MNCs, and other types of collectivities that are not regarded as nation-states. Also included among these is the amorphous collection of groups that together constitute the anti-globalisation movement. This movement mainly functions as a catalyst of resistance to neo-liberal globalisation. Some of the illustrious protests of this movement were the Battle of Seattle against the World Trade Organisation (WTO) in 1999; protests against the International Monetary Fund (IMF) in Prague in 2000; the European Union (EU) summit meeting in Gothenburg and the G8 summit meeting in Genoa, both in 2001. The sub-sections that follow will focus on the global civil society, multi-layered global governance, MNCs and interdependent networks of global governance.

THE GLOBAL CIVIL SOCIETY – THE RISE OF PEOPLE POWER

In this knowledge era of the Internet, citizen groups of both advanced and developing countries (separately and/or in collaboration) are increasingly mobilising and coordinating public opinion and protest across national frontiers with relative speed and ease. People's renewed appreciation of the workings of the market and the value of mass participation in decision-making has led to a shift in the balance of confidence – a declining faith in the competence of government (Yergin & Stanislaw, 2000). Thus, with globalisation undermining the role of the state by reducing their legitimacy and authority in the eyes of the public, most of the growing number of civil society collectives are primarily performing two key functions: organising human behaviour and creating new systems of rule (Berger, 2000). Though they are not replacing states, they are often, quite unprecedentedly, exerting considerable pressure on governments and operate independently and distinctly from them – transnationally. The globalisation of political and economic activity has therefore, particularly over the past two decades, been accompanied by the emergence of a new kind of network politics which seeks to make global markets and global institutions work in the interests of the world's peoples rather than vice versa (Held, 2000). This governance from below represents an alternative politics of protest and transnational mobilisation. One area, for instance, in which the expanding transnational civil society continues to have some notable success is in mobilising and organising resistance to the rule of global capital (e.g. the Stop the MAI campaign²). The most positive aspect of this development is perhaps that governance from below is becoming a more, rather than less, significant channel whereby citizens and communities can hold the agencies of global governance to account for their actions.

Owing to this upsurge in the collective capacity to govern (i.e. *people power*), Held and McGrew (2000) are convinced that the world is in the early stages of undergoing a remarkable expansion of collective power. Although it currently is highly disaggregated and unfolds unevenly, it nonetheless is a relatively new development of rule systems that have become wider in functional scope and more extensive over space. Hence, driven by the continuing globalisation of national economies, combined with the advent of global interdependence issues (such as environmental pollution, climate change, monetary crises, HIV/AIDS and drug trade), new and intensified forms of transnational collaboration as well as new social movements – serving as

transnational voices for change – are radically emerging (e.g. the World Social Forum). In this era of the empowered individual, citizens are, by collective will, demonstrating that they want to play a major role in rewriting existing laws, setting new precedents for participation, and shaking up hierarchies; all of which increasingly create powerful pressures that reverberate within international institutions and states.

Although it is made up of non-profit organisations and voluntary associations dedicated to civic, humanitarian, cultural and social causes, civil society is emerging as an independent international and counter-hegemonic force with a growing global presence. Though it is difficult to establish reliable statistics on NGOs, [Held and McGrew \(2002\)](#) calculate that they increased from a few hundred at the start of the 20th century to over 5000 at the start of the 21st century. As [Fig. 2](#) indicates, the growth of NGOs – compared to that of inter-governmental organisations (IGOs) and states – experienced a much greater and more rapid increase during the 1980s, in particular, and thereafter. Among the more than 3000 civil society groups listed at the United Nations (UN), the largest and most prominent organisations are Oxfam, Amnesty International, Greenpeace and the International Committee of the Red Cross. Apart from the success they had with the MAI, the global civil society – in recent times – effectively promoted treaties to limit global warming, helped establish an international criminal court, persuaded the International Court of Justice to render an advisory opinion on the legality of nuclear weapons, and mounted a drive to cancel the foreign debts of the world's poorest countries ([Falk & Strauss, 2001](#)). Although these efforts remain works in progress, these transnational forces have to date been essential in furthering them.

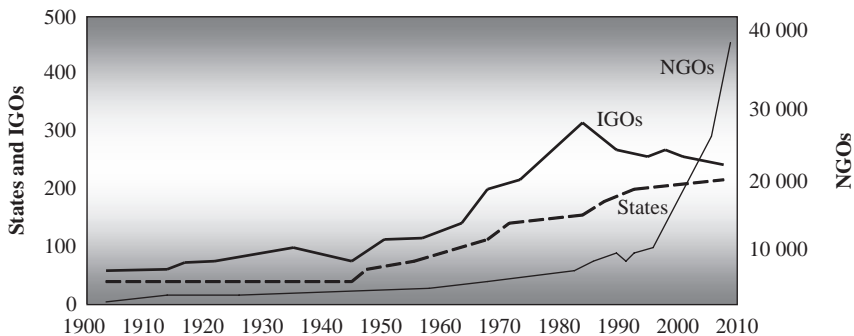


Fig. 2. Growth of NGOs, States and IGOs (1900–2010). *Source:* [Held & McGrew \(2002, p. 48\)](#) and data from [Duke University, 2010, p. 1](#).

NGOs appear to have been accorded some form of legitimate authority, which Hall and Biersteker (2002) call private authority.³ In light of the growing recognition of degrees of order and institutionalised, patterned interaction within the international system, NGOs (among other private actors) mainly exercise their influence and private authority in three different ways. First, by having the authority to set the agenda, many NGOs enjoy notable success in their lobbying efforts with governmental decision-makers which, due to their tactical decision-making and policy preferences, results in growing popular support from all classes of citizens. In this regard, they provide citizens with a channel of access to global and regional decision-making forums. Second, NGOs exercise their private authority by virtue of their authorship, or expertise. By giving expert advice they attempt to influence policy preferences. They are often viewed as credible providers of technical information – for example the detailed information contained in Amnesty International’s annual human rights report. Thirdly, with their emancipatory and normatively progressive social agendas, NGOs exercise their private authority in the form of a moral authority over public issues (e.g. CSR), something for which they are also valued as ostensibly objective or neutral non-state actors. Accordingly, they exert pressure on governments, international bodies and corporate empires to be more accountable.

MULTI-LAYERED GLOBAL GOVERNANCE – WHO IS IN CHARGE?

Fig. 2 also indicates that by contrast to the slow growth in the number of states (as expected), IGOs showed remarkable growth during most of the 1980s by almost reaching 400. However, they have declined sharply since then to just below 300 in 2000 – a figure that is still significantly higher than before the 1980s. The UN, the International Labour Organisation (ILO) and the IGEGs are examples of international bodies created by formal agreements between nation-states. Significantly, the growth in IGOs is a critical contributory factor to an increasing trend towards *shared governance*, which means that the sovereignty and autonomy of national governments is ever more locked into a multi-layered system of governance (Held, 2000). Thus, in the context of the reflexive state, nation-states are not so much losing power but having to adjust to a new context in which their sovereignty and power is shared and bartered among many other public and private agencies or centres of authority – above, below and alongside the state.

What Held calls ‘powershift’ is best demonstrated by the emergent multi-layered system of global governance. Characteristically, this system has evolved into a complex polyarchy that depends on a multiplicity of agencies with no single centre of authority. These agencies range from nation-states, governmental organisations and multi-lateral institutions to MNCs that meet (and attempt) to agree on global policies, rules and norms. [Scholte \(2001\)](#) views this system in which power is exercised at various levels as three distinctive layers or infrastructures of governance:

- *The supranational (top) layer* is unique in that the global and regional governance bodies in this tier have some kind of autonomous legal personality. With membership increasing, the coverage and influence of most is expanding – globally. Some examples are the IGOs, regional groupings and the IGEGs.
- *The national or state (upper middle) layer* includes global national governments, and is sandwiched between the other three layers.
- *The transnational (lower middle) layer* encompasses representatives of the global civil society that exert their influence by means of their infrastructural power, i.e. political strategies whereby average citizens and communities gain a voice in global governance. This layer also includes constituencies that represent the interests of MNCs, such as the World Business Council, which have acquired a privileged position in the governance of the global economy.
- *The substate (bottom) layer* comprises local governments and sub-state authorities that seek to promote the economic, cultural and political interests of their locale. Their activities range from establishing local diplomatic missions abroad to efforts overseas to attract international investment. One formal body, for instance, that represents key global and regional forums is the International Union of Local Authorities.

The layers of multi-layered global governance (except the national layer) expanding in terms of crowdedness and participants becoming more influential in the global arena signal a new method of governance – from an exclusively state-based structure towards complex multi-lateralism ([O’Brien, Goetz, Scholte, & Williams, 2003](#)). Concurrently, the nature of governance and authority of the IGEGs is also going through a transitional phase. This is mainly due to the growing recognition of, and adjustment to, the demands of the other actors in multi-layered global governance, in particular the global civil society. The complexity of this transition (e.g. the need to accommodate these demands and clashes of rival goals) creates substantial governance uncertainty because while it is clear what the

transition mostly entails, it is not so clear where it is going. This uncertainty is exacerbated by the heterogeneous and at times contradictory character of global governance. According to [Koenig-Archibugi \(2002\)](#), 'the interplay among distinct governance arrangements is remarkably diverse, as the modalities of interaction range widely, from symbiosis to rivalry'. Alas, it is mainly the inherent inconsistencies in complex multi-lateralism that have a crippling effect on global governance. Among many other examples, irregular decisions such as not to create and empower necessary independent bodies are often made, as well as the deliberate exclusion of many stakeholders from decision-making processes – something that conveys overwhelming power to merely a few (usually the rich).

It should be emphasised that nation-states, in particular, are increasingly challenged to become reflexive states⁴ with a new public philosophy of governance which recognises the changed global context of economic and political action. In addition, the involvement of states in regional forms of governance is continually being encouraged. Consequently, globalisation does prefigure a historic power shift from national governments to evolving systems of regional and global economic governance. The study would therefore concede that the contemporary world order might best be described as a *heterarchy*.⁵ This certainly suggests that the world is currently witnessing not only a transformation in state power, but also the emergence of new forms of governance in the global economy. In fact, both the rising status of multi-lateral institutions of governance and regional governance (as part of a complex set of interconnecting relationships) have now become primary vehicles by means of which states (more accurately the G8) can exercise their power – indirectly. This power is, however, different from its traditional concept in that states now have to compromise their autonomy by sharing the function of governance with other agencies in a complex set of interconnecting multi-lateral relationships.

In explaining this transformation, [Held \(2004\)](#) points out that 'while many states retain the ultimate legal claim to effective supremacy over what occurs within their own territories, this should be juxtaposed with, and understood in relation to, the expanding jurisdiction of institutions of global and regional governance and the constraints of, as well as the obligations derived from, new and changing forms of international regulation'. Hence, one can argue that if sovereign states are the principal building blocks of a stable world order, as many critics maintain, then the issue of the state and the state system being in decline (and thus being severely transformed due to increased liberalisation) is indeed cause for concern for the future governance of the global economy ([Lawson, 2003](#)). This is due mainly to two questions: what

will take its place then (in terms of performing this central function in world order)? And how long will it take for this replacement or transformation to take place? Given that the state system has been the defining feature of international order throughout the modern period, its decline is most certainly creating a 'governance void' and is asking perturbing questions about the future building blocks and central role players of, specifically, a new global economic order. This might also present an opportunity for the global civil society to fill, at least part, of this governance vacuum. One might even argue that there is competition between the global civil society and MNCs to fill the void left by an 'absent' government.

MNCS – GROWING GLOBAL POWERHOUSES

Since 1973 when international production surpassed international trade the world became stunned by the enormous size and steadily growing importance of MNCs in world economic activities. Today the scope of these non-state actors' penetration in the global economy is certainly unprecedented as more than one-third of world output is part of an integrated global corporate production system under the governance of MNCs. There are currently more than 450,000 MNCs in the world and by 1996 the largest 100 (excluding financial institutions) held \$1,8 trillion in foreign assets and \$2,5 trillion in foreign sales (UN, 1998). This was more than the combined GDPs of India, China, South Korea, Malaysia, Singapore and the Philippines at the time. The assets of the world's five largest MNCs also rival the GNPs of such middle-sized economies as Turkey, Indonesia, Saudi Arabia and South Africa. In pointing to the emergence of a new structure of global economic governance whose rules largely determine how countries, organisations and people participate in the global economy, many scholars recognise the central position of MNCs (Held, 2000; Mazarr, 2006; Hoogvelt, 2001). In view of the increasing rule of global capital, corporations of global and financial capital are considered to be at the forefront of this new structure (as part of the system of multi-layered global governance). In fact, it is perceived that their influence in multi-lateral institutions (such as the IGEGs), IGOs and world economies will largely determine how this structure is arranged. According to Veltmeyer (2004), of Fortune's top 100 MNCs, 80% are based in the US or Western Europe and 'have drastically increased their control of the world economy'. As prime units of Euro-American imperialism, most technological innovations, FDI, and international trade are under the direct control

of these MNCs. Their success, [Falk and Strauss \(2001\)](#) argue, lies in the ‘expansion of international trade regimes, the modest regulation of capital markets, the dominance of the neo-liberal market philosophy, and the supportive collaboration of most governments, especially those of rich countries’. And part of this success is the key role played by MNCs, especially since the 1990s, in taking over strategic sectors in developing economies. The concern, though, is that MNCs gain greater power at the expense of ordinary citizens. The growth of direct and equity investment flows by MNCs have become a central part of the mechanisms of a new resurgent imperialism that is built on regulatory arbitrage (moving their business to countries that offer the most favourable regulations) and political dynamism (influencing domestic and global policy-making). This, in Veltmeyer’s view, is a reflection of their centralised empire-building character and a means of securing US hegemony. Alas, these dynamics of political and economic power cause unnecessary uncertainty vis-à-vis arrangements within multi-layered global governance.

NETWORKS OF INTERDEPENDENCE – AT THE INCREASING RISK OF EXCLUSION

The formation of interdependent networks re-emphasises the multi-layered nature and, again, the complexity of global governance as it involves a plurality of actors and diverse levels of coordination and operation, including ([Held, 2004](#)):

- corporate and private networks, comprising various business actors involved in shaping compatible global policies (e.g. the elite networks found in the International Chamber of Commerce (ICC⁶) and the World Economic Forum) and strategic alliances between corporations and complementary partners (e.g. cross-border, cross-regional and cross-industrial suppliers);
- an increasing number of public agencies (e.g. central bankers) that maintain links with similar agencies in various countries, thus forming trans-governmental networks for the management of global economic issues;
- NGOs and leading role players in global advocacy networks who perform a function in various domains of global governance and at different stages of the global public policy-making process and

- public agencies, NGOs, multi-lateral institutions and business actors collaborating in many domains to provide innovative approaches to social problems by means of multi-stakeholder networks. One ambitious example of this is the UN's Global Compact initiative. The aim is to promulgate nine core principles drawn from the Universal Declaration of Human Rights and for the actors to then cooperate with each other in exercising these principles in their various domains (e.g. MNCs acting on their social responsibility).

According to [Mortensen \(2000\)](#), networks involving multiple relationships have become the dominant organisational form in contemporary society. Coinciding with the rise of multi-layered global governance, global networks emerge in response to the dispersion of state authority and, in many cases, the absence of governance in specific domains. The *network morphology* is also a source of dramatic reorganisation of power relationships as the privileged instruments of power connect the networks. In [Castells's \(2000\)](#) view of the network society, these networks 'converge toward a meta-network of capital that integrates capitalist interests at the global level and across sectors and realms of activity: not without conflict, but under the same overarching logic'. By reproducing itself, this structure continues to expand as competition proceeds, thus enhancing the global character of the world economy.

The fact that these meta-networks have the capacity to switch off non-essential functions, devalued territories and subordinate social groups is cause for concern. Hence there is the risk that people, locales and/or activities are being excluded from this network because their structural meaning might become insignificant (e.g. some developing economies). It is feared that they could be subsumed in the unseen logic of the meta-network where value is produced and power is determined. As a result, this network society appears to be a type of meta-social disorder: an automated, random sequence of events, derived from the uncontrollable logic of markets, technology and geo-political order. [Keohane and Nye \(2002\)](#) maintain that as interdependence and globalisation have intensified, the systemic relationships among various networks have become more important. Consequently, *system effects* become more significant: intensive economic interdependence affects social and environmental interdependence, and in turn, awareness of these connections affects economic relationships. Thus, by implication, the expanding networks become a type of global institution that regulates relations in a particular field. Notably, the complexity, diversity and ambiguity of the interactions in and between the different types of global

networks cause further governance uncertainty and place additional strain on the power relations between the various role players in multi-layered global governance, thus creating additional problems for effective global economic governance, in particular. This is why it becomes ever more critical that the global civil society should step up strongly to the platform of global governance debate.

THE NEED FOR CHANGE FROM A GLOBAL GOVERNANCE PERSPECTIVE

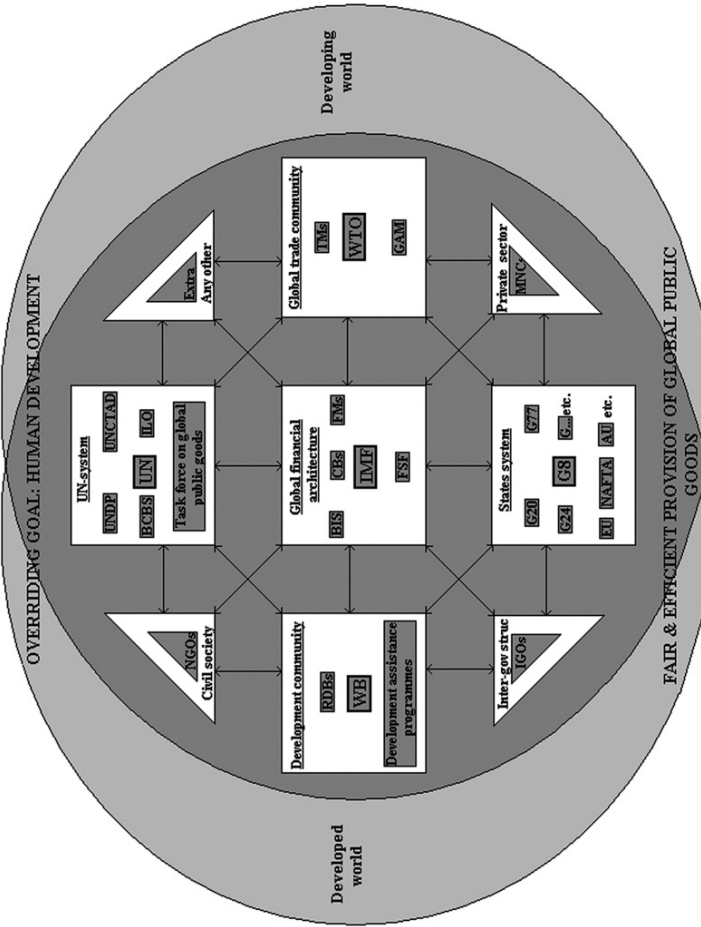
It is important that governance from below (as empowered by the global civil society) and global governance should meet. In fact, it has become essential that a more participatory and integrative global governance framework be build, of which a global economic governance framework – the focus here – forms the core. The truth is that globalisation has engendered fragmentation of both authority and control at all levels and cannot be expected to produce supra-nationalist global polity architecture. With more pronounced competition between sites of governance, [Mortensen \(2000\)](#) argues that ‘contradictions and incoherence have come to dominate the relationship between different sites and levels of global economic governance’. There is the need for more autonomous and interlocking multi-lateral institutions forming the backbone of a democratically networked and coherent global economic governance framework that efficiently links up with other significant role players in global governance. It must be a non-hierarchical pluralistic structure with *no control at the center*; rather multiple actors performing separable yet complementary functions at different governance sites, addressing specific issues. The challenge is to establish a legitimate global economic polity that can make the (globalising) global system work for maximum human welfare – hence, making globalisation functional, to civilise it. Given that, as [Helleiner \(2001\)](#) asserts, ‘there is now broad consensus that the global economy is undergoverned’, it has become necessary to not only put in place an adequate system of economic governance, but also ensure that such a system is sufficiently integrated to provide the required economic guidance to the overall global system; e.g. to involve enough role players to assist in decision-making. The task is to build *a new consensus* on global economic engagement, i.e. real socio-economic development, more global financial stability and fair trade based on increased international cooperation and the sharing of mutual benefits.

As perhaps the most pronounced example of how global economic governance could be remodelled, the present study proposes a framework (Fig. 3) for more inclusive and participatory governance. Note that this is merely a broad and sketchy framework that serves as a starting-point for investigation, debate and design in this direction and not – as expected – the final product. The first and most important aspect to point out is as, Fig. 3 shows, that the *space* where concerned role players in global economic governance should interconnect is where the interests of both the developed and developing worlds meet. The idea is that this shared space must grow to create an increasingly *mutually beneficial* global environment for both the North and the South to enhance participation and cooperation among various institutions and role players – whose interests are represented in this framework – in the global economy. It also reflects the importance of cooperation between the developed and developing world in both providing and receiving global public goods, with economic development as the primary goal aimed for.

As the central pillars in the global economic governance framework and leaders in their governance sites (see Fig. 3), the IMF, World Bank (WB) and WTO must coordinate more closely to ensure that their policies are cohesive and support each other. For instance, financial problems cannot be solved without attending to development concerns (especially in the developing world) and without a thorough investigation of trade problems and solutions. There is a very close link between finance, development and trade in this globalising world.

Furthermore, a reformed UN,⁷ through its agencies, can and should play a key facilitating role in ‘nudging’ the world economy in the direction in which a majority of its members already agree, i.e. intensifying efforts towards global integration with growing emphasis on actively encouraging appropriate political or quasi-political processes towards improved global economic governance (Helleiner, 2001). Importantly, the interactions and interdependence between individual institutional reforms and broader governance reforms need to complement each other. Notably, this is the *nexus* of global reforms that should define the reform agenda and exploit *synergies*.

Given the G8’s key role in setting the agenda and priorities in global economic policies, it needs to cooperate more with the other Gs (e.g. G20, etc.) on realigning this agenda to incorporate more developing country concerns and initiatives. This, together with the variety of regional groupings on and between the continents (due to increasing regionalisation), should form part of the state system in Fig. 3. It is essential that the LICs, in



Abbreviations: Bank of International Settlements (BIS), Central Banks (CBs), Finance Ministers (FMs), Financial Stability Forum (FSF), Basel Committee on Banking Supervision (BCBS), International Labour Organisation (ILO), Regional Development Banks (RDBs), Trade Ministers (TMs), Global Anti-Trust Mechanism (GAM), African Union (AU) and Etcetera (etc.).

Fig. 3. An Integrative Framework for More Inclusive and Participatory Global Economic Governance.

Note: Although several sources (e.g. Buira, 2005, pp. 21–26; Bird & Joyce, 2001, pp.89–92; Dos Reis, 2005, p. 202) stressed some of the components of this framework, it is compiled based on the author's own views and understanding regarding the creation/building of a more integrated global economic governance system. Also note that although the UN, BIS, ILO, BCBS, etc. were not emphasised in this analysis, they had to be included in this framework as they ought to form part of it.

Source: Own contribution.

particular, be included in this system. In the triangles there are the *fringe* role players, which are becoming more influential in global economic policy-making, i.e. the global civil society (mainly NGOs), MNCs, IGOs (from both the North and the South) and other⁸ emerging actors related to this framework. To a significant extent their interests and concerns also need to be accommodated in the way the global economy is governed.

Although difficult to illustrate, the idea is that literally all role players should be directly linked to each other through the sharing of mutual interests in how the global economy is governed. Each role-player should be allowed to have its own mechanisms of accountability (towards their interest groups/members) – for example, internal and/or external evaluation processes – which is then peer reviewed by the other role players according to an explicit criteria. If the proposed system is made more inclusive, poor people – even without significant structural change in the IMF, WB and WTO – can then at least gain some influence over global public policy. Since global decisions affect people of all nationalities, individuals of any nationality should have an equal weight in shaping those decisions. Turning this into meaningful human development should be what the *institutional re-engineering* of global economic governance is about. Lastly, at the risk of oversimplification, it is not suggested that this framework be a panacea for the deficiencies in global economic governance, nor is it suggested that this is a perfect model for guaranteeing positive results. It is essential that this framework should regularly adjust to new/changing needs in the global economic governance sphere. It has significant value in illustrating the need for increased cooperation between role players in a changeable format – bringing the interests of the developed and developing worlds closer – to facilitate better global economic governance. This merging of interests should primarily be progressed by reform and improving the efficiency of providing global public goods to all. In this account, mainly three priorities of global significance, which currently pose serious conundrums for the future governance of globalisation, needs to be addressed to progress towards affecting such a framework. These priorities are the following.

Strengthening the State System

Despite burgeoning markets, states remain the primary agents in global, regional and domestic decision-making. For this reason, governments have a responsibility to make markets work better by swiftly responding to

market failures and ensuring that they are efficient. For instance, for liberalisation to work, governments need to take actions to promote exports and new enterprises. States will also be required to become more effective in linking up with relevant global role players. As *network states*, they should join forces more with regional groupings, the IGEGs and the private sector to enhance their ability to facilitate the effective functioning of cross-border markets. IGOs should also be strengthened to complement states' networking efforts. Furthermore, in assisting their economies to integrate better globally, governments (especially those in the developing world) should produce welfare-enhancing outcomes – mainly by emphasising human capital development and the transfer of technology. Lastly, the US will need to take a step back and allow other countries to have their fair share in global economic decision-making. In currently being an 'elephant in the room', it is an opportunity for the US to play a more complementary role towards building a mutually beneficial global system. Together with other developed countries, its first step could be to help reform the IMF, WB and WTO.

Incorporating the Global Civil Society

Given that successful mechanisms of governance are more likely to evolve out of bottom-up than top-down processes due to it evoking the consent of the governed, the global civil society should be allowed to help global economic governance generate acceptable and shared instruments of control/regulation. It already plays a role in governing the world polity. With non-governmental actors increasingly exercising authority legitimately in the public realm, global economic governance will have no choice but to give decent recognition to their voice. Apart from being more involved in the decision stage of the policy process, NGOs can also help governments formulate policy options. NGOs are often better placed than elected officials to raise issues on the policy agenda due to their proximity to small communities of people sharing specific interests. With their unique expertise, NGOs also have an important role to play at the level of implementation.

Accommodating Corporate Interests

Just as important as the need is to cooperate with them, so is the need for MNC activities to be regulated within a supra-national governance

framework. The role players in the proposed framework should, collectively (e.g. through a form of *network accountability*), hold MNCs accountable for their dealings in host nations to ensure that public interest prevails over corporate interest. With increasing pressure on MNCs to adopt corporate social responsibility programmes to promote sustainable development, this would help to make value-based initiatives such as the Global Compact⁹ a success (Legrain, 2004). By giving capitalism a more human face, this is an opportunity for large companies to use their money, power and global reach to step in where governments fail to act – i.e. to give something back to the community. Instead of repeatedly arguing about corporate interests being secretly served, MNCs should be invited to participate in discussions about global economic regulation and management to ensure more transparency regarding their involvement in global economic governance.

CONCLUSION

The chapter has illustrated that governance from below, the rise of the global civil society and *people power*, is a real phenomenon of which systems and structures of global governance/rule should take note. As the network society escalates through more people having access to the Internet and the global economy becoming more interconnected and interdependent, globalisation is advancing to the point where it empowers people, i.e. the man on the street. Through particularly the creation of virtual communities on the Internet, in which people from anywhere in the world share similar concerns, citizens are becoming more inclined to take action, especially as more and more emphasis is being placed on human rights and as campaigning is having a greater impact in society.

Role players such as nation-states, institutions of global economic governance (IMF, WB and WTO) and MNCs are realising that they cannot ignore or play down the *voice of the people* and their concerns anymore. CSR, in particular, are playing an increasingly valuable role in making corporations aware of their accountability towards society. This is especially the case as the US model of CSR is increasingly being considered inadequate and being replaced by the more ideal European model where social responsibility becomes an integral part of the wealth creation process. As the popularity of trends such as these grow, role players in authoritative positions will not be able to deny their duty to adjust. In view of increasing globalisation, this *positive pressure* is essential for creating a fairer, integrative and more participatory system of global governance. Although

it could be the most complicated and arduous path to follow when looking at the way forward for global governance, it has become a (new) *TINA*, i.e. There Is No Alternative. Every voice should have an opportunity to be heard. And although compromises might be at the order of the day, it is better than the lopsided and unfair model that is currently the case. However, it also becomes necessary that the global civil society be better organised to be taken seriously by global decision-makers. Finally, the challenge concerning globalisation in the 21st century is not to stop the expansion of global markets. The challenge is to find the rules and institutions for stronger governance – local, national, regional and global – to preserve the advantages of global markets and competitions, and to provide sufficient space for human, community and environmental resources to ensure that globalisation works for people, not just for profits.

NOTES

1. Where globalisation is disturbing the basic symmetry of political organisation (nation-states) and economic organisation (markets) as the latter expand beyond the limits of government control and national territories. Hence, both the authority and the legitimacy of states are in decline. This is causing a profound and asymmetric shift from a state-dominated to a market-dominated global economy (Gilpin, 2000).

2. This campaign (to stop the Multilateral Agreement on Investment (MAI)) was the first major movement, using the Internet and network politics, to successfully challenge the imperatives of neo-liberal globalisation. Negotiations on the MAI took place from 1996 to 1999 and sought to establish rules governing international investment by MNCs. Governments feared a public backlash against the loss of sovereignty implied by the MAI and negotiations ultimately collapsed by early 1999.

3. Private authority refers to a growing number of actors (other than nation-states) associated with global market forces that appear to have taken on authoritative roles and functions in the international system.

4. In his description of the reflexive state, Held (2000) states that it 'seeks to reconstitute its power at the intersection of global, regional, transnational and local systems of rule and governance'.

5. A *heterarchy* is a system in which political authority is shared and divided between different layers of governance – in which multiple agencies share in (and compete for) the task of governance (Held, 2000).

6. The International Chamber of Commerce (ICC) (2007, p. 3) describes itself as having 'unrivalled authority in making [voluntary] rules that govern the conduct of business across borders'. The ICC has close links with governments and multi-lateral institutions – e.g. it has long been granted consultative status at the highest level with the UN.

7. Although the UN does not form intrinsically part of this analysis, it cannot be neglected from this discussion.

8. Other/new role players to cover areas where governance is missing yet needed – to fulfil overriding goals.

9. The Global Compact is an initiative by former UN secretary-general, Kofi Annan, involving business, governments, NGOs, the UN, the OECD and the EU. It is not a regulatory instrument or code of conduct. It utilises the power of transparency and dialogue to disseminate good practices based on universal principles.

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CHAPTER 3

CSR AND NGOS: A RELATIONSHIP OF GOVERNANCE?

Maria Alice Nunes Costa

INTRODUCTION

Being responsible is on the agenda for governments, businesses, and individuals. But who is responsible for unemployment, the social ills, and disasters of the modern world? Which means, today, who takes responsibility and fosters solidarity?

A society frightened by unemployment, poverty, urban violence, and social inequalities has been, over the past three decades, building a different kind of solidarity and complement to that traditionally developed by the charity of churches or by the welfare state created in the post–Second World War consensus. Other responses have been compiled from the 1970s’ social movements and institutions who have to fight for social justice and human rights.

The power that is currently located in the state was previously widespread and extended through a network of relationships and many other groups: women, youth, pensioners, ethnic groups, environmentalists, and so on. Many of these social movements have become institutionally nongovernmental organizations (NGOs). These are nonprofit institutions (the market) and not really government institutions. NGOs are private institutions that serve the public interest and unofficial channels, supporting social projects, at local, national, or international levels.

NGOs and Social Responsibility

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In this chapter, I try to reflect, critically, the relationship between companies deemed socially responsible and NGOs. This is a new relationship between business and society that emerged in the capitalist world in the 1990s. This is called the action of companies toward social policies of a private social investment (PSI). This term implies that companies voluntarily formulate programs and projects for social communities, preferably those of low income and other forms of social and economic risk, or act through partnership with governments and NGOs.

The most social interventionist enterprise rests on the idea that everyone should be jointly responsible for the fate of the planet and the search for solutions for the development and social justice, hence the term used by companies to define their actions as corporate social responsibility.

CSR AND THE PRIVATE SOCIAL INVESTMENT

It is known that the natural course of business is to generate dividends for shareholders and investors, contributing to economic development, create jobs, and provide goods and services to market. In this classic formula, it is expected that companies in the pursuit of their activities comply with the legal requirements for payment of taxes and social benefits, preventing corrupt practices and bribery and maintaining transparent and accountable audit of their profits.

Until the 1950s, corporate social responsibility assumed the dimensions of charitable giving or strictly economic functionalism. With the cultural movement of the 1960s, the first generations after the war began to criticize this model of society created by economic growth in 50 years and began to imagine the construction of community-based alternatives. The idea was to create a fraternal society, creative and communitarian. In the United States and parts of Europe, there was a recovery of state and civil society for socially responsible behavior in business. The companies were forced by law not to cause damage to the environment and to the health of consumers and citizens.

In the 1990s, along with the Reform of the State, we began to observe the spread of the idea of shared social responsibility, through the development of a shared agenda for social development. This agenda was mainly driven by the World Bank as a recipe for poor countries. As Petras (1999 *apud* MONTAÑO, 2002, p. 272) showed, in the 1980s, the World Bank increased the allocation of funds to organizations such as NGOs, to co-opt the leaders and absorb the social ideologies of struggle that emerged.

Thus, these NGOs – instead of thinking about the society as a whole – have started to develop partnerships in social projects through their own interests with their network and their capital and information and knowledge available to each. These factors could ensure the merit of ensuring the negotiation between the NGOs and their partners, such as with public and private companies.

Faced with this new international scenario, companies and their managers have to expand the idea of corporate social responsibility. We are dealing with companies that carry out social actions where their interests are not being made explicit. The discourse is guided by the idea that collaboration is the result of entrepreneurial awareness that companies should voluntarily contribute to minimizing environmental impacts, inequalities, and social injustices (Costa, 2002, p. 6).

Some companies have adopted codes of ethics covering the conduct of employees, relations with the community and the environment, suppliers and service providers, political activity, and technology. These companies now have two main goals: gain competitive advantage and achieve legitimacy. The legitimacy comes from business goals, the purposes, and methods that are consistent with those of the society. Thus, we see the argument that organizations should be sensitive to the expectations and values of the society.

CSR directed to the company's staff requires a model of participative management and employee recognition to motivate them to peak performance and to thereby increase business productivity. It involves, for example, improving the quality of life, the search for favorable conditions in the workplace, the provision of certain benefits, awards, creation of security conditions, health plans, plan for jobs and wages, and professional qualifications. In addition, corporate social responsibility has appeared through volunteer programs, involving its employees, suppliers, and other partners.

Corporate social responsibility directed toward the external community, aiming at environmental programs and sustainable development of community projects developed by companies through partnerships with other stakeholders: government, NGOs, and communities living under poor social conditions and economic vulnerability. This last method was expanded in the late 1990s, and in Brazil, it took on the term private social investment/investimento social privado (PSI/ISP) (Costa, 2006).

The role of CSR for low-income communities has been developed, particularly by large companies, and opts for a politically responsible behavior; there has been greater social and legal pressure that brings about constraining of the business world. In Brazil, for example, some large companies set aside a

percentage of net sales (usually 1%) to invest in social projects for poor communities, as for it they receive tax breaks, regulated by law.

In Brazil, the Grupo de Institutos, Fundações e Empresas (GIFE), created in 1995, defines PSI as follows:

A voluntary donation of private funds in a planned and systematic social project of public interest. Unlike the concept of charity, which comes with the concept of providing assistance, private investors are concerned about the results, the changes generated and community participation in project implementation. (GIFE, institutional material, free translation by the author)

CSR becomes a strategy of the view that social investment is beneficial to the company, as it generates a healthy and productive community, which can be beneficial to businesses and profits.

Some company managers realized that there is a niche market potential in the bottom of the pyramid that should be explored. They advocate the strategy of offering alternative business for the poorest sectors of society (the vast majority of the world) at a lower cost to get a huge market of active consumers. Managers who understand that wealth is at the base of the pyramid began to realize that it is necessary to associate the product/service improvements to the idea of social and economic conditions of this portion of the population as a means of creating competitive advantage for businesses themselves “Serving the world’s poor, profitably” (Prahalad & Hammond, 2002).

According to Prahalad (2004), these partnerships are doubly advantageous strategies (win-win). On the one hand, they are advantageous to the very corporations that are thus associated with local and/or regional authorities to improve the lives of millions of people. On the other hand, they allow access to the first degree of the development ladder to a huge number of people, mostly poor people in developing countries.

According to the view of Prahalad, if companies providing access to markets through the creation of jobs for 65% of the population (about 4 billion people who live on an income *per capita* below \$2000 annually) can be considered to have performed a noble task and behaved ethically responsibly, from another point of view, it is a lucrative streak that has this identified pretty vast market, inaccessible to multinationals due to factors that are related in the opposite direction to the delivery channels and distribution channels for goods and services.

In summary, CSR-related PSI in poor communities takes the strategic behavior that is committed to social development. Some companies, especially large ones, come into play in the social management methodologies defined to develop social projects for the communities surrounding

their productive activities. Some actions such companies undertake reach the national and international level and articulate with NGOs and local governments. These are projects on education, health, environment, infrastructure, leisure, culture, sport, income generation, and so on. The most projects were with the intention of, beyond profit implicit or explicit, mobilizing public opinion to the idea that companies are increasing their responsibility and solidarity, fulfilling functions that were previously restricted to the state.

THE GOVERNANCE BETWEEN CSR/PSI AND NGOS

A new approach to the action of social enterprise aims to go beyond the simple charitable donations of the past. The organizations that diffuse the business strategy of trying to raise awareness of CSR to companies that work in partnership and cooperation can create positive externalities to society through a number of principles such as

- social inequality inhibits the growth of the company;
- improvement in the living conditions of the population enables the broadening of the consumer market;
- a socially responsible company generates more productive workers and more committed to the company, also the consumer preference; and
- development of good neighborly practices generates pride in the company's presence in the community.

The company, to be located in a given territory – in direct contact with various stakeholders – will be in a position to, for example, provide urban services and social and environmental partnership with the local public sector. The proposals for Reform of the State through the idea of partnership with other sectors of society are using in 90 years, the design of *governance*, mainly¹ mainly promoted by the [World Bank \(1992\)](#). The term is meant to broaden the concept of strictly economic governance, to achieve a broader vision that involves, interdisciplinarily, the economic, political, and social governance, to increase the capacity of the government, through this coresponsibility.

For the Portuguese sociologist [Boaventura de Sousa Santos \(2005\)](#), this *governance*² is the result of various perspectives on the crisis of the state. Understanding of the crisis of legitimacy, in 70 years, is based on the idea that the crisis was derived from the discontent of excluded groups, and therefore, the solution was to transform the state and increase popular participation. In 80 years, the crisis of legitimacy has converted into a crisis

of governance, to the extent that the state appears to be overloaded with social demands. This liberal view of the crisis of democracy has led to the neoliberal prescriptions that have, too, become known: privatization, liberalization, and transformation of services/public goods into commodities.

For Manuel Castells (2001), the increasing lack of operational state, to solve the problems in the context of globalization (global capital flows, trade, management of information, complex network of organized crime, environmental problems, and insecure citizens), has created a crisis of confidence and legitimacy in much of the population in almost all countries.

Since the crisis of legitimacy of the state and its institutions, a new form of state, which Castells calls as the “Network State,” has been developed. This formula is the successor to the national crisis with problems of public administration and policy management. To rescue the state’s legitimacy, it needs to adapt its form of regulation, for – as Castells says – “the worst form of loss of control is to force what cannot be applied” (2001, p. 156).

In Brazil, for example, Fernando Henrique Cardoso Government (1995–2002) created in 1995 the *Solidarity Community Council* (Conselho da Comunidade Solidária). This agency linked to the Presidency focused its activities on promoting social activities on a voluntary basis, in carrying out joint projects between the state and the society, in reviewing the legal framework governing relations between the state and the society, and strengthening the institutions of civil society organizations. Thus, it was expected that the state could maintain its social character, making it more effective, as it would induce the public NGOs to compete for community service with partial funding from the state.

The “Comunidade Solidária” is an example of that in the 1990s; the energy of solidarity mobilized from the 1970s was captured by the state as a new way of tackling poverty, seeking the participation of society. Citizen participation served as the reference to ensure the strengthening of democratic mechanisms of the democratization process in Brazil and in the 1990s to ensure the efficient implementation of government programs for social compensation, proposed and funded by multilateral development agencies, faced with structural adjustment, economic liberalization, and privatization of the state heritage.

The social mobilization of the 1990s came to artificially boost the capacity of society to organize according to a proposal if it was “domesticated” by the state. As Santos states,

Clearly, the re-emergence of civil society has a genuine core which results in reasserting the values of self-government, expansion of subjectivity, of communitarianism and the

autonomous organization of the interests and lifestyles. But this core tends to be omitted in the dominant discourse or just subscribed to the extent that meets the requirements of the new authoritarianism. (Santos, 1999, p. 124, free translation by the author)

The partnerships between businesses and the state can be fruitful, but also may signal an emerging disclaimers of the State with the social problems, exempting it from certain social functions that he is unable to manage. Thus, the rights of citizens in a democracy can begin to be weakened. There is a risk that the social rights won over to a compulsory solidarity of the state, are transformed into social benefits by companies in partnership with the State. Therefore, the universalization of social rights conquered can begin to be eliminated.

THE INFLATION OF NGOS AND PUBLIC FUNDS: A TENSE ISSUE

According to Boltanski and Chiapello (2002), we are living with a “new spirit of capitalism.” These authors remind us that one of the features of capitalism is the constant search for adherents to the system, to legitimize itself by them. It is the spirit of capitalism to appease each time that there is a concern for their own contradictions of capitalism. To this end, capitalism seeks out the values of which it needs to ensure its legitimacy in the social system. Thus, it seizes beliefs of a particular time, including ideologies geared to the common good, which are hostile. Therefore, the capitalist system needs the help of those who are ideologically against their principles of oppression and exploitation. That is, those who are indignant, opposed to capitalism unjust, and that generates enormous social inequalities. Thus strategic, this type of capitalism to find the points of moral support that you are missing, and incorporate devices for justice, human rights, information without which this kind of capitalism would not have the lowest property.

Thus, the current spirit of capitalism involves new practices and behaviors of civil society, governments, and business. The companies, under pressure from civil society, have been increasingly called upon to participate, directly or indirectly, on international issues and the work environment through policies, actions, and programs, many of them under the mantle of corporate social responsibility. And companies respond under the “umbrella” of the United Nations (UN), the International Labor Organization (ILO), the World Health Organization, the World Trade Organization, the World Bank, Organization for Economic and Cooperation Development (OECD), and other international bodies.

Since the 1990s, a new international configuration of a wide network of partnerships between local and international NGOs and government agencies, multilateral organizations, universities, research centers, and philanthropic foundations through an agenda of national and international conferences on social responsibility practices business, as a sort of “International Corporate Social Responsibility,” was made.

The initiatives of civil society through NGOs point to the emergence of a new political culture, as social practices are guided by a new standard of conduct, norms, and values in the public interest (Avritzer, 1995). However, not all civil society movements have positive impacts on society. Many of them have a negative relationship with the rest of the society and tend to resist innovations. Many of these movements show a noncivil aspect as to accentuate racial prejudice, the paramilitary, the families of the Mafia, gangs of youths (Reilly, 1999; Portes & Landolt, 1996), and organized trafficking in drugs.

Castells (1999) highlights the segregationist movements as movements that build a defensive identity, which reverses the trial values at the same time while it reinforces the limits of resistance (religious fundamentalists, nationalists’ exalted movements opposed to homosexuality, etc.). The Brazilian political scientist Renato Janine Ribeiro (2000) says that today the social action of NGOs and many of their social movements has been sprayed by social groups who were persecuted in the past and want to be rewarded. The social policies developed by these groups tend to attack social inequality, through the idea of the progression of the poor that have merit and end up spraying political also, because they do not think society in general, but only through the relative strength of each social group. For Ribeiro, there is only the loss of the universal, but the public space. The problem is the type of claims of such groups, which emphasize the homogeneity of its members, to imagine that the only possible social relationship must be between equals.

For some NGOs, Dupas (2003) says that their claims are focused on a problem of identity and affirmation, in search of recognition of their difference and autonomy. For Dupas, the way in which these social movements evolve is no longer the political and institutional space, but that formed by specialized organizations with strategies autonomous, with no objective to elaborate a new conception of society from a broader collective project.

According to Santos (1999), the class conflicts are no longer translated into political class, and the leftist parties are obliged to mitigate their ideology programmatically. Many social movements have been driven by claims postmaterialist (ecology, antinuclear stance, and pacifism). The discovery that capitalism has produced classes is now complemented by

the discovery that it also produces gender and racial differences. Therefore, the solidarity built around the majority of NGOs has been an individualistic response that has become hegemonic in the face of social issues. It therefore ceases to be a response from the prime responsibility of the state or the responsibility of all who contribute compulsorily to the state funding. Now it dominates the self-responsibility of individuals, including those who have more needs or social activities of enterprises. Thus, it is no longer a right of citizenship to be a volunteer of responsibility and solidarity.

As Ronen Shamir (2004) indicates, corporate social responsibility has served as a strategy to absorb and contain the movement of counter-hegemony (the defense of social emancipation) when involved with NGOs that do not have a genuinely popular base. Shamir calls our attention to those NGOs that are affiliated to the ideological precepts of corporate social responsibility, and which may be called as MaNGOs (market-oriented nongovernmental organizations). They can invest such organizations with philanthropic resources of enterprises in social, cultural, and environmental education, income generation, and so on, but they do not have projects of collective interest. There is a proposal in them to transform the ideological reality of oppression when they live in these communities. This, obviously, only hides the structural problems and settle domestic energy emancipating those who live daily in the social and economic vulnerability. That is, under the political point of view, corporate social responsibility relates to the hidden power relations between global capitalism, inequality, and social ills.

Aiming to present a portrait of the private institutions nonprofit operating in Brazil, IBGE and IPEA,³ in partnership with the Brazilian Association of Nongovernmental Organizations (ABONG), the Group of Institutes, Foundations, and Enterprises (GIFE) performed a research in private foundations and nonprofit associations in Brazil in 2002 [Fundações Privadas e Associações Sem Fins Lucrativos no Brasil (FASFIL)], published in 2004 (IBGE/ABONG, 2004).

This study was based on universal analysis of the following nonprofits: social organizations, organizations of civil society in the public interest foundations maintained with private funds, and other forms of association.⁴ All considered in this research by FASFIL should fit all of the following criteria:

1. private, nonmembers, therefore, the state apparatus;
2. nonprofit, that is, organizations that do not distribute any surplus among the owners or managers and not having as main reason for existence to generate profits – may even raise them from that applied to end activities;

3. institutionalized, that is to say, legally constituted;
4. self-administered or able to manage their own activities; and
5. voluntary, as it can be freely formed by any group of people, that is, the activity of association or foundation of authority is freely decided by the shareholders or founders.

Table 1 lists the number of private foundations and nonprofit associations.

Of the total, approximately 276,000 FASFIL are in Brazil, mostly concentrated in the southeast (44%) and 21% in São Paulo, 13% in Ontario, and 8% in Rio de Janeiro, that is, in the most industrialized regions of the country. It revealed that these percentages hold resemblance to the distribution of population in these states. In the northeast and south states the same percentage of 23% was found, noting that compared to the distribution of the Brazilian population, in the South the focus is proportionately more on entities. In the midwest, it is 7%, and 4% in the north (**Table 2**).

Table 1. Number of Private Foundations and Nonprofit Associations in Brazilian Regions, 2002.

FASFIL Classification	North	Northeast	Southeast	South	Midwest	Brazil
Social Assistance	897	4.718	14.386	10.235	2.013	32.249
Culture	968	4.614	16.628	13.438	1.891	37.539
Advocacy (Human Rights and Social)	1.416	17.637	14.934	9.345	1.829	45.161
Education and Research	705	3.747	8.269	3.476	1.296	17.493
Housing	4	98	121	86	13	322
Environment and Protection of Animals	101	190	807	365	128	1.591
Religion	2.985	9.167	41.195	11.426	5.673	70.446
Health	138	583	1.836	1.042	199	3.798
Employers' Associations and Professional	3.618	16.547	11.766	9.225	3.425	44.581
Other private foundations and NPOs not specified elsewhere	883	3.994	11.233	4.924	1.681	22.715
Total	11.715	61.295	121.175	63.562	18.148	275.895

Source: IBGE, Department of Research, Central Business, 2002.

Table 2. The FASFIL by Creation Date, 2002.

FASFIL Classification	Until 1970	From 1971 to 1980	From 1981 to 1990	From 1991 to 2000	From 2001 to 2002	Percentage Change in Growth from 1996 to 2002 (%)
Health	892	648	662	1.265	331	55.8
Social Assistance	1.870	4.151	8.038	15.371	2.819	131.1
Education and Research	1.468	2.226	3.237	8.839	1.723	114.0
Culture	1.916	6.642	10.792	14.992	3.197	115.5
Religion	3.120	13.675	17.502	29.676	6.473	119.9
Advocacy (Human Rights and Social)	228	1.035	9.735	28.413	5.750	302.7
Environment and Protection of Animals	17	66	226	968	314	309.0
Housing	5	9	176	121	11	123.6
Employers' Associations and Professional	661	2.452	7.422	27.364	6.682	252.1
Other private foundations and NPOs NES	821	1.954	4.180	12.178	3.582	155.1
Total	10.998	32.858	61.970	139.187	30.882	157.0

Source: IBGE, Department of Research, Central Business 2002.

In general, the FASFIL are relatively new, for about two-thirds of them (62%) were created from the 1990s. Every decade has accelerated the pace of growth. Those that emerged in the 1980s are 88% more numerous than those that emerged in the 1970s; this percentage is 124% for those created in the 1990s compared with the previous decade. According to the survey, there was an impressive growth of FASFIL between the years 1996 and 2002; the number nearly doubled, from 105,000 to 276,000, representing an increase of 157%. Despite this growth that was seen in all areas, I stress the associations linked to the environment and advocacy that quadrupled the number of entities (309% and 303%, respectively), and employers' associations and professionals more than doubled (252%).

The 276,000 FASFIL employed 1.5 million workers, representing 5.5% of the employees of all organizations formally registered in the country. It is in the fields of health (community workers and hospital care) and education that are concentrated the largest number of employees. Although these

entities are relatively few in number (8%), they employ more than half of the total workers in FASFIL (52%).

Despite this overwhelming growth recorded in the survey FASFIL (2003), unlike the 1990s, the 1970s and 1980s in Brazil mobilized large sectors of society who expressed their struggle for human rights education, housing, sanitation, and health. These movements had fundamental importance in the democratization process and the formulation of social policies, marking strongly the principles of the Constitution of 1988 – the so-called Citizen Constitution. According to Gerschman (2004), there is a clear tension between the meanings of participation of NGOs and the notion that the policy only has to do with particular interests. Most NGOs are denied a political sense to help overcome the special interests that surround them and he adds,

social projects [NGO] shared with the State became a perverse confluence between participatory project built in the 80s, around the extension of citizenship and of deepening democracy, and design of a minimal state that is exempt progressively its role as guarantor of social rights. (2004, free translation by the author)

Another question to ask relates to the financial aid that the government passes to the public interest organizations (NGOs, foundations, institutes, etc.) created by companies. There is no agreement on the fact that socially responsible companies have the same favor as the other entities for assistance. This ambiguity between discourse and practice, and even lawmakers, the state financial support to the action of institutions created as “social arm” of companies. This is a hot debate currently under way in Brazil.

In January 2005, GIFE published on its website this discussion, to show that social mobilization is the same business mobilizing grassroots. Both are fighting for promotion of policies of social participation and should be handled by the federal government with the same incentives. The lawyer argued that GIFE,

While it is visible a great social mobilization, the Executive Branch, Congress and the media have placed Brazilian social organizations in the spotlight. And perhaps this is the reason: the higher the capital and financial organizations mobilized, the greater the charge with respect to their activities. (RedeGIFE online, January 10, 2005, free translation by the author)⁵

This chapter examines some of the GIFE episodes concerning the regulation of NPOs and their respective tax. In the first half of 2004, the Lula government (2003–2010) established the Interministerial Working Group [Grupo de Trabalho Interministerial (GTI)] to improve the legal

framework for NPOs. The group met members of various ministries. GIFE noted some conflicts between NGOs and government. The first concerns the change in taxation, which lost some tax exemptions. Thus, GIFE believes that the sustainability of these organizations has been compromised.

Another conflict took place around the Rouanet Law (Federal Law No. 8313/91, regarding tax incentives for companies that invest in culture). GIFE denounces prejudice by the Ministry of Culture and that in accordance with Brazilian law, these organizations that are in the public interest “should be encouraged and not be over-taxed, as provided for in the draft decree to amend the Law” (RedeGIFE online, January 10, 2005). Another episode, recorded by GIFE is for approval by the Senate Bill that deals with control over NGOs [project of law (PL) no. 07/2003]. GIFE denounced prejudice and lack of information by parliamentarians with respect to the actions of social organizations. The parliament denounced the activities of NGOs and justified this law project: “beyond the realm of illegitimacy, many organizations are home to criminal activities, hidden by the cloak of charitable characterization” and “cannot be that portions of the money public to be diverted to vested appropriate improperly by entities created by people of ill repute.” This declaration of a congressman was a blow not only for companies and NGOs, which eventually joined them. GIFE says,

But Congress can not base its action on the bullying of a minority, affecting the vast majority of organizations that have a serious work aimed at the development of the country. Not to mention that the current legislation already provides penalties for misconduct of social organizations. (RedeGIFE online, January 10, 2005)

Currently, there is in Brazil a move to build a legal system to regulate the charitable sector with a very comprehensive institutional architecture and complex platform, bringing together a vast and recent body of legislation. However, the issue of involving companies that perform social actions in the same category of social organizations, community-based misunderstandings, can lead to multiple operational and financial issues. Some private enterprises could be worth the same criteria of solidarity from civil society, start demanding incentive laws of the State for the transfer of taxpayers’ money for companies to social projects. We have observed this fact in front of the administrative and financial decentralization reform in the state, which transfers resources to meet social demands, increasingly fragmented public policies.

Therefore, to distinguish the type of NGOs (business or community/grassroots) is a political choice. Without the distinction between community organizations and the home environment, business can contribute to the understanding that the companies acting voluntarily need not bear the tax

burden that is suitable for any private business for profit and, working in the public interest, may promote “good image” for socially responsible economic activities with the use of public money.

CONCLUSIONS

This chapter is based on the theoretical assumption that the use of the term “third sector” to explain the mobilization of NGOs and corporate social responsibility is reductionist. It expresses a view that hegemonic posture induces a disintegration of that society to isolate the first sector (the state), the second sector (the market), and the third sector (civil society organizations). This social liberal American approach is clearly a design that is obviously positivist and functionalist and that isolates and empowers the dynamics of each of these sectors and therefore tries to remove the conflicts inherent in the social reality of a fragmenting society. The term “third sector” has a very poor conceptual basis and refers to the idea that the “political” belongs to the state level, the “economic” to the scope of the market, and “social” only to civil society (Montaño, 2002).

As seen in this chapter, there may be various types of ideological stance of NGOs as well as several proposals over the left or the right of social movements. In this sense, private companies do not achieve more partnerships with NGOs contesting the extent that they are linked to social movements that are more vigilant to negative externalities caused by firms and, therefore, are more militant NGOs and explain clearly the conflict between capital and labor. These NGOs or social movements may be fewer in number, leaving space for other NGOs that are trying to soften in a more consensual and harmonious relationship between companies and workers/communities. Thus, we cannot forget that in one way or another, we are faced with ambiguous behavior, ambivalent and contradictory in relation to partnerships between NGOs and companies deemed socially responsible.

Therefore, let me highlight some points for reflection to give attention to the establishment of network of partnerships that has been made.

- 1) “Give a man a fish; you have fed him for today. Teach a man to fish; and you have fed him for a lifetime”

It must be considered very important to be aware that the hungry are in a hurry! Therefore, people living in a highly vulnerable economic, social, educational, employment, and health situation are in need of emergency support. In these cases, before any ideological stance, it is

necessary for philanthropy, charity, and welfare, which, therefore, are matters of life or death. And it is our responsibility, responsibility for human tragedies. We are all responsible, and thus we must be pragmatic!

However, once the necessary emergency measures have been taken, it is necessary to go beyond philanthropy. For communities to take power over their own lives, it is necessary to develop social technologies that give empowerment to people to prevent their social subordination. These social technologies⁶ should be able to create a new social dialogue between NGOs, CSR, and community empowerment to promote the deepening of participatory democracy in the population affected by social ills. In this sense, we are referring to the radicalization of democracy through institutional arrangements built on partnership and synergy. This network involves connections between the government and the civil society. We network as a structured arrangement that ties together a number of political actors, both public and private life, through which to exchange material and immaterial resources.

The task is not easy. Obstacles to the network of partnerships between companies, NGOs, and community are many, and such questioning is not only typical of the Brazilian context, noting in other European countries, Latin America, the United States, and Canada. Thus, I point out another issue that I consider essential to reflect the relationship between CSR and NGOs:

- 2) The political maturity and the ability for negotiation between companies and NGOs on the distribution of responsibility. The Portuguese sociologist [Boaventura de Sousa Santos \(2000\)](#) says that any liability is joint responsibility and should be focused on solidarity with the future. The problem is how to determine the correlation between the share of responsibility and the shared part of the quota-share consequences. For Santos, these quotas rarely coincide, in that the more negative consequences tend to reach priority populations and social groups with less responsibility in the design of the actions that provoked it.

The responsibility to assume the moral dimension when the agent responsible (whether individual or institutional) is confronted with a look that goes beyond the limits of its territory, that is, the other or the immanence of the other is back to his own conscience. Therefore, morality cannot exist without the order of consciousness. Therefore, the responsibility is not defined *a priori* but is revealed as a result of the process of mutual relationship between the political actors. Faced with this challenge is that questions are asked: what power relations are at stake, as if negotiating the tasks, which rules in construction;

what methods of communication are used, such as practices evolve over time, the weight of the affective, and the feeling of obligation? (Charbonneau & Estèbe, 2001).

In other words, one that imposes a responsibility to others has also, in turn, “to account for” in terms of commitments, and that feels more or less obliged to fulfill. Being responsible to build and solidify in conjunction with others and in response to the other and to their interrelations is essential.

- 3) And as a third observation and, more importantly, is the relationship between public funds and the social investment company, through CSR. This complex relationship is sometimes observed with some frequency, corruption, and promiscuity in the use of public resources harnessed to serve private interests. In these cases, there is no parliamentary power, legal executive, or will to remove this perverse reality. Only social mobilization that will, in the educational process of democratic learning, the cultural policy to have the power, eliminate or minimize corruption. Therefore, it is the social control that can stop the bleeding perverse of public funds. In short, emancipatory political culture is not built through philanthropy nor through charity. History has shown us that it can be only a domestic social emancipation.

As said Bronislaw Geremek (1986), the philanthropic discourse and the Catholic Church viewed from the nineteenth century in Europe, the problem of poverty as something degrading, which led to an attitude of pity and charity. At this time, philanthropy was based on the individual charities and the idea that helping the poor should come from private initiative, inspired by higher motives than those who move to government assistance. For Geremek, this was the secularization of the commandment of love of neighbor. He adds,

Philanthropic activity, reflecting the humanitarian desire to rescue others, allows the benefactor to show their wealth and have stated publicly their social prestige. (Geremek, 1986, p. 16, free translation by the author)

Given the political risk of the network of partnerships between NGOs and CSR weakening the public space in the struggle for civil rights, this can only be addressed in concrete situations of state – that controls, monitors, and protects the public good – and civil society. The options on the national political leaders and government are crucial aspects of social policy development, which need to be implemented. Ignore the weight of the conduction means of exempting governments from their responsibility for

decisions taken and their results. Thus, we believe that the relationship between CSR and NGOs will only be harmful while there is a paralytic state and a society far from public affairs and civic culture.

NOTES

1. The term governance has been introduced in the international political debate by the World Bank, which defines it as the way in which power is exercised in the management of economic and social resources of a country with a view to development. The concept of good governance for the World Bank is intrinsically linked to the capacity, and governance becomes an indispensable requirement for sustainable development, incorporating economic growth, social equity, and human rights (World Bank, 1992, pp. 1–3).

2. According to Boaventura de Sousa Santos (2005), governance is a means of regulating post-state, inserted in the political matrix of neoliberal globalization.

3. Instituto Brasileiro de Geografia e Estatística (IBGE) and Instituto de Pesquisa Econômica Aplicada (IPEA), Brazil.

4. The study constituted the data from the Central Register of Enterprises of IBGE/Cadastro Central de Empresas do IBGE, for the year 2002, which covers the universe of organizations listed in the National Register of Legal Entities [Cadastro Nacional de Pessoa Jurídica (CNPJ)], the Ministry of Finance, which in 2002 declared to the Ministry Labor and Employment to exercise economic activity in the national territory. The registration covers business entities, government departments, and private nonprofit organizations.

5. GIFE: <http://www.gife.org.br>.

6. We use the concept of “social technologies” in the broad sense given by Paul Singer: these are technologies that promote social inclusion (International Conference on Social Technologies, Anhembi, November 17, 2004). On the evolution of the concept from the “appropriate technology” or alternative, see the text by Renato Dagnino, Brandão Flávio e Henrique Novaes in the publication “Social Technology: A Strategy for Development,” <http://www.rts.org.br>, Brasília, 2004.

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PART II
LOCAL PERSPECTIVES

INTRODUCTION

The first part dealt with some important meta-perspectives in this field but now our attention turns to a more local perspective and some pertinent issues regarding this developing field. In this part, therefore, the authors have taken a different level of analysis that has shown similar features. These are the dominance of forces for globalisation which create a tendency for homogeneity and harmonisation. In opposition to this is the strength of cultural influences that tend to favour a traditional and individual approach to governance and social responsibility issues. These two forces seem to exist in a constant state of tension, and this is something very often ignored by the discourse, although it is dealt with extensively by the various contributors in [Aras and Crowther \(2008\)](#).

The chapters in the part may seem at first glance to be very disparate as they seemingly deal with such different subjects. The twenty-first century has seen an explosion of interest in the concept of corporate social responsibility as a means of conducting business. Corporate social responsibility is based on the concepts of transparency and accountability, and the adoption of these concepts into business practice has led to an increasing level of disclosure and a more firmly defined basis for the governance of organisations. Hence, the concept of corporate governance has become as ubiquitous as the concept of corporate social responsibility within both business practice and academic investigation, as we saw in the first part of this book. This part also shows the ubiquity of such governance issues within the field of nongovernmental organisation (NGO) activity.

In the first chapter, Oruç and Sarikaya start this analysis by investigating the business enterprises and NGO relationships that exist, and they do so in terms of voluntary responsibility. For the purposes of the study that they have undertaken, the authors have examined the relationship between firms and NGOs by first ascertaining which NGOs were contacted by the biggest 100 companies in Turkey, which were determined according to their annual turnover figures in 2008. Later, the working fields of these particular NGOs have been investigated, which has revealed valuable insights about the priorities given by the business enterprises regarding social life.

Content analysis based on qualitative method has been used in the study and the sample has included the first 50 companies of a total of 500 companies listed as the biggest ones in Turkey by the İstanbul Chamber of Industry. The NGOs that are in collaboration with these 50 companies will be identified by looking at Corporate Social Responsibility links in the official websites of these particular companies. The study is set within the context of corporate philanthropy and clearly shows the importance of cultural issues in the development of CSR and in the role played by NGOs: being set in Turkey, the cultural context is Islamic as opposed to the Christian context raised by Costa in the previous part.

One of the most important issues arising from the first financial crisis and global economic recession of the twenty-first century is again the question of governance. That recession has shown that many people have been severely affected, both in developed and in developing countries, despite the situation that they have never had any involvement in financial market speculation and would be economically unable to do so even if they wished to. Such is the power of finance that it causes this contagious effect that can devastate lives at a distance, much as a butterfly flapping its wings in the Amazon can cause a hurricane in Wall Street – to paraphrase a basic principle of chaos theory. With such powerful effects, it is naturally a newsworthy topic – and certainly one that we social responsibility researchers should be concerned with. More specifically, we should strive to understand the causes to develop mechanisms that will alleviate its effects and more importantly prevent its reoccurrence. Many people have commented on the current financial crisis, its causes, and consequences, and there have been many attempts to theorise the problem in terms of market failure or governance failure. In the next chapter, Stiles and Galbraith use this crisis as a basis for analysing the teaching of CSR in business schools – and important issue as here is a direct way in which academics can affect future practice. This of course also extends our analysis into a different but related arena of higher education.

In the final chapter in this section, Aras and Crowther observe the rapid increase in number of NGOs to such an extent that there is danger of competition between NGOs not just for resources but also for causes for them to support. This is often apparent when an international disaster takes place – and this is a frequent occurrence – when we can observe the various international NGOs each striving to be first on the scene as a basis of campaigning for more funds. It is only later that a cooperative approach to addressing needs takes place, while it is apparent that such competition is wasteful and also likely to be de-motivating to people who are likely to give financial resources to such NGOs. The authors make a play upon

Schumpeter's (1942) notion of creative destruction (better known to the more cynical of us as asset stripping and a contributing factor to many economic crises of the past half century) to create the term 'destructive creation'. In doing so, they make the important point that is not necessarily better – certainly regarding the number of NGOs in relation to the issues needed to be addressed. In undertaking this analysis, they implicitly question the role of the various organs of civil society as well as more directly making a case for regulation, albeit on a global scale.

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CHAPTER 4

NON-GOVERNMENTAL ORGANIZATIONS AS OUTSOURCING IN CORPORATE PHILANTHROPY

İlke Oruç and Muammer Sarikaya

INTRODUCTION

Owing to the changing roles of business enterprises in social life, the term “corporate social responsibility” has received growing interest both in the related literature and in practical applications. Although the framework of the term is still debatable, it is acknowledged that the issues involved in the concept have significant functions for society as a whole and for the business enterprises involved.

Many people would say that the origin of the concept “corporate social responsibility” dates back to the 1950s. Since that time, many definitions have been proposed by researchers in the field. The common point in some of these definitions centers around the importance of taking care of certain stakeholders while the others highlight its impacts on the society as a whole. According to Griffin (1990, pp. 814–821), corporate philanthropy refers to the responsibilities of a business enterprise for protecting and improving the environment it operates in. This concept emphasizes the necessity of the

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fulfillment of both social and organizational goals by executives (Certo, 1992, p. 63). Similarly, Porter and Krammer (2002) focus on corporate philanthropy and state that the success of any business enterprise which tries to gain profits at the expenses of the benefits of the society in which it is involved will only be temporary and is deceitful.

By practicing corporate social responsibility, business enterprises aim at improving the welfare of the society they operate in, and making investments in various areas to protect the environment and create a better society. These applications, which are carried out mainly voluntarily rather than due to the economic, legal, and ethical responsibilities imposed by social rules, successfully involve all the individuals in the society as well as the stakeholders of the business enterprise. Such a social approach deals with psychological and emotional needs of the society as well as other issues such as health, welfare, and safety (Kotler & Lee, 2006, pp. 201). As the most comprehensive form of CSR, this approach demands that business enterprises should work for the solutions to the problems related to public welfare that occur due to the insufficiency of the funds allocated for education, poverty, high crime rate, low literacy level, and chronic unemployment (Lantos, 2001, p. 605).

CSR might be defined differently according to different approaches. However, the commonly agreed point in such definitions is the emphasis on the fact that corporations should assume responsibility for their practices and their consequences (Sarikaya, 2009, p. 69). In his paper, Carroll (1991) studies CSR by listing their responsibilities in a way similar to Maslow's hierarchy of needs. Based on this listing, he suggests that a business enterprise should prioritize its economic, legal, and ethical responsibilities by delaying the voluntary ones for later phases. Nowadays, however, voluntary responsibilities mean more than just the fulfillment of social expectations reactively by business enterprises. Being among the most important actors in society, NGOs and business enterprises take voluntary activities strategically and search for the most effective ones both for themselves and for the sustainability of that society.

Just as for corporate social responsibility, there are disagreements regarding the concept corporate philanthropy. Therefore, this chapter will first try to define philanthropy in general and then the meaning of corporate philanthropy and its importance will be provided. The most important issue to be analyzed in this study is how business enterprises establish relationships with NGOs, which constitute an important component of society and are sensitive to social problems depending on their specialized fields. By doing so, the competition atmosphere created by the practices of

voluntary responsibilities and the changing and developing business enterprise–NGO relationships in such an atmosphere will be highlighted.

PHILANTHROPY

Reflecting the degree of social sensitivity, “philanthropy” reflects mainly “self-sacrificing” practices both at individual and organizational level. The word is defined as “the love of humanity” in Greek documents (Katz, 2004). This term is highly related to “sacrificing” to a great extent. The term “sacrificing,” which was first used by Auguste Comte in 19th century (1852), derives from ethical theory and is translated as “altruism” in French and “alter” in Latin language. Comte believes that the ethical responsibilities of individuals basically involve “serving for the welfare of others.” Comte also disagrees with the term “individual rights” and claims that they are not obtained by just fulfilling ethical responsibilities. Similarly, McLagan defines “sacrificing” as “the feeling of discomfort due to the efforts to be successful in an assumed duty and awarding the happiness of those following us.” The relationship between “sacrificing” and “philanthropy” is quite clear. Although “sacrificing” means efforts to turn the people around you into good people, “philanthropy” includes all the behaviors that interest others (Chesters & Lawrance, 2001, p. 89).

In Oxford English Dictionary, philanthropy is defined as “love to mankind; practical benevolence towards men in general; the disposition or active effort to promote the happiness and well-being of one’s fellow-men.” In other words, “philanthropy” means giving money voluntarily or the use of available resources by individuals and/or groups or private sector for the welfare of the society (Schwab & Sutherland, 2002, p. 2).

“Philanthropy” is the desire to serve to public without expecting something in return and this willingness mostly depends on the ability of the individuals to assume responsibility without claiming any rights or disadvantages after the fulfillment of the service. According to Godfrey (2006, p. 778), philanthropy is the transfer of valuable assets to an individual and/or a business enterprise by another individual or a business enterprise with no preset conditions or payoff. The donor should not have any dependency on the individuals or the business enterprises involved in the donation.

Philanthropy is the willing transfer of individuals’ knowledge, time, skill, experiences, and resources, which they believe are the correct ones, in order to achieve certain goals and increase the quality of life as a part of

individuals' social responsibilities without expecting any benefits in return (Güder, 2006; Yaman, 2003, p. 99). The essence of philanthropy centers on working without expecting any benefits in return. In today's world, philanthropy is available in the form of the activities supported by NGOs which receive financial support so as to carry out their voluntary acts in the society. What should be kept in mind here is that volunteers are the main elements of social organization and therefore they should have a say in decision-making processes rather than just working towards the goals (Yurttagüler & Akyüz, 2006, p. 8).

In a broader sense, philanthropy involves all state-run organizations and private sector companies or organizations believing in the importance of corporate philanthropy. In this respect, philanthropy is the contribution by individuals and business enterprises to public welfare in terms of the transfer of knowledge, skill, experience, and labor, which can be realized through NGOs. This contribution does not require any benefits in return.

In addition to its definition, how philanthropy is perceived by society should also be emphasized here. Various factors such as already existing economic and social conditions and the dominant religion in the society can alter public opinion as well. Turkey has a rich philanthropy and charity culture. For example, the Ottoman Empire had a fund system to carry out voluntary public services. Similarly, such a fund system is the most common practice of philanthropy in Islamic culture. Many families in Turkey contribute to the activities carried out by at least one fund. Some holdings distribute a certain percentage of their profits to the society for voluntary activities. Among those practices educational organizations, hospitals, and art/culture centers were more common. Although it has been an important part of Turkish culture, philanthropy is relatively less supported by legal structures today. The government supports voluntary services by allowing tax deduction for such activities (Ararat & Göcenoğlu, 2006, pp. 12–13). Especially, considerable deductions are available for companies involving in voluntary activities and they receive a lot of attention in public opinion.

PHILANTHROPIC RESPONSIBILITIES AND ORGANIZATIONAL PHILANTHROPY

The concept “corporate social responsibility” has received a lot of interest by researchers recently. This concept gives organizational philanthropy a

significantly greater importance (Porter, 2003, pp. 1–2; Schwab & Sutherland, 2002, p. 2). It is possible to say that corporate philanthropy has three dimensions. First of all, the essence of written rules and laws should be acknowledged (ethical, honest, transparent, and unified), which has critical importance for all business enterprises. For a business enterprise, the fulfillment of the main conditions in the society where it operates is a necessary component to be accomplished. The second dimension is to find a solution to the harm done to the environment or to reduce the harm that might occur due to an activity carried out by a business enterprise. This is an important responsibility for business enterprises to fulfill to have a good reputation, but it is quite different from “philanthropy.” The third one is related to reducing the negative effects due to sustainable development practices. The commonly agreed point here is that business enterprise should find a way not to make use of natural resources or at least not to consume unnecessary resources. This is also one of the most significant resources of the enterprise, but again it is not considered “philanthropy.” Organizational philanthropy is basically enterprises’ donation of their resources for social reasons (Porter, 2003, pp. 1–2).

Corporate philanthropy is about protecting the enterprise by reducing or eliminating its deficits or loss. However, organizational philanthropy, which means enterprise’s making use of its resources and money to create a social value, is positive in reality. Therefore, this situation creates a different point of view for social responsibility initiatives. Business enterprises are mostly interested in philanthropy to create a good image or respectable reputation (Porter, 2003, pp. 2–3; Porter & Krammer, 2002, p. 57). These philanthropy activities should be seen as a secondary benefit or a side product although the increase in the manufacturing of the enterprise may mean more voluntary activities which are crucial to create a good reputation for the enterprise. In other words, business enterprises should see voluntary actions as an opportunity for good public relations (Porter, 2003, pp. 2–3).

Business enterprises should take certain factors into consideration, which are listed as follows (Barutçugil, 2004, pp. 219–223; Yaman, 2003, pp. 67–69; Özgen, 2006, pp. 34–36).

1. Factors related to individuals: The individuals’ tendency to take part in voluntary activities (for example; to win the boss’ appreciation, and to search for promotion by being successful in voluntary projects, etc.)
2. Organization-related factors: Awareness of social responsibility; making contributions to society; the development of democracy; giving importance to interaction with stakeholders; spending money for

- charities; creating a good image of the company; increasing sales figures; making an advantage of a highly competitive market; hesitations regarding the media; tax exemption and fund transfer, etc.
3. Other factors: Establishing and supporting charity organizations; unifying NGOs under a certain structure; being effective in the European Union adaptation process obeying global norms, etc.

The factors abovementioned clearly reveal that business enterprises are mostly interested in organization-related factors. As mentioned by [Leisinger \(2007, p. 315\)](#), an enterprise having an institutional point of view should donate its resources to support the attempts made to achieve beneficial social targets. There might be a difference between philanthropy and charity. Charity can be defined as unconditioned and short-term social contributions. However, “philanthropy” highlights research attempts and the awareness of social situations caused by the problems without expecting anything in return. Moreover, “philanthropy” requires longer periods of time for the realization of donations and contributions in terms of money, food, time, education, and other resources.

It is not uncommon for a company to make investments in philanthropy. First of all, “philanthropy” to be supported by the top executives and directors might have a rational effect. Secondly, voluntary actions may contribute to the long-term achievements of the company, which is quite important in strategic aid. Finally, the company’s contributions to social welfare through providing aid to disadvantaged individuals or groups are more important than all ([Porter, 2003, p. 3](#)).

Today, the extent to which business enterprises are involved in voluntary activities and the degree of their generosity are important criteria for more effective competition. According to a traditional economic approach, the general tendency is that companies are responsible only for their shareholders and that the main goal of the companies is to increase the economic value of the shares and the company. In other words, giving money to shareholders within a framework of philanthropy is not considered a function of companies. According to [Friedman \(1970, p. 33\)](#), corporate philanthropy means money embezzled by the managers from the shareholders. From an ethical point of view, companies should be socially responsible for some actions in the society and should display them in the documents. This situation can be clearly explained by “Stakeholder Theory” developed by [Freeman \(1984\)](#). Corporate philanthropy is among the many duties of a company required by corporate citizenship ([Gan, 2006, p. 217](#)).

A philanthropy approach has two new and productive main principles. Focusing on areas with common social and economic interests means not only spending the company's money but also making use of other company resources. In today's world, it is observed that the business enterprises in developed countries are not interested in voluntary activities due to positive economic conditions of the country. However, in general, supporting voluntary activities contributes a lot to the betterment of social and economic conditions to the advantage the company. NGOs are the most important resources for the business enterprises to realize this support. Recent research mostly focuses on the relationship between business enterprises and NGOs as a subcomponent of companies' social responsibilities (Landim, 1997, pp. 351–370; Yamomoto, 1999, pp. 13–38; Frankental, 2001, pp. 18–23; Schwab & Sutherland, 2002, pp. 1–18; Damlamian, 2006, pp. 1–48; Leisinger, 2007, pp. 315–342). The aforementioned statements clearly show that enterprises should establish good relationships with NGOs to fulfill their social responsibilities in an effective way. In today's world, NGOs play an important role in social life and are a trustworthy mechanism in society. In this respect, NGOs benefit both social life and companies to a great extent.

There is some research on the relationship between “corporate performance” and “corporate philanthropy,” which reveals a positive relationship. Among such studies are Griffin and Mahon (1997, pp. 5–31), Seifert, Morris, and Bartkus (2003, pp. 195–211), Adams and Hardwick (1998, pp. 641–654), and Brammer & Willington (2004, pp. 1411–1434). Some of these studies report a quite complex relationship, which is highly affected by the size of the company and the amount of donations it makes. Regarding this issue, Godfrey (2006, pp. 777–778) makes the following three important claims:

- (1) that corporate philanthropy can generate positive moral capital among communities and stakeholders,
- (2) that moral capital can provide shareholders with “insurance-like” protection for many of a firm's idiosyncratic intangible assets,
- (3) that this insurance-like protection contributes to shareholder wealth.

In their study, Saija, Carroll, and Buchholtz (2003, pp. 169–201) state that voluntary donation of company resources is quite positive for the strategic position of the enterprise and this type of donation is defined as “strategic charity” in the related literature. “Strategic philanthropy” as a concept was used first in work and business literature before the 1980s. Generous aid helped business enterprises to establish good relationships with the public, therefore creating a positive image, and reputation for the company.

It is expected that strategic philanthropy may provide their stakeholders with ethical responsibility to some extent.

When we consider the importance of philanthropy in our society, it is surprising that it receives little interest from economic and social theorists. More interestingly, economic theory almost ignores and even rejects this issue. The thorough analysis of philanthropy in a business enterprise requires the consideration of many independent variables, which include time, location, and the size of the company, cost and income functions, the nature of the aid, legal codes of the countries involved, the interpretations of the common laws, the nature of stakeholders, etc. (Johnson, 1966, p. 500). The positive and advantageous effect of corporate responsibility on business enterprises has been reported by many recent studies. In order to make a clear understanding of this situation, it is necessary to mention about certain advantages such as a considerable increase in the competition power and other issues such as the nature of the collaboration with NGOs.

THE RELATIONSHIP BETWEEN PHILANTHROPIC RESPONSIBILITIES AND COMPETITIVE POWER

Nowadays, business enterprises as important social actors should take social sensitivities into consideration in their practices. The fulfillment of economic, legal and ethical responsibilities within a liability framework has resulted in the creation of a new competition area. In this regard, philanthropic responsibilities might help enterprises to create opportunities matching the social structure and therefore be effective for a more efficient competition.

It is obvious that the primary responsibility of enterprises for the society in which they operate is in economic terms; however, society also expects the enterprises to create social values. As a result, business enterprises have been spending some of their energy, resources, and time for social purposes (Gatamah, 2004, p. 141).

Business enterprises today give more importance to social issues compared to the past. In other words, enterprises try to do more than just gaining profits and are more sensitive to the demands from the society they operate in. Especially, increasing stakeholder interaction, which is also getting more and more complex, requires the implementation of this approach. Now, voluntary activities are becoming an important factor in having a more powerful competition and ensuring a longer sustainability for

the enterprise. Therefore, voluntary activities are planned and carried out more strategically and are considered more than routine activities and donations. In other words, mid- and long-term benefits of voluntary activities of the company are evaluated and more benefits and more added values are looked for in such activities for both the company and the society (Nijhof, de Bruijn, & Honders, 2008, pp. 152–153).

After the 1980s, business enterprises realized that there is a clear relationship between their approaches to social issues and financial figures, and that such approaches bring advantages in the competitive markets for the company. Therefore, as of the 1990s, companies have been interested in certain issues such as culture, art, health, sports, and education as part of their strategic policies (Wulfson, 2001, p. 141).

Enterprises may make donations for various purposes. In general, companies, which look for opportunities to be popular in the public, may wish to create a good reputation by making donations in great amounts. The real goal here is to create a sustainable and positive brand identity, and to ensure loyal customers (Wulfson, 2001, p. 138).

“Philanthropic activities” is an area subject to competition for both enterprises and NGOs because NGOs need financing to continue to their activities, which fosters the relationships between companies and NGOs. Therefore, NGOs should try to attract the attention of companies, which means that they should compete with other NGOs (Barman, 2002, p. 1194).

NGOs, today, give considerable importance to public relations to attract the attention of business enterprises and the government to be preferred against their competitors. To achieve this purpose, they work hard to establish close relationships with certain institutions, especially with media, so they can appear on newspapers and TV more often and introduce themselves effectively. As a result, they increase public awareness about their activities and functions, which in turn positively affects the reputation of the NGO (Theaker, 2006, p. 310).

Just like business enterprises, NGOs try hard to create a brand name. They also feel the necessity to adopt an approach approved by society to a great extent. It is clear that the relationships of NGOs with enterprises serve as references for future relationships and good references are quite advantageous in a competitive market. In this respect, the fact that an NGO is the first one that people remember regarding a social issue is an indispensable precondition for this NGO to survive in an increasingly competitive environment.

Another important issue to mention here is the necessity for NGOs and their partner enterprises to have common missions. If the people perceive

that the NGO started this relationship just for the sake of receiving financial support, this situation will result in a negative reputation for this particular NGO. Therefore, NGOs should be careful about the missions and working fields of the enterprises which they are planning to start collaborations with.

Business enterprises try to prove that they are good corporate citizens in society with the help of the voluntary activities they are involved in. If such attempts are operated effectively, the financial gains to be obtained will be higher. Therefore, such activities are dealt with more strategically and enterprises make social investments in the areas that are more likely to produce added value. These careful considerations, in turn, might lead to an increase in the economic value of the company shares as well (Godfrey, 2006, p. 792).

Nowadays, large companies prefer making social investments on issues that have the potential to bring advantage for competitive market rather than traditional charity and reactive donations (Marsden, 2000, p. 14). It is obvious that such companies conduct thorough analyses and studies to guide their decisions for voluntary activities with higher added value. This approach encourages enterprises to initiate collaborations with NGOs and benefit from their expertise and experiences.

OUTSOURCING IN PHILANTHROPIC RESPONSIBILITIES AND NGO'S

NGOs activities are observed in many fields such as sports, culture, art, and social services. The roles of governments in social life, the changes in their goals and the growing reluctance in their contributions to social issues significantly increased the functions and importance of NGOs in social life. In addition to their activities in various areas, NGOs are believed to be superior to governments in the provision of social services and are more successful in terms of efficiency, cost, and social sensitivity. It is possible to say that NGOs are able to analyze social problems more efficiently and find more effective solutions for these problems (Barrett, 2001, p. 37).

By carrying out various activities, NGOs try to control enterprises and eliminate the harm that might occur due to the greediness for extra profits. In addition, NGOs even set the agenda and force governments to enact new regulations by shaping public opinion effectively. In other words, NGOs organize social actors so that business enterprises are more sensitive in the steps they take (Ribstein, 2005, p. 22).

Voluntary responsibilities are important in the relationships with the government as well as with all stakeholders. Such responsibilities might affect the political influence of government positively, which functions as an opportunity to foster “public relations” (Useem, 1984).

In the early 1990s, enterprises were criticized for their antisocial practices. As a result, some regulations and laws became effective in this period to protect consumer rights and to prevent the harms that enterprises might give to social life. During this period, the executives made donations directly or indirectly to compensate for this negative image (Wulfson, 2001, p. 135). However, these donations are mostly associated with the individuals rather than companies.

Business enterprises mostly base their judgments on their financial figures, which results in spending a quite high percentage of their energy on economic performance. However, the financial responsibilities of NGOs are not prioritized as much as those of enterprises and as a result NGOs are much more specialized and more focused on social issues (Gray, Bebbington, & Collison, 2006, pp. 333–334). In addition, nowadays, social performances of enterprises are considered as important as economic ones, which signifies a more clear-cut NGO–business enterprise relationship.

The increasing importance of social entrepreneurship in the private sector as one of the most important conditions to survive in the business world has led enterprises to find alternative approaches in the field. Nowadays, enterprises need more outsourcing in their economic activities. The growing need and importance of such social aid in a competitive environment naturally requires the use of more outsourcing in the field. Just as enterprises search for collaborations with organizations and institutions which are equipped with expertise and experience in economic activities, they need to initiate collaborations with nonprofit organizations which are good at social entrepreneurship. Similarly, governments also may need nonprofit organizations for social services (Ryan, 1999, p. 29). The enterprises which analyze social activities that are suitable for their operation field start an outsourcing relationship with an organization which has the potential to guide the enterprise the most effectively in the field. This situation also forces nonprofit organizations to be managed more professionally and to be an outstanding organization in their field and to improve their social entrepreneurship skills.

In this respect, social issues are considered a sector in themselves and have turned into important actors in the field due to social entrepreneurship activities carried out by nonprofit organizations. Since the business world realized the importance of the field, enterprises need such organizations

more and more and give them chances to improve their skills and experience in organizing and realizing such voluntary activities. In short, enterprises collaborate with nonprofit organizations as part of outsourcing in their social entrepreneurship practices.

The increasing importance of voluntary responsibilities and the demand for expertise result in closer and more professional enterprise–NGO relationships. In other words, business enterprises demand NGOs which have expertise in the social pattern of the society to meet their demands as effectively as possible (Nijhof et al., 2008, p. 153).

Business enterprises have the opportunity to benefit from NGOs in increasing the added value of their voluntary activities. In addition, many stakeholder groups, especially the media and governments, recommend and support such collaborations to ensure more effective and efficient activities and longer sustainability for NGOs (Staples, 2004, p. 157).

Nowadays, social problems are getting more and more complex and more resources and energy are needed. Therefore, business enterprise–NGO relationships are emphasized in many international platforms such as seminars, conferences, and meetings on sustainable development, and it is recommended that enterprises should make use of NGOs as outsources. In addition, the roles of NGOs in social life are highlighted and their effects on the sustainability of enterprises and the sustainable development of societies are stated in these platforms as well.

In conclusion, business enterprise–NGO relationship is a result of a social need. Such relationships are crucial in today's business world, in which there is an increasing need for social capital. In addition, collaborating with experts in social areas will increase the value of time, resources, and energy spent while carrying out voluntary activities.

ANALYSIS

Business enterprises in Turkey are giving more and more importance to philanthropy-based projects nowadays. However, it is commonly acknowledged that intense and costly projects should be designed in such a way that they should contribute to long-term strategies of the enterprises and their competitive power. It is not realistic to expect any immediate benefits regarding short-term goals and marketing area. Therefore, when enterprises discriminate between charity and sponsorships and carry out sponsorship activities under the title of “strategic charity projects,” competitive power will be higher. The aim of the current study is to analyze the weight of

charity and sponsorship activities of enterprises and their collaborations with NGOs to carry out such activities. The subjects of the study are the first 50 companies in the “Top 500 Companies in Turkey” list published each year by Istanbul Chamber of Commerce. For analysis purposes, the official websites of the companies were examined to obtain data about their organizational charity activities and the relationships they are engaged in with NGOs while realizing such activities. The data obtained through content analysis were categorized into different categories.

The data obtained in the study may lead to increased awareness in business world and more added value to charity activities both for the company and the society. Therefore, the collaboration between enterprises and NGOs and the use of NGOs for outsourcing practices are quite important in terms of their contributions to the welfare of the society. Involved in activities in various working fields, NGOs play an important role in enabling enterprises to be beneficial to the society by increasing the variety of their relationships with the society. Business enterprises should not ignore their social responsibilities while carrying out their economic responsibilities. Therefore, charity activities contribute a lot to the positive image of companies. The studies conducted in the field generally focus on the implementation of charity activities as strategic plans and their roles in creating competitive power. When the previous practices in Turkey regarding charity activities are considered, it can be observed that such activities were carried out through foundations. In short, analyzing what the companies prefer regarding the issue might provide valuable insights for today’s practices.

RESULTS AND FINDINGS

The enterprises analyzed within the framework of the study have websites published on Internet in both in English and Turkish. Of these 50 companies, 30 are involved in philanthropies and 20 do not take part in such activities. Those who are involved in philanthropies mostly collaborate with NGOs on the following social issues: education, environment, health, sports, culture-art, and social aid. In addition, such companies have their own foundations to realize philanthropies. Some of these foundations are promoted publicly on official websites, but others are not. Despite a certain level of cultural diversity in Turkey, the dominant social identity is based on the Islamic religion. One of the indispensable practices of this religion is Zekat, which is the practice of giving a certain percentage of your property

to the poor or the needy. Similarly, foundations play important functions for the welfare of the society by providing social aids and establishing a balance of income among individuals (Soysaldı, 2002, p. 384). However; these foundations have lost a lot of their importance in today’s world, and people or companies have a tendency to carry out their charitable practices secretly. Therefore, the official websites of the companies prefer not to publish the names of the foundations they established. The number of the foundations published on the official websites of the study-specific companies is six and the fields of charity practices of the companies are as in Table 1.

It has been observed that some of the companies provide financial support for NGOs or make donations while carrying out philanthropy activities. The indicators regarding these practices are as in Table 2.

NGOs collaborating with companies as outsourcing are presented in Table 3. The criteria for these NGOs are based on several factors such as the sector in which the company operates and the field where financial support

Table 1. The Number of the Companies Carrying Out Philanthropy Practices (N:50).

The Number of Companies	
Those involved in Philanthropy Activities	30
Those not involved in Philanthropy Activities	20

Table 2. The Number of Companies getting Involved in Philanthropy by using NGOs as Outsourcing (N = 30).

The Number of Companies	
Those using outsourcing	25
Those not using outsourcing	5

Table 3. NGOs Mostly Contacted by the Companies through Outsourcing N = 18.

NGO (Name)	Field of Work	Number of Companies
Tema	Environment	7
Educational Volunteers Foundation of Turkey	Education	6
The Mother-Child Education Foundation	Education	5

is planned to be provided. First of all, it might be useful to make a list of the NGOs the companies collaborate with. The list given in Table 3 includes mostly contacted NGOs published on the websites of the companies.

In addition, Table 4 displays the most common five fields of work in which the companies collaborate with NGOs according to the analysis of the websites.

Table 4 clearly shows that study-specific companies made investments in “education” the most and “sports” “art and culture” the least. What should be emphasized here is that although the companies collaborate with NGOs to a great extent, sometimes they can work with other organizations which are not NGOs but nonprofit organizations such as “Red Crescent” in terms of health issues. It is also observed that the companies carry out their charity activities through other ways as well in addition to NGOs. The following Table 5 displays the categorized data obtained from the analysis of the company websites regarding the NGOs as Outsourcing.

Table 4. The Field of Work Where the Companies Collaborate with NGOs and the frequency of this Collaboration.

Field of Work	The Number of Collaboration	Percentage
Education	15	40.5
Environment	9	24.3
Sports	4	10.8
Health	7	19.0
Culture and art	2	5.4
Total	37	100

Table 5. The Number and the Working Fields of NGOs Contacted as Outsourcing.

Working Field	The Number of NGOs Collaborated	Percentage
Education	9	33.3
Environment	3	11.1
Sports	4	14.9
Health	3	11.1
Culture and art	2	7.4
The foundations established by the companies (based on Website analysis)	6	22.2
Total	27	100

The results of the study show that the companies use the “education” field for outsourcing the most, which is followed by “health” and “environment.” Considering the insufficiencies in the “education” field in terms of equipment, facilities, and physical conditions and the reluctance for the education of girls, the companies preferred to provide support for this field the most. Similarly, a majority of the NGOs operate in the “education” field. The websites of most of the study-specific companies publish information about their collaborations with the Ministry of National Education and the schools they build in various regions of Turkey.

Environmental activity, which is an important dimension of the current study, has been realized by the majority of the companies in the study. This realization, especially about the environment, is mostly based on the collaborations with NGOs in addition to their own organizational attempts. Today, it is a common belief that the companies that are sensitive to environmental issues have a more positive image in society. Therefore, companies prefer to initiate collaborations with NGOs in organizing cultural and art activities or the companies themselves organize such activities.

CONCLUSIONS

The studies conducted on charity practices show that such practices are significant in having competition power. In this respect, philanthropy practices are considered to be one of the most important components of strategic competition. Therefore, business enterprises should differentiate between charity activities and philanthropies and carry out such practices in a way to maximize the benefits for society. The studies conducted reveal that the voluntary donation of the company resources provides valuable benefits for the strategic position of the company. Similarly, long-term philanthropy practices are likely to increase the positive image of the company and contribute to its competitive power. In order to ensure an efficient implementation, it is necessary for a company to determine its own philanthropy strategies, which will give the company a chance to share its income with society and benefit from this sharing as an increased positive image.

The current study shows that charity practices are considered important in Turkey due to its history and religious social pattern. As a result of Islamic traditions, companies consider their donations and collaborations with NGOs as part of their philanthropy strategies. The websites of the companies publish information about their contributions to the society and

collaborations made to realize these contributions. Although charity is considered important in social terms, companies do not see such practices as a strategic component advantageous in increasing competitive power. Just as there is not a commonly agreed definition of philanthropy, old traditions still persist when charity is concerned. Although we can state that companies initiate collaborations with NGOs as outsourcing for their philanthropy practices, they organize charity activities more often. So, the effect of this notion on strategic competition should be studied in more detail. Such studies might be quite useful in adding various points of view to the current study which is based on content analysis of the official websites of the study specific companies.

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CHAPTER 5

CURRICULA STRATEGIES IN UNIVERSITY GRADUATE MBA PROGRAMS: THE DEMANDS OF CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Curt H. Stiles and Craig S. Galbraith

THE CHALLENGES OF CSR AND SUSTAINABILITY

As recently as the 1970s, scholars were defending the proposition that the only responsibility of businesses was to maximize its profits (Friedman, 1970). The ensuing years saw the birth and growth of another proposition: that the responsibilities of businesses extend beyond profitability, particularly short run profitability, to embrace a larger responsibility to society. The concept of Corporate Social Responsibility (CSR) was initially fed by scandals concerning defective products, political misbehavior, executive corruption, and labor abuses. The CSR agenda rapidly expanded in the 1980s, driven by very public incidents such as the Exxon Valdez and Amoco Cadiz oil spills, the ICMESA Italian dioxin release, the Bhopal chemical spill, the Chernobyl nuclear power plant disaster, the Three Mile Island near

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disaster, and the discovery of the ozone “hole” to include environmental concerns. Interest in CSR concerns expanded further, in response to such occurrences as the massive destruction of tropical forests and the exploding amount of greenhouse gases produced in both the expanding economies of China and India and the developed economy of the United States, to include the realization that the link between corporate decision making and disasters has become truly global in their impacts. The size and dominance of multinational and transitional economic organizations have brought an appreciation of their global impacts into the center of consciousness of the modern world.

The social and environmental concerns of CSR have grown beyond specific complaints and suggested remedies to embrace the notion of “sustainability”. Sustainability means that CSR extends beyond the avoidance and repair of damage to focus on growth and permanence, not only of civil society and the natural environment but also of the economic health of businesses and hence their permanence. Economic sustainability embraces the notion that businesses will have long-run profitability and will be long-lived only if they meet the legitimate needs of the natural and social worlds on a global basis. This puts demands on modern business executives, particularly those in MNCs, which were given little thought by executives of an earlier era, demands that can be met only by enhanced knowledge, expertise, and cultural awareness.

Sustainability also puts new demands not only on business executives but also on passive investors. The successful allocation of capital is dependent on the ability to identify the factors that influence the market’s valuation of a company and then judge the accuracy of that valuation. Investment analysts are trained to use financial measures to understand the drivers of business value and are trained in the interpretation of highly detailed accounting data, including certain intangibles such as goodwill. But traditional financial analysis has much to learn in integrating nonfinancial factors and the dynamic, nonfinancial attributes that can impact environmental, social, and economic sustainability.

THE DEMANDS ON EDUCATION

The desultory nature of the growth of CSR and sustainability has led to a degree uncertainty. For example, there is presently no universal acceptance of the content of CSR and sustainability and no universal agreement of what the concepts mean. There is no agreement on what responsibilities

multinational corporations (MNCs) have for social, environmental, and economic welfare, particularly in the third-world. What is the duty of MNCs to governments; should it be strict obedience, political activism, or, particularly in the third world, nation building? There is no agreement on the role of regulation. Should it take the form of flexible guidelines, with strong input from industry associations? Or should there be direct government involvement with controlling laws, and should regulation be adapted to local differences, or should there be “enforceable international legal standards” (Winston, 2002)? These questions, and others, need to be examined by the educational establishments that train and support both business executives and passive investors.

Sustainability and the concerns of CSR have begun to be addressed by both NGOs and business professional associations. For example, the United Nations has initiatives that address CSR concerns from the perspective of the business executives’ responsibility for economic production and of the passive investors’ responsibility for capital allocation. One initiative is the United Nations Environment Program ([United Nations Environment Programme, Division of Technology, Industry, & Economics, 2010](#)). It states its mandate to be “to make trade, finance, and globalization work for all members of society ...” To this end, UNEP activities include research, capacity building, and policy design to ensure that the objectives of environmental protection and equitable development are integrated into trade and other economic policies at national, regional, and international levels.”

The United Nations has also addressed the CSR concerns of passive investors through its Principles of Responsible Investing, which has already made an impact on the investment industry. “More than 570 asset owners and investment managers who control more than \$18 trillion in global assets have signed on to the UN’s Principles of Responsible Investment (UNPRI). The magnitude of these numbers indicates that sustainable and socially responsible investing has achieved mainstream status” ([Chang, 2009, p. 21](#)). This statement comes from the professional journal of The New York Society of Security Analysts (NYSSA).

Professional associations like NYSSA are taking vigorous action to educate the passive investment community in the principles of CSR and sustainability. NYSSA, with its 11,000 member professionals, educates under the umbrella of the CFA Institute that seeks to educate its 90,000 members of the larger worldwide investment community. The CFA Institute provides worldwide educational services that include a foundation to support investment research, The Research Foundation of CFA Institute, and a

newer service, CFA Institute Centre for Financial Market Integrity, created specifically to address CSR and sustainability in the investment industry. *The Social Responsibility of the Investment Profession* (Hudson, 2006) is a contribution to CSR by the Research Foundation and *Environmental, Social, and Governance Factors at Listed Companies*, (Orsagh, 2008) is a contribution by the Centre for Financial Market Integrity.

Advocacy organizations are becoming more effective contributors to CSR and sustainability as professional associations become comfortable with educating their members by directing them to the work of the advocacy organizations (Hudson, 2006). An example advocacy organization is Ceres (2010), a national network of investors, environmental organizations and other public interest groups working with companies to address global sustainability and CSR issues. Ceres' mission is to "integrate sustainability into capital markets for the health of the planet and its people," and it promotes the Ceres Principles. Another example of an advocacy organization is found in the Caux Round Table (2010). Its mission is to "promote moral capitalism ... to ensure greater prosperity, sustainability, and fairness in a global economy," and it advocates adherence to the CRT Principles.

Universities have a different responsibility for CSR and sustainability education. Professional associations and advocacy organizations primarily serve to educate and focus attention on CSR of working professionals with a specialization and specialized education. Universities, however, have the responsibility for general education in business and economics and the introduction of new business executives and investment managers to CSR and sustainability. The United Nations recognizes the importance of university education in promoting CSR and sustainability. The United Nations' Education, Scientific and Cultural Organization (UNESCO) notes, "Education is a key instrument for bringing about changes ... consistent with sustainable development within and among countries." UNESCO calls for a set of "good practices" to show how environmental and social issues should be introduced and put into practice. These principles include "making education more relevant and meaningful" and "building partnerships in support of sustainable development" (United Nations Educational & Scientific and Cultural Organization [UNESCO], 2009a, p. 9–11). UNESCO states that the integration of sustainability into university education requires a re-orientation of teaching and curriculum. UNESCO also recognizes that the majority of knowledge we have regarding higher education contribution to sustainability is based on case studies rather than systematic studies of curriculum design, programmatic development, and instructional efficacy of sustainability concepts within the university (United

Nations Educational, Scientific and Cultural Organization [UNESCO], 2009b).

Professional associations express a concern that universities are lagging behind and failing to provide the foundation in CSR and sustainability needed by future business executives and investment managers. NYSSA's Chang states the argument bluntly, "Although many universities are making earnest efforts to offer more robust sustainability curricula, they operate under the typical constraints of the academy ... Many of the sustainability programs at American universities are siloed into their own areas ... Departmental committees and boards of trustees typically take months if not years deliberating over proposed curriculum revisions" (Chang, 2009, p. 21). This is the focus of our research – to examine various paths that universities, particularly the business and management programs that train our future executives, may be taking in addressing issues related to sustainability, social and ethical concerns.

A leading effort in this direction is the Aspen Institute's Business and Society Program. The Aspen Institute's Business and Society Program is "dedicated to developing leaders for a sustainable global society." Its Center for Business Education seeks to support university business school efforts by "providing cutting edge classroom resources and creating peer networks to incorporate social and environmental stewardship into teaching, research and curriculum development" (Aspen Institute & Center for Business Education [CBE], 2010). Aspen CBE publishes a biennial survey entitled "Beyond Gray Pinstripes" that examines the extent and nature of CSR and sustainability curricula in university business schools in their graduate Masters of Business Administration programs. The publication makes its data available on-line.

DATA

For this study we used the data gathered by Aspen CBE. In 2008 MBA programs throughout the world were asked to participate in a survey related to program activities, such as MBA course work, faculty research, and institutional support related to social, environmental or governance topics (SEG). In the Aspen Institute database there are 149 U.S. MBA programs. We used a subsample of only U.S. MBA programs where the data was reported at the School or College level, rather than by a single department. This provides a broad perspective of the MBA course and extracurricular activities for the total program rather than just for one department. A total of

121 universities remained in our dataset. The Aspen Institute reports the data by the number of courses or activities regardless of program size. In addition, each submitted course description can be searched individually. In the process of our research we cross-checked the submitted course description of several representative courses with that in the university’s official catalog, published syllabi, or website, and found that some submissions to Aspen did not completely match the published course description or syllabi at the university. In fact, it appeared that some of the course descriptions or information submitted to the Aspen Institute database might have been “enhanced” to reflect a greater environmental or social perspective. Given this caveat, we did not use the individual course description for a content analysis but instead used a simple course count to examine various programmatic approaches and strategies. We felt that the course count still represented the range and course categories that each individual MBA program felt incorporated the various topics related to SEG perspectives within their particular program regardless of the official course description. In addition, we normalized the data by program size (number of students) for a “per student course offering.” For example, very large programs may simply be able to offer more electives than a small program due to resource capabilities rather than any programmatic strategic design.

ANALYSIS

Table 1 reports the highest frequency course categories that submitting schools felt were related to SEG topics. It appears that management courses

Table 1. Top 10 Courses with SEG Content (Per Student).

Course Category	Courses with SEG Content (Per Student)
Management	0.032
Finance	0.022
Accounting	0.020
Marketing	0.018
Ethics and social responsibility	0.016
Economics	0.014
Strategy	0.011
Organizational behavior	0.011
International business	0.010
Business law	0.010

are reported most frequently as a source of SEG content, followed by finance, accounting, and marketing courses. In general, this shows a relatively broad selection of courses that offer SEG content across a typical School of Business and reflects courses in various departments. The course categories with the lower per student frequency were information technology (IT), quantitative methods, and production course categories.

Average course frequency, however, does not indicate whether or not various programs are using different strategies to cover SEG content. To determine various strategies we performed a cluster analysis on the data. Input to the cluster analysis were the normalized course counts for 18 categories of courses, such as production, accounting, management, entrepreneurship, etc., and 6 variables reflecting institutional support, such as clubs, internships, orientation, speakers, joint degrees, and concentration.

For the cluster analysis we used the Ward's method. The Ward's method is a hierarchical method which calculates the sum of squared Euclidean distances from each case in a cluster to the mean of all variables. The cluster to be merged is the one which minimizes the sum of squares of any pair of clusters to be formed at a given step. The Ward's method maximizes between-group differences and minimizes within-group distances. Examining the dendrogram indicated that a three cluster solution seemed most parsimonious. From this analysis it appears that there are three basic strategies being followed (Table 2).

Strategy 1: Programmatic Specialization. Approximately 11 percent of the MBA programs appeared to employ a strategy of designing specific programs or specialties related to SEG topics. These included specialized concentrations or joint degrees, as well as specialized courses such as environmental management and nonprofit management. In addition, this

Table 2. Cluster Analysis.

Cluster	N	High Frequency Variables
Cluster 1: Programmatic Specialization	14	Joint degrees*, concentrations*, environmental management courses*, nonprofit courses*, student clubs, and student internships*
Cluster 2: Broad Course Coverage	29	Entrepreneurship, finance, human resources, management, marketing*, organizational behavior, production, and strategy courses; speakers
Cluster 3: Focused Course Coverage	77	Accounting, economics and business law*

*Statistically significant (ANOVA, $p < 0.10$).

strategy reported the highest frequency of internships and student clubs related to SEG areas. With this strategy of specialized programmatic coverage, there appears to be less across-the-board frequency of SEG coverage outside the specific programs targeted toward SEG topics.

Strategy 2: Broad Course Coverage. Approximately 24 percent of the reporting MBA programs appeared to be following a strategy of broad course coverage. This strategy emphasized SEG coverage across a broad, cross-section of course contents. This cluster, for example, has the highest reported per student frequency of SEG courses in entrepreneurship, finance, human resources, management, marketing, organizational behavior, production, and strategy. In addition, this strategy reported the highest level of outside speakers. This is consistent given that many speaker series in MBA programs are for the broad cross-section of the student population.

Strategy 3: Focused Course Coverage. The majority (63.6%) of the MBA programs reporting appeared to be following a strategy of relatively lower levels of across-the-board coverage of SEG topics, with the exception of a few course categories. In particular, this cluster has the highest reported per student frequency of SEG courses in only three course categories – accounting, business law, and economics. The remaining course categories and institutional activities for this cluster indicated average or below average course frequency of SEG coverage.

A third analysis was to examine whether different types of schools are following different strategies. We analyzed three different variables, whether the university is a “research, Tier 1, or Tier 2” university, whether the university is a private university, and whether the university has a religious affiliation. Table 3 provides this information.

In general, it appears that schools tending to follow a more aggressive strategy in providing coverage of SEG topics (Programmatic Specialization

Table 3. Type of School.

Cluster	N	Percentage Research University	Percentage Private	Percentage Religious Affiliation
Cluster 1: Programmatic Specialization	14	71.4	64.3	7.1
Cluster 2: Broad Course Coverage	29	68.9	55.1	24.1
Cluster 3: Focused Course Coverage	77	53.2	40.2	19.4

or Broad Course Coverage) tend to be more research universities and/or private universities, with religious universities appearing to follow a strategy of broad course coverage. This also suggests that public, non-research, or non-doctorate offering institutions seem to be following more a strategy of focused course coverage. This might suggest more a departmental, bottom-up initiative in these public, nonresearch universities where private and more research oriented universities appear to be taking a broader, school-wide approach to covering social, environmental, and governmental topics.

CONCLUSION AND DISCUSSION

Our analysis indicates that universities are currently using different approaches to address SEG topics within their MBA programs. These differences may, in part, be explained by the resources available to the university. For example, larger, better funded research universities may be more able to develop a broader variety of specific programs and concentrations that focus directly on CSR and sustainability issues than nonresearch universities. However, philosophical differences may also explain differences in university strategies. Religious affiliated and private universities may see the CSR mandate as a universal and pressing need, thus encouraging broader, across-the-board coverage of SEG topics in their curriculum than public universities. But while there appears to be different approaches in curriculum design, there is no data yet available that would suggest one approach being more effective than others.

NYSSA's [Chang \(2009\)](#) states that "socially responsible or sustainable investing has not yet coalesced around a set of standards or principles, making it difficult to build a curriculum" (p. 24). This might offer an explanation for the inconsistency and incompleteness of SEG topics in business school curricula and an excuse for the unevenness and tardiness of university business school entry into the CSR and sustainability debate. But in defense of university business schools, it might be argued that the appearances of inconsistency and incompleteness are in fact evidence that they are in the process of addressing the concerns of CSR and sustainability that they are called on the address and in the manner for which they are best suited. Professional associations have the duty to educate their members to deal with the problems specific to their area of expertise from the perspective of the problem as presented to them. Advocacy organizations have the duty to educate their adherents to best

support the needs and requests of the particular interest group advocated. Universities, however, have broader and more enduring duties: first, to debate the very ideas of social responsibility and sustainability with the expectation of developing agreement on what they are, and second, to then educate all elements of society in social, environmental, and governance topics and in the principles of socially responsible actions and sustainable growth.

One of the more interesting products of the debate in the university business school literature is the Porter hypothesis (Porter and van der Linde, 1995a, 1995b) which redirects the focus of CSR from restrictions and limitations to productivity and growth. The hypothesis argues that environmental, social, and governmental concerns should not be focused on negative and unproductive *restraints* but rather on positive initiatives with the aim of generating improvements in *resource productivity*. Thinking only in terms of restraints will likely make businesses defensive and will motivate unproductive behavior focused primarily on “end of pipeline” cleanup, a welfare loss. A true CSR commitment would likely motivate businesses to embark on a productive search for better technologies and processes that will lessen, if not entirely eliminate, negative externalities all along the supply chain from raw material extraction to recycling of the by-products of final demand consumption.

The Porter hypothesis is a stimulating idea, one that promises a program of activities that would benefit everyone and upon which all parties could agree. One thing that all parties can surely agree on is the idea of “welfare” and that anything that contributes to welfare is good and anything that takes away from welfare is bad. Similarly, all parties can agree that inefficiency, waste, and destruction are bad. Even those people that do not understand or approve of university education in business can understand and approve of the economist’s concept of a “dead-weight welfare loss” (Scherer, 1980), a destruction of wealth that benefits no one, not even cheaters and free-riders. The halting efforts of university business schools to build a curriculum may reflect the process of coalescing around standards and principles of CSR and sustainability that will reflect the common welfare, with the aim of resource productivity.

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CHAPTER 6

DESTRUCTIVE CREATION: A SURFEIT OF NGO'S

Güler Aras and David Crowther

INTRODUCTION

Non-governmental organisations (NGOs) fulfil a vital role in society, filling the gap often left between civic responsibility undertaken through an agency of the government and personal responsibility often undertaken through the family. Indeed the modern streamlined state very often deliberately relies on such NGOs to undertake responsibilities previously undertaken by the state, such as health, welfare and educational roles, which can no longer be undertaken due to the twisted logic of privatisation. To fill the gap, states often rely on NGOs and provide funding accordingly – a state obligation undertaken by proxy. The role and significance of NGOs has therefore risen accordingly; commensurate with this we have seen an explosion in the number of NGOs and a concomitant explosion in the spheres of influence of such organisations and in the roles that they claim for themselves.

In many ways this has been brought about by the retreat of the state that has caused the number of NGOs to increase to fill the gap left by this retreat (Kajimbwa, 2006). This retreat means that the current situation is reminiscent of the situation in the middle of the nineteenth century with the rich being expected to donate some surplus to the poor but with a clear distinction between the deserving poor and the undeserving poor, with the distinction of course being dependent on the acceptance by the receivers of

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the norms of the givers. Any further retreat would take us back to the medieval world of charity being inseparable from religion, but at least such charity was available to everyone as religious organisations tend not to discriminate in this manner! Thus the role of NGOs has increased very significantly in recent years.

It is uncertain how many NGOs exist in the world, but there are many millions. It is estimated for example that in India alone there are 2 million such organisations. Some are very large international organisations, and there are a few thousand¹ of these, whereas many are national organisation or even very local organisations. Some of these are very small indeed and not all are active at a particular point in time. One thing that is certain however is that the number continues to grow as new ones are established for new purposes, and this provided us with a rationale for our analysis, which is concerned with the growth in the number of NGOs existing and the ensuing problems.

INFLATION AND NGO'S

A not for profit (NFP) organisation is one whose objective is to support or engage in activities of public or private interest without any commercial or monetary profit. In many countries, some of these will be charities, but there will also be many which are not; they can all however be classified as NGOs. An NGO is a legally constituted organisation that operates without any participation or representation of any government – or at least without any direct participation.² In the cases in which NGOs are funded totally or partially by governments, the NGO maintains its non-governmental status insofar as it excludes government representatives from membership in the organisation.

It is very easy to establish an NGO; almost no regulatory requirements exist and almost no control is exercised. In many countries the establishment of an NGO is completely free of regulation.³ All that is necessary is to decide a purpose for the NGO. This can be very broad and general such as the Worldwide Fund for Nature (WWF) or Medicine Sans Frontieres. Or it can be very narrow and specific such as Brinsley Animal Rescue,⁴ United Kingdom or the Temple Trust,⁵ Sri Lanka. All that is necessary is that the NGO has a purpose and does not seek to make a profit. Indeed it is easier to set up a new NGO than it is to close one down. One consequence of this is that the number of NGOs is increasing all the time, arguably at an exponential rate. We can describe this as an inflationary situation and therefore have

coined the term *NGO inflation*. In many respects this is laudable as the need is almost infinite for organisations serving charitable purposes or even serving PR or lobbying purposes. In other respects, however, there are, or can be, problems associated with this inflation. It is these problems that are the focus of this chapter.

It is important to start by considering the nature of the sector. The NFP sector is one that is growing in importance all over the world. Moreover, it is much bigger than people generally realise. In Europe for example it is estimated that the sector comprises around 40% of GDP. 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 organization” (CSO) has been used by a growing number of organisations such as the Center 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.

HIDDEN AGENDAS

Although all NGOs have a declared purpose that is related to the public good, or at least the founder’s perception of the public good, it is nevertheless true that the vast majority of NGOs are formed by a single individual with the drive to do so. Only a relatively small number of NGOs are formed by a group of people. Consequently, we need to consider the motives the individuals have for forming NGOs, and these motives extend beyond the declared purpose of the NGO. In other words, the formation of an NGO is normally not undertaken for altruistic reasons, and there is often a hidden agenda. One way to explore this hidden agenda is through the use of psychoanalytic theory.

In his psychoanalytic theory, Freud (1984) argues that the real motivation for any act undertaken by a person may be disguised and not apparent even to the person who performs that act. Thus for Freud the underlying basis for identity, and therefore for an explanation of individual behaviour, was based in the unconscious. He argued that an individual’s identity was based on past experience that was largely unconscious and that behaviour was largely

dependant on an attempt to resolve the conflicts and motivations inherent in the unconscious (Freud, 1975). Being a part of a group is like a form of family and a person's earliest experiences of a group are in family life. Consequently being part of a group provides a similar setting for the manifestation of anxiety and makes the boundary between self and other become less clear. This in turn arouses anxiety concerning how to manage compromise, maintain one's integrity and how to remain independent and not feel persecuted. For Hinchelwood (1989) the cementing of an individual to a group is described as projective identification. He describes the group as an affective network in which difficult feeling states are passed from one person to another and shows through his example of a small therapy group how the idea of scapegoating can occur. As he states (1989, p. 81), 'the person in addition to his conscious role is also unconsciously elected to a position that distorts his own identity'. Jaques (1955) argues that the primary force for people in their defence against anxiety is the cohesion of belonging to a group but that at the same time organisations are used by people as a defence mechanism against their own anxieties. Menzies Lyth (2000) develops this emphasis on the unconscious anxiety that organisational procedures generate, using a case study of student nurses to show how feeling states, experiences and emotions are moved around by members of a social organisation so that an individual loses part of him/herself in that organisation, which thereby becomes a projective system.

These insights show that it is possible for roles within an organisation to become imbued with psychical content and that this can have the effect of modifying or even disabling the performance of the primary task of the group, as depicted by Crowther (2002a). Thus, it can be argued that the creation of an NGO, headed by the creator, is one way to deal with this anxiety, and the leadership of the NGO becomes imbued with this psychic content as the NGO becomes part of the identity of the person creating the NGO. Roberts (1994) has investigated the question of authority and delegated responsibility within an organisation. Her work is situated within a critique of new managerialism (see Witz & Savage, 1994; Crowther & Greene, 2004), which is argued to represent a wholesale change programme for an organisation, and she claims that the ethos of equality within an organisation can only be adhered to in this situation at a great personal cost. In an ideal organisation, according to Roberts (1994), there is a belief in the idea of a downward deferral of responsibility and in the idea of equality of individuals that are operating at an unconscious level. She argues that these are deleterious to the ability of the organisation to perform its functions efficiently. She uses examples to show how those in organisations based in the

helping professions are particularly likely to use the work environment to project their own needs and to be filled up with powerful projections from their clients, leading to an inability to set limits to the task at hand. In extreme cases this can result in paranoid behaviour through the dominance of feelings of guilt (Klein, 1932) or in psychosis (Lawrence, 1995).

This can however be contrasted with the arguments of others. Thus for example Marcuse (1956) argues that rather than the foundations of civilisation being built on the subjugation of human instincts in the assuagement of guilt it is instead built on the way in which power is distributed and the consequent suppression of labour. Similarly Habermas (1971) argues that Freudian psychoanalysis is based on the voluntary self-deception of individuals as part of their anxiety reducing mechanisms; moreover, he argues that corporate organisations are also involved in this deception. Although this has consequences for an individual, it also naturally has implications for the organisation as well, and Sievers (1994) has described this as leading to organisational psychotic behaviour. As far as individual managers are concerned, the implication of these arguments is that managers are motivated by unconscious conflicts and desires that they seek to reconcile through acting out these conflicts as part of their desire for individuation. One way in which they can act out these desires, which differs from other people is through their role within the organisation. This is because they have, through their positions within organisations, power to affect the behaviour of others that is not available to the average person. This power is what makes possible the psychotic behaviour described by Sievers (1994). Furthermore these arguments imply that all individuals are anxious and insecure and seek to reduce anxiety and increase security through their actions. Thus the drive to reduce anxiety is manifest in the desire to seek confirmation of worth from others to increase self-esteem. Managers of large organisations are in a particularly powerful position to achieve this end through their actions as they are in a position to influence a large number of people. Employees of the organisation can be directly influenced by such managers, but greater self-esteem can be gained from the respect of peers rather than subordinates. This is an extension of the conspicuous consumption thesis (Veblen, 1899) whereby the consumption of the respect of others gives one status in proportion to the importance of others because of the ascribed cultural capital (Bourdieu, 1984) thereby acquired.

One part of that anxiety reduction is concerned with being in control and able to affect events by making decisions – or at least of creating the impression that this is so. For managers this is an integral part of their position in the organisation. Normally with the sort of bad news with which

we are concerned in the chapter; however, the events concerned have already occurred and events cannot be changed whatever decisions are made. So all that can be affected is the way in which the announcement of the bad news is made. It is fortuitous therefore than in choosing to release bad news slowly those managers can also create an aura of being in control and of working hard to mitigate the effects of that bad news, although it might be considered that this aura is only created for themselves – but self-delusion is an integral part of anxiety reduction.

Lacan argues that the formation of the ego is concerned with a fascination with one's own image. For him the external world merely represents a mirror on which the self is displayed and the concern of the individual is to create a reflection in this mirror. This reflection must of course support that person's desire to see the most flattering reflection, but in such a way that it appears as reality. This is brought about by every person's inherent insecurity and seeking for the ideal self (Lacan, 1977, 1988, 1991), and thus every action that a person undertakes is derived from this motivation. It is accepted however that this motivation may not be overt and may not even be recognised by the individual him/herself. Like Freud therefore, Lacan accepts that an individual's motivation may not be transparent even to him/herself but nevertheless that motivation becomes inseparable from the actions undertaken, and those actions have a motivation which is based upon the seeking of personal individuation.

This motivation applies to every individual but some, almost inevitably, have more scope for playing out their individuation drive upon the mirror of the world. One way to increase that scope is of course to found an NGO and thereby increase one's reflection in the mirror – not just as someone managing an organisation but also an organisation that has a public and thereby altruistic purpose. It is apparent therefore that the overt reason for establishing the NGO may not be the only reason, or even the most significant reason. There is normally a hidden agenda – which may be political as well as, or alternatively to psychological – for its formation. This in itself can explain the exponential growth in the number of NGOs, and so we need at this point to consider the possible consequences.

COMPETING FOR RESOURCES

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 NFP. It also means that the stakeholders are different – something that we will return to as it is important for our consideration of CSR in such organisations.

One important issue for every NGO is the acquisition of resources to enable it to carry out its purpose. For some international NGOs – such as those that deal with natural disasters – this can be a very large requirement. For others it can be a relatively small amount required to keep the organisation functioning. For each one however the amount required is significant in the context of the scale of the organisation. Moreover there needs to be a constant scanning of the environment to continually secure the necessary resources. In other words the acquisition of sufficient resources for this year merely changes the focus to the acquisition of sufficient resources for next year. It is an endless process. With the exception of the very large international NGOs that acquire their resources from governmental funds, there are two sources of funding for an NGO. The first of these is from businesses and the second is from individuals.

As far as organisation is concerned then there are a number of benefits from being associated with NGOs because of the image of the business which is thereby created. A positive image that people share about an organisation can yield positive influence on the quality of the relationships between that organization and its stakeholders. [Chajet \(1989\)](#) postulates that a company with a good image can more easily attract audiences (including investors, partners, employees and customers) that influence the success of the organisation. Similarly [Mackiewicz \(1993\)](#) outlines research studies that indicate that 9 of 10 consumers use the reputation of an organisation to decide which product or service they will buy from among those that are available at a similar price and quality. [Poiesz \(1988\)](#) stipulates that without the existence of images, it will not be easy for consumers to decide which products to buy, whereas [Bernstein \(1986\)](#) claims that image affects attitudes, which in turn affect behaviour. The Reputation Institute indicated that the those corporations with the best reputations in the United States – the world's major market – also perform significantly better than others in terms of market share and share value ([Wall Street Journal, 1999](#)). Companies need to protect their reputations to ensure

growth and even the long-term survival of the company. Building and maintaining a strong positive reputation depends on establishing strong relationships with the corporate stakeholders.

There are many benefits of a strong corporate reputation, including the improvement of shareholder value as a strong corporate reputation inspires confidence in investors, which in turn leads to a higher stock price for a company;⁶ increased customer loyalty to the products of the company as a positive customer perception of a company extends to its products; employee morale and commitment are higher at corporations with a good corporate reputation. At a time of a crisis a good corporate reputation can shield the company from criticism and even blame and can help it communicate its own point of view more easily to audiences that are willing to listen to its point of view,⁷ whereas a company with a solid reputation is more influential on legislative and regulatory governmental decision making. Additionally of course a strong corporate reputation is an influential factor for forming partnerships and strategic alliances as the partner company has the potential to improve its own reputation by association. An organisation's reputation is shaped by the 'signals' the organisation gives about its nature – for example, the behaviour of its members or the type of organisational activities performed. In fact, various businesses focus their efforts on gaining a competitive advantage and a strong positive reputation by demonstrating a commitment to their responsibilities towards the society.

Thus the way organizations behave, are talked about, reported and perceived by their publics, influences greatly the management of their reputation. By aligning charitable giving⁸ with the corporations self-interest in which corporations select suitable recipients of funding not so much according to need, but according to their potential of adding brand value, is one means for improving corporate reputation. In today's global society, organisations are not judged solely on their achievements but on their behaviour too. This is in fact an opportunity for corporations if they see CSR as an essential business strategy, as brand value and reputation are widely accepted as a company's most valuable assets, and CSR can instil trust and brand loyalty. In principle CSR can be used to strengthen corporate reputation and profitability by signalling to the various stakeholders with whom the organization interacts that it is committed to meet its moral obligations and expectations beyond common regulatory requirements. The argument here is not for a cynical exploitation of a concern in society for socially responsible behaviour; rather it is for a recognition that CSR needs to be part of the strategic planning of the organization – central to its

development rather than an optional add-on. Research has shown that corporations and the civil society have become more tightly interrelated. Business involvement in civil society focuses on charitable giving, corporate philanthropy and community participation. More recently the focus has shifted towards 'strategic philanthropy' (Smith, 1994) and 'cause-related' marketing (Varadarajan & Menon, 1988).

It can be seen therefore that there is benefit to a business from an association with an NGO. The important point however is that in an environment where there is an increasing number of NGOs then there is equally an increasing number seeking an association with, and funding from, a finite number of businesses. In other words there is competition for resources and that competition is becoming fiercer as the number of NGOs increases. This is equally true in acquiring resources from individuals – as the number of NGOs increase so too does the competitions, not just for financial resources but also for the time of individuals. One consequence of this increased competition is that NGOs must spend more time and effort in securing resources for their activities. Resulting from this is that the cost of acquiring each unit or resource increases and the NGOs therefore become less efficient merely because of the increased competition. At the same time overheads as a proportion of total expenditure are increasing thereby making harder to acquire further resources and increasing overhead costs and inefficiency still further in a vicious circle of rising overhead costs of operating an NGO. It also means that the large international NGOs benefit disproportionately as the difficulties of competition are not so severe for them because of their international profile. The competition and its consequences are more severe for smaller national and especially local NGOs. In this business, like many others, it pays to be big and not just because of economies of scale. Moreover as the competition between NGOs continues to increase this size advantage also continues to increase disproportionately.

TYPES OF NGO

We can classify NGOs into various types, each with a different purpose. Public bodies are related to government in some way and include such things as a local authority and a health authority. These all have the function of providing services to members of society and receive their funding and powers directly from the national government. Quasi public body are also often known as Quangos (quasi autonomous

non-governmental organisations) and serve a public or civic purpose without having any direct relationship with the government. Many civic societies are like this, and other examples include such things as housing associations. These too often get some funding directly from the government.

Educational institution on the contrary, as the name suggests these serve an educational function and include such organisations as schools, further education colleges and universities. These may be publicly owned organisations or privately owned, and the norm differs between countries.

Many NGOs take the form of a charity, which is an organisation that exists to fulfil a particular function which involves providing a service. As charities are a significant number of the organisations in the NFP sector, we need to consider their structure in some detail. The first point to make is concerning the legal environment in which they operate. This can be described *intra vires* rather than *ultra vires*. The difference is that an *ultra vires* organisation⁹ has the power to do anything that it is not specifically prevented to do according to either the law or its founding legal articles of association. All commercial organisations are founded like this and can therefore extend and change their operations according to market needs and circumstances. Conversely an *intra vires* organisation can only undertake those activities that it is specifically empowered to undertake. It is therefore much more difficult for such an organisation to extend or change its activities. All charities are established as *intra vires* organisations. This can be defined as its charitable purpose.

A charity has many tax and regulation advantages, but in return there are certain restrictions on what it can do. Thus a charity is not able to act as a pressure group – at least not overtly. Politics are excluded from its sphere of operation. It can engage in fund raising of course, but it is prevented from trading as a means of raising funds. This might seem surprising given how many charities are visibly engaged in trading. This is done either through a third party or by means of a trading subsidiary which then gifts the proceeds to the charity. Thus these restrictions are legal restrictions to ensure that the benefits of being a charity can only accrue to an organisation with a genuine charitable purpose, but these restrictions are interpreted fairly liberally for organisations that are recognised to be charities. The ultimate sanction of course is the removal of charitable status from such an organisation.

The final point to make about charities is that they make extensive use of volunteers as well as of paid employees. This keeps their operating costs

down of course but also adds another stakeholder group with an interest in and concern for how the charity operates, manages its performance and services its beneficiaries. Moreover the relationship between volunteers and paid employees is sometimes a source of conflict. Here too there is more competition as the number of NGOs increases. All rely on voluntary assistance and too many NGOs mitigate against the ability to find sufficient assistance of this nature. As the alternative is paid assistance, the consequences of competition can again be seen to be increasing inefficiency of operation.

MOTIVATION FOR STARTING AN NGO

The motivation for the existence of NGOs is important to consider as it tends to be different to profit-seeking organisations, and this has implications for CSR. First, it should be recognised that an NGO is motivated by some kind of societal concern – as perceived by the founder. Normally this involves the provision of a service to some part of that society, but it can act as some kind of pressure group for change. When a service is provided, then it is important to note that this service provision is normally unrelated to payment for that service – it is free to the beneficiary and the costs is met by raising funding. One motivation for an NGO therefore is the acquisition of resources to undertake the provision of those services. Thus there is a concern with the optimising of the utilisation and allocation of what is inevitable scarce and restricted resources. Similarly there is a concern with transaction cost minimisation. These issues are similar to those of profit-seeking organisations, but the way in which they are decided and the way in which effectiveness is measured tends to be quite different.

Because there is no profit motive, this way of providing motivation to managers and rewarding them for their performance does not exist and alternatives must be sought. Another factor that must be borne in mind is the matter of who decides what is good performance. For a profit-seeking organisation, the customer will ultimately decide by choosing to buy or not buy. In an NGO, there is no customer, and the service beneficiaries do not pay (or at least not full cost) for the service received. Thus the determining of measures of performance is important for these organisations. So too is the setting of standards and the reporting of performance. This is normally done through the development of performance indicators. Often various measures are used including budgetary control and cash flow, performance

indicators of a wide variety of types, non-financial measures and inevitably a range of non-numeric qualitative factors. For the evaluation of performance, there is less relevance of accounting measures and a correspondingly greater importance of non-financial measures. This inevitable involves problems of quantification and a necessity for deciding between alternatives. One technique that is particular to this environment is that of cost-benefit analysis.

In an environment in which the number of NGOs is increasing, the ability to comparatively measure and evaluate performance becomes crucial as this is one differentiating factor that can be used to assist in the competition for both funding and for voluntary assistance. The different nature of this kind of organisation however makes this more problematic than for a conventional profit-seeking organisation and more subjective in nature.

IMPLICATIONS FOR MANAGERS

It will be apparent that there are a number of issues facing the founders, the management board and the managers of these organisations. The first is concerned with the acquisition and utilisation of resources. There is considerable uncertainty regarding the acquisition of resources, and this makes planning particularly difficult. The planning horizon therefore tends to be short even though the projects that some NGOs are involved in are inevitably long term in duration. This makes for uncertainty that mitigates against the effective operation of such organisations. This is exacerbated by the increasing competitive environment that is brought about by the prevalence of NGO inflation.

Other issues that concern managers include the setting of objectives and the measuring of performance. Finance, budgeting and control of course are particularly important in this environment. Another factor is concerned with the influence of stakeholders. Without customers and without shareholders and investors, there are a range of other stakeholders who are important and have a great deal of influence. These will include such stakeholders as donors, recipients and society at large.

As far as the external environment is concerned, there are a number of issues that are important and distinctive. The first is the question of market identification; this is essential for planning but is not necessarily obvious. Then, as we have implied already there is the fact that service delivery is not evaluated by its beneficiaries who do not pay for its receipt. There are a lot

of different stakeholders who all have a view about performance and some influence on its evaluation – a complex situation.

NGOs are – in theory at least – not in competition with each other. Increasingly this is untrue. We have already discussed the increasing competition in the acquisition of resources, but it is also becoming true as far as the provision of services and the helping of beneficiaries is concerned. For the provision of services, there are often several organisations involved in providing the same services, and it might be thought that collaboration – rather than competition – might be an effective way of providing such services. Certainly high-profile disasters always involve several large charities that often collaborate and pool resources. At a more local level, collaboration is less common than competition, and we argue that the psychological aspects of their formation provides a significant reason for this competitive environment – no founder or manager wants their NGO to fail. It can also be argued that although there are several reasons that lead to the formation of an NGO, once it is founded then the primary motivation changes. Instead of providing the service for which it is nominally founded, the primary motivation of an NGO becomes that of perpetuating its own existence and managers become embroiled in activity to achieve this end.

One of the factors in this sector, already mentioned, however is that the largest NGOs are most able to acquire additional resources. Thus there is competition for market share because this leads to easier resource acquisition. In theory also NGOs exist to fulfil a particular purpose. Once that purpose has been satisfied there is no purpose to their continued existence. For both of these factors however the egos of the people managing the NFPs becomes a factor as each strives to extend its life, extend its purpose and extend its size and market share.

ACCESS TO AVAILABLE RESOURCES

For the small number of large international NGOs, the main source of funding comes from the government. This is certainly true for public bodies and for quasi public bodies. In most countries, it is also true for educational institutions. For the largest charities, it is also true as governments tend to use these charities to distribute their aid programmes.

Other sources of funding include borrowing, but this is only really an option for capital projects when some security can be provided. So for many NGOs the other main source of funding is from fund raising. This can take the form of seeking donations or legacies or trusts. For the larger

organisations, raising funds through trading is also a viable possibility and in the United Kingdom, for example, the shopping centres have a considerable number of charities represented. Fund raising has also become competitive as the number of NGOs continues to increase.

ACCOUNTING ISSUES

We have dealt with a number of accounting issues already in our consideration of planning and budgeting, of the measurement and reporting of performance and of the evaluation of results. Another important point to make though is concerning the time horizon adopted by these organisations. Many projects are long term in nature but sources of funds are often short term in nature. So there is a long-term horizon for expenditure but a short-term horizon for income, this is problematic and a source of difficulty in planning for many of these organisations.

Many of these NGOs engage in fund raising, as we have seen. This itself causes complications for the accounting of such organisations and can affect its operational procedures. Money can be given to one of these organisations either for its general activities or for a specific purpose. For example the larger charities frequently have appeals for a specific disaster relief operation. When money is given for a specific purpose, it can only be used for that purpose. Thus these organisations tend to have a number of funds for specific purposes. This can be problematic when the need for such money has been completed and there is a surplus – it is difficult to use this for another purpose. A further difficulty is caused by the fact that some funding is needed for general administration. People are willing to give for a specific cause but not for general administration. Thus the accounting for these organisations is geared towards making as much expenditure as possible direct expenditure rather than indirect. These are all factors that make for administrative inefficiency in an NGO and raise their overhead costs. Competition from the increasing number of such organisations serves to make this problem worse.

CSR ISSUES IN NGO'S

All 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. Our consideration

of issues throughout this book should have enabled you to understand that this is not necessarily the case. CSR is about how an organisation conducts its operations and deals with its stakeholders. For NFPs 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 a number of different criteria.

First, and perhaps most importantly, there is the question of stakeholders. Instead of customers, there are beneficiaries or service users. There are also volunteers and funding providers as well as the normal range of stakeholders. There are different stakeholders for an NGO, 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 an NGO. Moreover the sources of conflict might be different, and the actions taken in resolution of this might also be different. Inevitably also the decision-making process is likely to be different.

In terms of doing more with fewer resources (see [Aras & Crowther, 2009](#)), this is always an objective for this kind of organisation. In terms of affecting the choices available to future generations, an NGO actually seeks to do this and to redistribute resources more equitably. In terms of seeking a continual existence, really an NGO 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. NGO inflation makes such sustainability a more difficult problem for these organisations.

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, 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.

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 NGO 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!

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 NGO 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 NFP organisations.

The environment in which NGOs operate is somewhat different to profit-seeking organisations, which leads to different problems but there are still CSR implications that are mostly concerned with sustainability and with accountability. Particular features of this environment are the uncertain resource availability and its effect on long-term planning; the different extent of stakeholder power and involvement; conflicting priorities; a different legal environment and the problems of managing ambiguity. This makes the NGO environment quite different.

CONCLUSIONS

Although the environment in which an NGO operates is different to a normal profit-seeking organisation, and in many ways more difficult and restrictive, this has not prevented the establishment of an increasing number of NGOs. Indeed the extent is so great that we have talked about NGO inflation. This has made the environment in which NGOs operate more difficult and more competitive and has had deleterious effects on such organisations. Nevertheless these problems too have not prevented this NGO inflation. Thus we have considered the motivation for the establishment of NGOs and have addressed this in the context of ego through the use of psychoanalysis.

As a route to anxiety reduction and to ego enhancement, the formation of an NGO is still an attractive proposition. In part this is because of the kudos that attaches to the foundation and management of such an organisation, based on the (false) assumption of altruistic motivation. In part however the lax regulatory regime is at fault. It is very easy to establish an NGO – indeed in many parts of the world there are no regulations concerning this. We have seen the problems arising from the increasing numbers of NGOs – problems that are only going to become worse as more are established. We finish therefore by raising the suggestion that a more strict regulatory regime, possibly of a global nature, would stem the tide before it becomes too problematic. It seems that this must be one aspect of globalisation in which action is necessary.

NOTES

1. Wikipedia suggests that there are around 40,000 such international NGOs although different classifications lead to different numbers. Nevertheless the number of such large international NGOs is a very small proportion of the total number of NGOs.

2. Many governments, as a part of their retreat from the provision of public services have utilised NGOs as a means of providing these services and have channelled funding to them accordingly. Thus there may be no direct participation, but there certainly is indirect control as a major part of the funding of such NGOs comes directly from governments. Accountability is however indirect.

3. There are exceptions. For example, In Turkey there are some general regulations about NGOs. If you want to establish a new association, then you have to complete all the necessary paperwork and get permission from the Association board of Turkey. And you have to give a report every year after a general board meeting about managerial and financial aspects. As a sanction it is necessary to pay very small amount kind of tax every year if you do not do this, but this is a fairly small penalty.

4. Brinsley in a small town in the centre of England, and Brinsley Animal Rescue has the purpose of rehoming unwanted pets in the area.

5. The Temple Trust operates from the United Kingdom but has the purpose of looking after orphans in a region of Sri Lanka.

6. The Opinion Research Corporation (ORC), which conducts 'Corperceptions', a periodic caravan survey of more than 4,000 business executives in several of the world's major markets concludes that the better the corporate reputation, the higher the stock price (Morley, 2002).

7. A good example is the Pepsi Cola tampering case according to which products on sale were found to contain hypodermic syringes. Pepsi dealt effectively with the crisis by defusing public alarm with a public relations campaign that highlighted the integrity of its manufacturing process and its corporate credibility (Morley, 2002).

8. Charitable giving is perceived to be an indication of social responsibility – see Crowther (2002b).

9. A limited company is an example of an ultra vires organisation that can undertake anything not specifically excluded by its Articles of Association. As a consequence such a company can change its basis of operation and its activities without problem. A charity cannot do this. Thus there are many charities that still exist although the purpose for their existence no longer exists.

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PART III
PRACTICAL PERSPECTIVES

INTRODUCTION

In the previous parts of this book, we have considered a variety of theoretical and practical issues concerning the operation of nongovernmental organisations (NGOs) in the context of corporate governance and corporate social responsibility as well as their relationship with commercial organisations and with civil society in general. In this final part of the book, we look at some more specific issues related to actual organisations, situations and scenarios. In doing so, it is intended to give an indication of possible areas for further research to academics and researchers.

Crowther (2002) states that organisational performance is normally presented as a dialectical performance along the two incompatible dimensions of financial performance and social/environmental performance, whereas in actual fact, this is in fact a false dialectic. Although the annual reporting of organisations presents it as such, empirical evidence demonstrates that organisations actually perform equally well along both dimensions. Thus that dialectic is a construction inherent in annual reports that are created and maintained through the semiotic of these reports, to such an extent that the perception of the dialectic as extant is generally accepted within the discourse of both corporate reporting and accounting theory. Thus, the dialectic appears in a form that is believed so absolutely that an alternative becomes inconceivable; it has therefore assumed the mantle of a myth (Cassirer, 1946; Miller, 1992). Indeed, the proponents of environmental accounting and reporting found their analysis on the existence of this dialectic. Equally, it can be argued that the possibly oppositional relationship between business and NGOs is often portrayed as an equally false dialectic. In the final part of this book, therefore, we examine this relationship, and therefore NGOs, at a more micro level to gain additional insights.

In the first chapter in this part, therefore Santos considers volunteering, which has frequently been adopted by companies as one of the instruments for implementing corporate social responsibility. On the basis of a thorough overview of the contemporary literature on this theme, this chapter presents the results of a research project undertaken in Portugal on corporate volunteering and its main formats and incidences. A summary of the results demonstrates that in Portugal, corporate volunteering remains insignificant

in scope and mostly aid/support based in nature. Only a small number of companies take part in voluntary programs, and these generally concentrate on social support programs. Despite the low level of such volunteering in Portugal, the results broadly show that from the strictly corporate perspective, such practices do make a relevant contribution towards boosting the business strategy in effect and on returns as well as in terms of boosting the professional and human competences of staff members. Despite the benefits identified, companies often run into difficulties, resistance and obstacles to implementation. The lack of time available to companies and the lack of a voluntarism culture without doubt ensure such factors are more difficult to face down and overcome. The lack of pre-structured voluntary programs and the lack of organisation at host institutes are other issues challenging companies. Despite such problems, such practices are tending to increase especially within a context of a greater and more active corporate social responsibility. The leading research outputs of this chapter feature theoretical insight into corporate volunteering, its features, characteristics and gains. In empirical terms, the research details a cross-section of corporate volunteering in Portugal. This involves an innovative study on this theme within the Portuguese context that provides a characterisation of voluntary actions undertaken across the private sector, how they are structured, the benefits and advantages identified by the companies themselves as well as the difficulties encountered along the way.

In the next chapter, Vargas-Hernández recounts his study of a city in Mexico affected by mining, and his concern for NGOs is with local-level movements. For him, grassroots movements in relationships of cooperation and conflict between firms, communities and government have an important role to stop a living city from disappearing. This chapter describes and analyses the implications of the collective action used by grassroots movements in the defence of an old mining town, Cerro de San Pedro, of being disappeared due to the pollution of fresh watersheds by the operations of a mining company and the effects on the living city in San Luis Potosí, in the centre of Mexico. He highlights a common complaint regarding the lack of sensitivity of foreign mining companies towards the consequences and effects of their activities on the local communities and damage to the surrounding environment. This case also shows the lack of negotiation between firms, communities, new social movements and governments. It illustrates that more informed citizens tend to be more active protestors, such as the case of the students in San Luis. Contact between informed individuals of diverse groups and organisations help to exchange experiences and create public opinion in favour of mobilisations.

In the final chapter, Odinsky-Zec uses zoos as her vehicle for investigating the operation of NGOs. Her chapter aims to explore the role of sustainability issues in shaping the modern zoo and its communication to various stakeholder groups including but not limited to customers (visitors and members), employees and corporations (sponsors). The study looks at current corporate social responsibility literature and frames the publicly available information from a purposive sampling of 71 accredited zoos and the choice and frequency of expressions online illustrating the results quantitatively. A single case of Zagreb Zoo was also profiled to highlight qualitative issues that maybe overlooked using numbers alone. CSR as a term is not widely used in this industry. However, there lies a vast amount of research yet to be explored. The multinational nature of the zoological parks lends themselves to more expansive studies from various geographical and theoretical vantage points. Zoos are evidently supportive of education cooperation in the areas of science and art, yet also offer many interesting insights into sustainable business practices as many have survived decades (and in some instances, a century or more) of cultural and technological shifts. The study shows that CSR as applied in the form of sustainability to zoos is occurring as they are now more likely to emphasise their role as change agents in conservation and education rather than their entertainment value.

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CHAPTER 7

CORPORATE VOLUNTEERING IN PORTUGAL

Maria João Santos

INTRODUCTION

There is a growing awareness that philanthropy and making donations reflect forms of action that remain distant from communities and may be assumed to generate lesser impact. To this end, some companies have made visible efforts to respond to a need to reinvent their forms of interaction with society so as to ensure direct involvement, stronger both in the bonds created and the level of intervention engaged in. It is within the scope of this challenge that corporate volunteering (CV) is located.

CV is, on the majority of occasions, one of the instruments deployed by companies within the scope of their corporate social responsibility practices. In essence, it serves as one of the firmest bonds between companies and society and expresses the will to directly and actively participate in the resolution and/or minimisation of existing problems. CV, given its intrinsic characteristics, responds fairly effectively to this need and has emerged as one of the more commonly adopted forms of action enabling a tighter, better integrated and more participative interaction. This correspondingly brings about ‘proximity intervention’ within the respective community.

This new and emerging paradigm for volunteering hence extends beyond merely philanthropic interventions. With the objective of implementing participative citizenship, CV is, above all, based on a belief that a

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participative methodology should permeate all community intervention processes. In this way, CV activities are increasingly viewed as transformative, educative and non-charitable in nature, breaking with the paradigm of simply remediating poverty in favour of alternatives fostering the creative management of actions seeking out global solutions to problems and integrated community development.

To analyse these issues and with the objective of diagnosing the extent of the practices and principles underlying CV practices in Portugal, this research project was undertaken. Incorporating a study based on a stratified sample of companies, the project focused on understanding the state of the art in CV, the prevailing typologies, the target publics, the benefits attained in addition to the principles underlying this form of corporate citizenship.

ORIGINS AND DEVELOPMENT OF THE CORPORATE VOLUNTEERING CONCEPT

Volunteering may take place either individually or collectively. The most recent form of volunteer group organisation is visible within the private sector context, where it combines the world of business with the desire for social participation, commitment and responsible citizenship (Goldberg, 2001; Peloza & Hassey, 2006). In such cases, we encounter CV (Rego et al., 2007), the Points of Light Foundation organisation currently conceives of this movement as follows: a CV program is the formal and organised support of a company for employees and retirees who wish to voluntarily serve a community with their time and skills. For the Ethos Institute, CV is a set of actions carried out by companies to encourage and support the involvement of their employees in community-based activities. The expression is also deployed to designate the practice of volunteering in itself, whether in relation to a group of volunteers connected directly to a company (actual employees, outsourced providers) or indirectly (employee family members, former employees and retirees) (Goldberg, 2001, p. 22).

From this perspective, the expression – CV or corporate volunteering – refers to those practices and actions that a company may adopt to encourage, support and apply to social work undertaken voluntarily by their employees (Lukka, 2000; Holme & Watts, 2000; Melo & Froes, 1999, Gilder, Schuyt, & Breedijk, 2005).

CV converts company intentions to actively cooperate in social causes within a framework of active participation and responsible co-citizenship in the service of common interests within the social context (Muthuri, Mattenw, & Moon, 2009). This close cooperation is achieved through loaning out employees and their respective social capital. In this case, the involvement of companies may be attained basically through either sharing the existing knowledge and expertise with community groups and supporting them in their management and development or through directly boosting the competences present by releasing employees to participate as volunteers in the community (Muthuri et al., 2009; Gonyea & Googins, 2007).

According to Galiano and Medeiros Filho, 'CV refers to support programs for voluntary actions within companies. This involves organising the provision of voluntary work by employees and management, sometimes extended to family members, former and now retired employees, suppliers, distributors, service providers, clients, business partners.... This mobilises people in a spontaneous fashion, non-compulsory and stimulating involvement in causes of collective relevance' (Instituto Ethos, 2003, p. 31).

A more structured form of CV first emerged in the United States in the 1970s and early 1980s driven by a growing internal and external social business conscience and encouraging employees to voluntarily engage in such practices as a means of strategic management. However, other sources point to the origins of CV stretching back to the actual volunteer movements set up and institutionalised in the wake of World War Two. In the United Kingdom, diverse forms of CV may be identified as in effect in the early 1970s, in keeping with the significant accumulated heritage of volunteer practices in the business community of that country.

Irrespective of its initial forms, the reality is that such practices only spread and took root in the 1990s, especially in Anglo Saxon countries and the United States, with the founding of independent associations setting up employee volunteer programs and the establishment of company volunteer councils. The promotion, carried out by these companies of their volunteer programs, through means with great international visibility such as the *Fortune 500* magazine, for example, represents an important means by which the awareness about such types of action have spread worldwide.

In Portugal, CV began to take on a more organised structure towards the end of the 1990s, with an important step forward taken with Law No. 71/1998 that regulates volunteer services. CV is considered a means of adjusting the company to the community by opening up the framework for an ethical relationship with the various publics making up the business

environment while incorporating values of citizenship and corporate social responsibility thereby contributing towards the development of society.

Although CV still remains at an embryonic phase in Portugal, at least in terms of its amplitude and structuring, it is already possible to identify some programs, particular in terms of larger scale companies that have enacted corporate social responsibility policies. Its implementation through the establishment of partnerships represents one of the most relevant aspects to be highlighted.

Researchers and specialists in this field (cf. Garcia, 2004; Fischer & Falconer, 1999; Almeida, 2004; Goldberg, 2001; Peloza & Hassey, 2006; Muthuri et al., 2009; Basil et al., 2009) make it clear that companies do attach importance to having employees prepared to volunteer. This is deemed a key factor in social dialogue with the surrounding communities. Furthermore, within the professional field, such is perceived as a means to develop capacities that are also important within the company as a means of facilitating interpersonal and leadership relationships. In more recent times, CV has become an instrument used to attract human resources and strengthen the corporate image and public relations (Peloza, Hudson, & Hassay, 2009; Peloza & Hassey, 2006, Allen, 2003). According to the American specialist Kenn Allen, the participation of employees in social actions is the route to corporate and personal success and enables a rethinking of the company role in society.

TYPOLGY OF CORPORATE VOLUNTEERING FORMATS

CV has taken place across multiple formats throughout the course of its development.¹ As the practice engages with a context of wide reaching participation (with the intervention of diverse stakeholders) and focuses on highly complex and specific realities, there have been correspondingly differentiated approaches. Furthermore, new combinations of volunteering and other corporate social responsibility practices are also frequently emerging. Within such a context, there are very diverse modes to how companies have encountered responses to the challenges of implementing and incorporating voluntary activities into their daily management (Muthuri et al., 2009; Gilder et al., 2005). Beyond the conventional incidence of volunteering, new management models, innovative projects and new forms

of partnership are being created and improved and always within the sense of ensuring the greater effectiveness of the impacts generated.

Volunteer days, complementary financial support to the institutions where such volunteering is taking place, volunteer partnership projects, the setting up of volunteer days, educational mentoring within the scope of basic training or entrepreneurialism, specialised technical support and the participation in the management of third sector organisations begin any list of the many forms that CV may take in the field (Capilla, López, Faucon, Morales, & Massó, 2006).

Although in no way seeking to list each and every possible CV format and methodology, we deemed it of importance to set out some of the approaches and combinations that have been most commonly adopted by companies (Capilla et al., 2006). Although they shall certainly continue to evolve and take on new features, some of these voluntary practices essentially repeat their core facets while fairly creatively changing the objectives and means of intervening in the community. Indeed, the dynamism and spontaneity intrinsically associated with volunteering drives its reinvention with the constant appearance of new proposals and combinations.

Time Banks

This approach involves employees dedicating part of their working schedule to voluntary activities in accordance with prior company agreement. This time is remunerated as if normal working hours. Hence, this means the opportunity cost is maximised given that the employee may choose the best timing (the freest periods) to carry out these voluntary activities. Although Portuguese companies mostly allocate one day per year, there are multiple other situations such as providing one hour per week, per afternoon, per month or various days per year. Companies frequently interweave this approach with other volunteer practices.

Support for Private Initiatives or Individual Matching

In this case, the company identifies volunteer practices that its employees may already be engaged in individually and incorporates them into a company project. This represents one simple and common means of launching voluntary programs given companies find it easy to integrate individual actions into a corporate social responsibility plan. In this case,

the company capitalises on the voluntary interests and actions that already exist at the individual level and endows them with more formal involvement in accordance with the parameters the company is seeking to establish.

Group Projects

This represents those organisations developing specific volunteer projects in the community and involving the participation of staff from across different departments and hierarchical levels. They are generally carefully programmed with detailed evaluation of the human and financial resources necessary and designed to achieve specific objectives and results in the community.

Such programs frequently make recourse to choose the ‘organisation of the year’ which results in a previously selected organisation benefitting from a privileged role with the company. The beneficiary tends to be selected by either the employees or the company normally based on already defined criteria and objectives. For example, the partnership chosen may be related with the company’s business sector as is the case with a pharmaceutical company that opted to help a patient’s association caring for sufferers of a disease treated by the company’s products (Capilla et al., 2006). This type of framework for volunteer actions helps strengthen long-term synergies and produces more technical forms of participation in accordance with the needs encountered.

In addition to being a focused approach, this means represents an instrument utilised for integrating and socialising the different members of the organisation overcoming institutional obstacles to relations and communication. Employees feel they are beyond the regular competitive pressures opening up the space for social relationships between colleagues from different areas or hierarchical levels and generating the opportunity for new forms of interaction and mutual knowledge to be built up, factors that generally result in positive repercussions for the social climate (Peloza & Hassey, 2006; Peterson, 2004; Muthuri et al., 2009). In large multinational companies, this may extend to setting up international working groups with the objective of fostering the diversity and exchange of experiences within the company. Group projects represent a good mechanism for attaining employee commitment as, without the presence of peers or friends, they would otherwise not engage in voluntary practices.

Social Service Leave

In this category, the company loans members of staff to an organisation engaged in community projects so that their professional experience contributes towards implementing the initiatives in question. Compared with the time bank, social service leave represents a more personalised configuration that operates over a determined period of time, generally significant in duration, and which may amount to months or even one or more years. This type of loan may see the employee join up with the staff at the recipient organisation even while the company continues to pay salaries and retains their contractual terms of employment.

Frequently, the creation of this type of volunteering results from employee initiative, proposing to the company that support be rendered to a cause or an association with which he/she wishes to get involved with. Supporting and facilitating this type of voluntary program assumes the implementation of a commitment to which the company attributes value and is prepared to engage in as a commitment towards citizenship. In terms of its advantages, this does enable a long-term approach and close involvement with a cause. It fosters both high levels of motivation and the development of skills. On the contrary, it requires interactive mechanisms so as to ensure that the employee does not lose touch with the ongoing reality of the company, and in certain extreme cases, there may be a definitive break between the employee and the company.

Professional Consultancy

The professional volunteer model is based on loaning out members of staff for specific support rendered to pre-selected organisation(s). This may incorporate diverse activities ranging from legal, accountancy, technological, financial, training and human resource management services or other organisational activities, for example. In this case, the company provides its usual services to partner associations without levying any charges or at discount prices thus enabling professional support to be provided on different terms to those which the recipient entities would otherwise be able to access. This model, which is most commonly found in consultancy and law firms or in the technological sector, may also be used to resolve logistical and communication problems, provide education or specific training.

This mode commonly incorporates the time bank context even if its range differs given that this involves more technical and professional services

extending beyond mere social support and leveraging intellectual capital and company technical assets. It provides the advantage of enabling contact with other realities and may result in new motivations and greater flexibility in regular tasks. This approach also opens up the chance to seek out new business opportunities and may also open new challenges and require seeking out solutions to problems never before contemplated. However, as it involves highly qualified human resources, companies do encounter difficulties in giving up their time at non-market prices.

Financial, Material and Other Contributions and Donations

The company may strengthen its cooperation with the entities with which its employees voluntarily work, making financial donations, providing equipment, installations and facilities as well as time. Although the donation of blood, clothes or equipment is a voluntary act, these should be considered donations and not as voluntary activities. However, given their importance and common association with CV, it was deemed necessary to refer to them in this context. These initiatives boost the bond between the companies, their employees and the actual associations they are cooperating with. On the contrary, a donation-focused policy often results in greater distancing from the final users and beneficiaries.²

The practice of 'matched giving' is also fairly common and is generally highly visible and popular among members of staff. In this case, the company makes a financial donation of an amount equal to that raised by its employee. This may take the form of special donations that each employee voluntarily makes, for example, the equivalent of a day's salary. It is also very common that such situations take place following a natural or social catastrophe (e.g., earthquakes, forest fires, terminal disease)

Outdoor Solidarity

This incorporates outdoor community intervention initiatives and may be of various different types. These range from the cleaning up of forests or beaches, painting walls, visits to hospitals and elderly centres through to training programs in schools, for example. Despite the frequent connotation with physical activities and rendering help directly to the community, this may also include more elaborate forms of intervention such as teaching

personal finance classes in rundown neighbourhoods or training courses facilitating the access of young persons to the employment market.

Whatever the case, voluntary outdoor actions generally include tasks that people do not normally engage in during daily working practices as well as interaction/cooperation between workers from different hierarchical levels and/or departments. From the perspective of benefits to the company, this type of volunteer model represents an important human resource management tool given it nurtures a sense of team spirit, boosts the social climate and builds on relational or human competences.

This type of action may take on a high profile and major visibility within a community depending on the project and involvement required. This also enables wide ranging creativity in the choice of the actions to participate in and prove a vehicle for the diversification of experiences, generating mutual knowledge, improving the working environment and raising overall employee motivation. However, it does involve high levels of planning and the structuring of activities particularly because such initiatives involve significant numbers of people and potentially leading to interruptions in normal daily company activities. There are also corresponding greater demands in terms of the human and financial resources needed.

Volunteer Days

In this case, the company institutionalises a particular day for volunteering as the means to promote the involvement of staff in different social causes. This is a practice at many multinationals with the volunteer day taking place at all branches of the corporation. This serves as a means of group reaffirmation towards its internal public regarding the importance of corporate social responsibility. The advantages of this type of initiative potentially include greater employee motivation and the perception of a global identity thus nurturing the idea of a large corporative family that together strives to achieve the positive goal of helping the community. Volunteer days may thereby help build up the internal company image and reinforce its identity and values.

Volunteer days may be structured around carrying out some outdoor initiative and tend to be highly diverse in practice: days given over to raising employee awareness on a particular theme, internal campaigns or material collection campaigns, off-site visits to provide assistance or social support, etc. They frequently take on an indoor–outdoor dimension in which the

objective is not to be some day of festivity inviting absenteeism but rather an institutional act in which all play their parts in affirming its social role.

This type of volunteering fosters corporate culture and helps boost the internal image. It serves as a human resource management technique through fostering group unity, informal communication, involvement and the demonstration of unrevealed skills. As a disadvantage, it should be stressed that this involves the commitment of sometimes prohibitively expensive resources, and its internal effectiveness (from the strictly company perspective) depends greatly on the level of media attention gained by the actual involvement of staff members.

Occasional Actions

Even though frequently associated with the aforementioned theme, participative or occasional actions do differ from volunteer days. In this case, these are interventions organised by the company only on a sporadic basis, specific campaigns in which, beyond just employees, friends, family, former employees and peers from other companies may be involved. This supposes a direct appeal to the employee motivation for cooperating as well as the respective personal group relationships.

Participative actions generally require exacting planning, coordination and communication to ensure the event takes place effectively and generates the desired repercussions. Good management is essential for enabling an appropriate alignment between the number of potential volunteers and the various actions to be completed as well as due evaluation of the respective resources and materials needed. As occasional actions, these do run the risk that this type of volunteering is fairly limited, short term and with low levels of impact in terms of the resolution of social problems beyond not falling beyond the scope of any integrated corporate social responsibility policy even if complementing other more structural forms of community intervention that the company may be engaged in.

The advantages of CV are countless. The existing research demonstrates that such practices bring about personal satisfaction, raise self-esteem, personal and professional development, among other benefits. Meanwhile, there is also the overcoming of new challenges, good utilisation of free time, the feeling of helping out in a good cause and the acquisition of greater emotional stability are among those listed in the literature (Peterson, 2004; Pelozo & Hassey, 2006; Muthuri et al., 2009).

In many cases, such events reveal otherwise unknown capabilities, develop leadership skills and create better team spirits. Given they require personal interaction, often in different contexts, they contribute towards learning new skills and acquiring new knowledge, within a very demanding environment demanding high levels of tolerance and the internalisation of multicultural perspectives. CV is an important instrument to training, furthering and deepening company social capital while simultaneously enabling the companies themselves to improve and/or expand the services rendered to the community and the final beneficiaries.

However, the advantages of CV are not only visible to the companies themselves. The synergies released extend beyond the immediate company environment and those involved and clearly impact on the respective community and the final beneficiaries as well as directly or indirectly impacting on third sector organisations present in the community.

CORPORATE VOLUNTEERING IN PORTUGAL

To ascertain the scope and depth of CV within the Portuguese reality, a broad reaching research project was carried out with the key results set out below. The study covered a group of 169 companies previously selected in accordance with the perceived probability that they would run volunteer action programs. The survey of companies was based on various different information sources and including local volunteer banks, non-governmental organisation (NGOs), foundations, among other organisations. These 169 companies³ were sent a questionnaire to which only 44 responded and directly participated with not all respondent entities engaged in volunteer action programs.

The significance of the absolute values registered (the response level) are in themselves indicative of the low level of CV actions ongoing in Portugal and the long road ahead if this specific form of corporate social responsibility is to gain significant social relevance. There follows an overview of the study made, featuring the main results grouped around three fundamental themes: domains and fields of intervention, structuring and planning of activities and analysis and evaluation of the advantages, the obstacles and actions driving CV.

Domains and Fields of Intervention

As regards the domains of intervention, data analysis demonstrated that companies structured their volunteer activities around campaigns to raise

funds and collect foodstuffs, clothing, etc. (33%). Support for situations of social vulnerability takes second place, mentioned in 18% of cases with the weighting of cleaning campaigns also of significance (12%). Other activities designed to raise community awareness, training and professional guidance, technical capacity building, actions in the sporting and cultural field record low levels of incidence.

The data show that CV is fairly traditional in nature with a strong emphasis on social support actions. The logic of this social intervention takes on a charitable nature given how they seek to minimise situations of poverty and deprivation. This is highly characteristic particularly given how the orientation towards other activities such as technical capacity building, raising awareness or even in the sporting and cultural fields is residual (Fig. 1).

In terms of fields of action, the above is absolutely consistent with the fact that companies favour humanitarian aid (27%), focus on healthcare related activities (21%) and those providing support in terms of food and shelter (18%).

Others such as science and technology, art/culture and sport can together only muster 3.2%. This lack of relevance draws attention to the fact that Portuguese companies still do not attach significant importance to volunteer actions in these fields, which strengthens the presence of the aforementioned more charitable-based logic of intervention (Fig. 2).

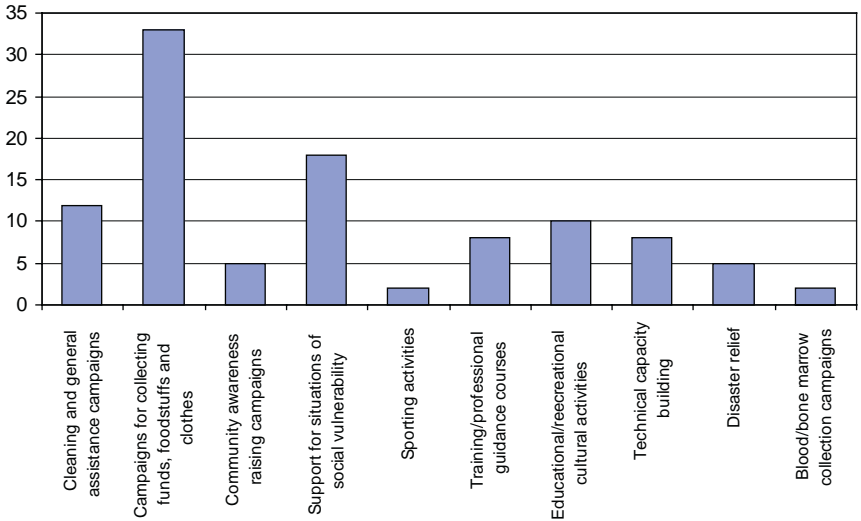


Fig. 1. Corporate Volunteering: Domains of Intervention.

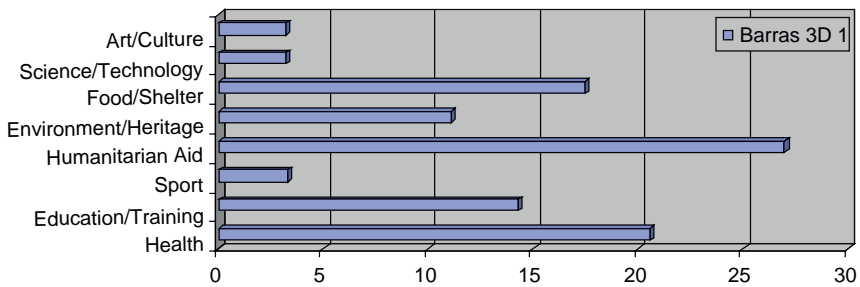


Fig. 2. Corporate Volunteering: Areas of Intervention.

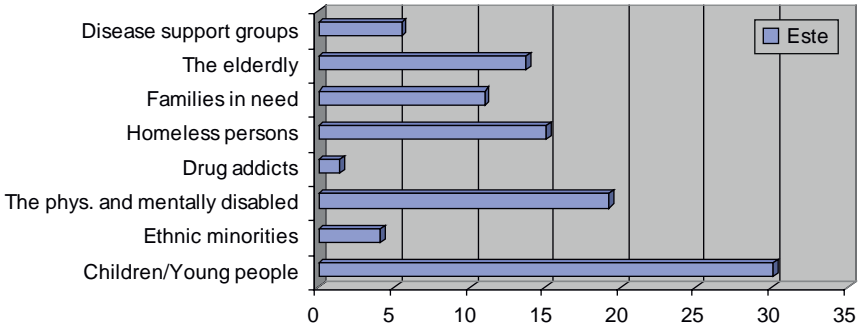


Fig. 3. Corporate Volunteering: Target Publics.

As regards target publics, children and young persons are the main beneficiaries of the voluntary actions undertaken. Around 30% of initiatives target this age group, with the physically and mentally challenged (19%) and the elderly (14%) also significant even if to a lesser extent (Fig. 3).

The data highlighted how practices in the field retain the more traditional forms of intervention that may be related to a more charitable logic prioritising support for basic needs and similar. Other forms of CV that might be termed as qualified (education/training, science and technology, art/culture, for example) register only very low levels.

However, during the complementary information collection phase and the interviews carried out within the framework of the empirical work, we did encounter fairly innovative situations in these terms and indications of a rising trend towards new qualified volunteer practices, that is, those inherently involving a higher level of technical and training competences.

Planning and Structuring

The way in which volunteer action initiatives are selected, programmed, organised and evaluated is a key factor to the entire process. The professionalisation of services rendered drives the value of the results not only in terms of the financial value of the employee time therein consumed but also in terms of the impact generated in the community. Behind the apparent facility and empirical simplicity of volunteering, there are complex procedures that require people, time and preparation. In evidence of this reality is that the overwhelming majority of companies engaging in CV experienced this need and had a functional area or member of staff attributed responsibility for its organisation and planning (87%).

Other important aspects to be taken into consideration relate to the way in which companies internally structure volunteer activities, particularly in terms of regulating the time dedicated to such practices. Analysis of the data collected shows that companies approach this challenge from very different directions. However, the most commonly used model is that of granting one day per year for CV (35%). Other options such as volunteering during the working schedule or the making available variable periods of time in accordance with the prevailing workload are not frequent (Fig. 4).

Another important aspect to take into account in this phase is the way in which the actions are identified and selected. Despite the overwhelming majority of companies operating some form of internal decision-making structure, analysis of the data reveals that the identification of volunteer actions is still strongly conditioned by the requests received from the community (30%) or the employees themselves. These results probably convey the reality that voluntary initiatives are engaged in preferably because they prove to be able to unite a sense of collective solidarity at the expense of a more pro-active posture of structured, pro-active social intervention structured in terms of the local/regional regulatory framework (Fig. 5).

This position is further strengthened by the internal structuring of actions to be undertaken involving a high percentage (26%) seeking to satisfy employee expectations (see analysis of volunteer activity structuring).

The structuring of volunteer programs requires the planning of the human and material resources necessary for each action with impact evaluation a less frequent practice. However, its definition, depending greatly on the need to meet employee expectations as stated earlier, is highly important in terms of the choices of action to engage in. Other programming activities and parallel organisation, related for example with the existence of training

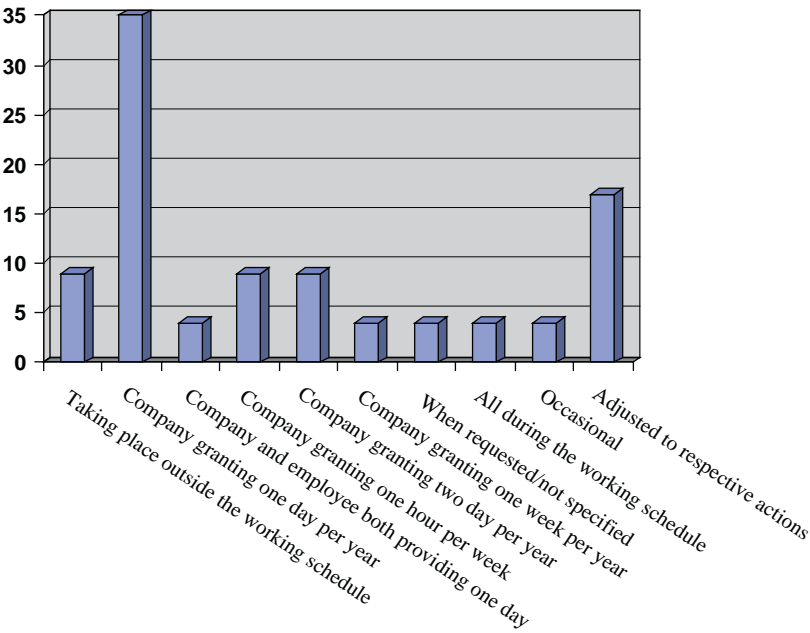


Fig. 4. Structuring the Management of Volunteer Time.

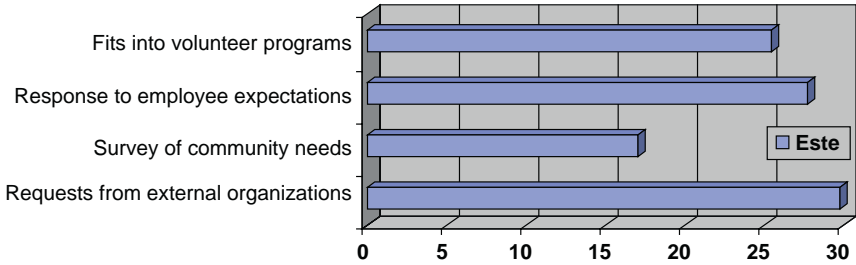


Fig. 5. Defining Company Volunteer Action Programs.

events to prepare employees or the construction of a data base on available volunteer activity types, are insignificant in scope (Fig. 6).

Another important aspect to be mentioned relates to operational modes of CV. In this case, partnerships with other organisations are the most common way in which Portuguese CV takes place. The action framework emerges out of the existence of regular partnerships that companies maintain with various organisations (39%). In this case, state social security

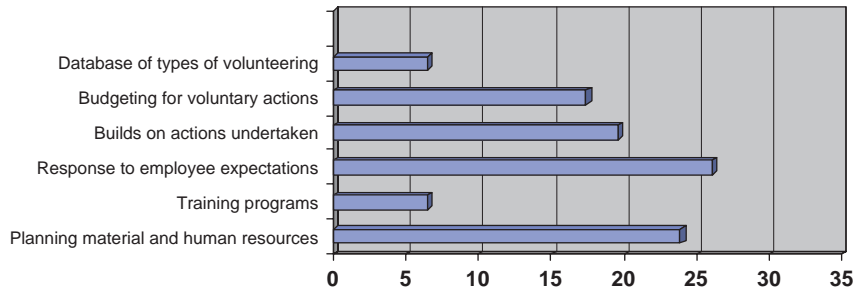


Fig. 6. Planning Corporate Volunteering Programs.

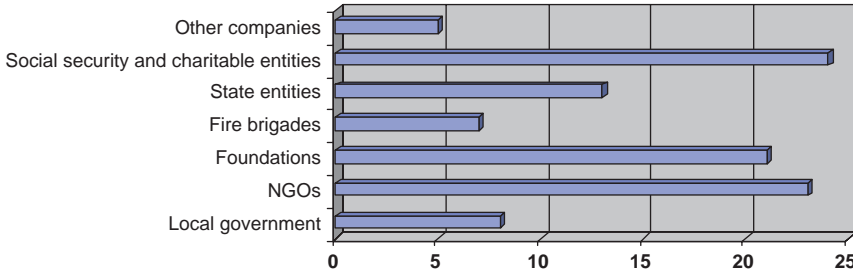


Fig. 7. Corporate Volunteering: Partnerships Established.

and charitable institutions (24%) represent the most frequent company choice with NGOs and foundations also carving out a niche in this sector and representing 23% and 21%, respectively (Fig. 7).

To internally foster voluntary practices, the majority of companies opt to promote opportunities to volunteer. Others (22.4%) release their employees during the working schedule with an equally significant percentage of this research sample also encouraging voluntary actions by integrating them into the company’s own social program. The involvement of leaders and managers in the actions taken and the setting up of rewards and/or the promotion of voluntary actions are other means of fostering involvement even if less common (Fig. 8).

Evaluation of Benefits and Obstacles

The collection of information was also designed to respond to issues arising out of the way in which companies perceive and evaluate voluntary

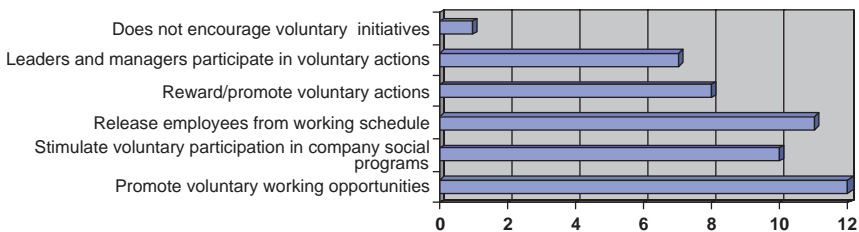


Fig. 8. Means of Fostering Corporate Volunteering.

practices, what they consider the main benefits, difficulties and obstacles confronted as well as what supports do they consider necessary for promoting voluntary practices. In addition to answering these questions, this chapter goes onto to trace the extent of CV in Portugal based on company perspectives.

The benefits identified are fundamentally twofold. CV is important as:

- (a) an instrument for reinforcing the company image in the community (74%) and raising its reputation among clients, consumers and partners (52%). This may also strengthen the cooperative relationships (a factor deemed highly important by 78% of respondents),
- (b) and an output for raising the human resource potential in the sense that it improves the working environment (59%) and, in parallel, fosters employee development (classified as highly important in 65% of cases).

These results make it clear that beyond the impacts such voluntary actions may have in terms of the community, from the strictly business perspective, this contribution is of relevance due to the boost to the prevailing business strategy and the returns garnered in terms of image in conjunction with raising the professional and human competences of employees.

However, despite the benefits identified, companies often run into difficulties, resistances and obstacles to implementation. The lack of time available in the private sector and the lack of any culture of volunteering are certainly factors difficult to either avoid or overcome. Each of these aspects is considered as a strong and average obstacle by 70% and 65% of companies, respectively. The lack of pre-structured volunteer programs and the disorganisation encountered at host institutions are other difficulties raised by companies.

When analysing the measures/supports that companies deem important to bring out the potential of CV, three fairly different but complementary dimensions are referred to:

- (a) the promotion of best practices (52%), the development of skills in this field as well as the participation in pilot cases are identified as required by 36% of respondents,
- (b) the need to gain greater public support. In this case, the intervention of the state, through fiscal incentives or others is considered as highly important and necessary (39%),
- (c) the awareness/promotional campaigns also represent another vital resource (32%). It is broadly considered that only high awareness and the involvement of all actors within and beyond companies may lead to an increase in CV.

Correspondingly, knowledge about successful case studies, susceptible to be replicated, sharing experiences and operational guides, the existence of state support and a more widespread awareness are the resources considered fundamental to the progressive advance of CV.

CONCLUSIONS

Within the prevailing context, business competitiveness is limited neither to prices nor to product and service quality. Any operating license assumes companies take on responsibilities towards not only employees, partners and clients but also incorporates the duties towards quality of life, the sustainability of the surrounding environment and community development. And it is within this field that CV has come to represent a new instrument for participation in society, where private sector organisations intervene actively and directly in their respective community.

CV in Portugal remains extremely small scale in scope. The survey carried out and the absolute levels of responses are in themselves indicative of a low level of company engagement in voluntary actions and that much remains to be done in terms of boosting this aspect of corporate social responsibility. However, even while the Portuguese reality remains at an embryonic phase, it is already possible to identify some structured programs in effect primarily at larger-scale companies and with organised corporate social responsibility policies.

This analysis of CV practices prevailing in Portugal incorporated an initial sample of 169 companies pre-selected in accordance with the strong

probability of undertaking volunteer actions and responded to by only 44 companies, which took part directly in the study, but representing a broad enough sample to provide scientifically valid justification as to the role and practices of CV in Portugal.

In overall terms, this research project found that CV remains residual and assumes a notably charitable approach. The main beneficiaries of volunteer actions are children and the young. In terms of the scope of intervention, this was found to be especially focused on campaigns for the collection of funds, foodstuffs, clothing and for rendering support in situations of social vulnerability, with a significant weighting also found for cleanup campaigns. Other activities related to raising community awareness, training and professional guidance, technical capacity building, involvement in the sporting and cultural fields, and so forth are residual.

These results demonstrate that these are traditional forms of intervention that may be related to a more charitable logic characterised by commitment and support towards meeting basic needs. Other forms of CV that may be termed qualified (education/training, science and technology, art/culture, for example) only attain low levels of incidence.

As regards the structuring and planning of activities, the majority of companies did report that they had a department or person responsible for its organisation and planning. In terms of implementation, the most commonly utilised model is granting one day per year. Other options, such as volunteering during the working timetable or the variable provision of time in accordance with the prevailing workload are not common.

Despite the overwhelming majority of companies operating an internal decision-making structure, the identification of volunteer actions is still highly conditioned by whatever requests are received either from the community or from employees, a situation that shows that volunteer initiatives are broadly in response to external pressures with a relatively rare incidence of structured pro-active social intervention approaches in accordance with the local regulatory framework.

In evaluating the benefits, companies perceive CV as an important instrument for strengthening the company image in the community, boosting its reputation across clients, consumers and partners and as an output boosting the human resource potential to the extent that it contributes towards a better working environment and employee development. These results make it clear that strictly from company point of view, this represents a meaningful contribution to strengthening the company business strategy and returns on investment as it raises the level of professional and human competences of its employees.

However, despite the aforementioned benefits, companies do encounter obstacles to its implementation with the lack of time available and the weak volunteering culture presented as the most difficult challenges to overcome.

From an overall perspective, CV in Portugal is found to be punctual and display a distinctly charitable character. Actions are undertaken on an occasional basis, unstructured and also not integrated into the corporate social responsibility strategy, or frequently there is the lack of a clear perception of the role the company plays in the creation of social value beyond its function of generating material wealth. Despite this, the empirical research enabled the verification that these practices are progressively expanding, especially in contexts of more active corporate social responsibility practices.

Some factors may be able to contribute towards fostering this movement especially in terms of greater awareness as to management tools enabling the planning, monitoring and evaluating of actions and the growing recognition and appreciation of them as instruments for company intervention within the scope of corporate social responsibility policies. In addition, there was a perception of the advantages resulting, perceived both from a logic of the creation of economic value through raising the company reputation, visibility and image or broadening the human competences present. This is coupled with a logic of creating social value to the extent this ensures a more humanised intervention and of particularly in proximity and directly interacting with the community and the final beneficiaries that may also contribute towards the expansion of CV practices.

Hence, just as there has been evolution in the form of exercising social responsibility, moving on from philanthropic actions and solidarity to a more strategically defined and planned intervention, CV may also be the object of similar changes. From a more charitable emphasis, there is a tendency to progress to more qualified and structured volunteer activities in which the social impulse is increasingly channelled into organised and programmed projects, defined in close articulation with the company's own corporate social responsibility and overall sustainable development strategies and policies.

NOTES

1. However there are some examples in which companies engage in this form of community through recourse to specialist technical support (IT support, accountancy, legal, financial planning, workplace health and safety, environmental management,

entrepreneurialism, etc.), providing training on relevant themes (on the surrounding environment, personal development, etc.) or specific (nutrition, child development, household economics, caring for the elderly, family life, etc.), providing support for people with special needs, utilising networks of contacts to coordinate resources allocated to civil society institutions, among many other possible examples.

2. Within this approach, for example, the donation of computer equipment to organisations where employees are undertaking volunteer activities is common. Another format is the provision of business advantages by providing discounts on the goods and services retailed by the company. Blood donating, clothing, book and toy collection campaigns are also fairly common as are fundraising initiatives. In this case, it is the employee who voluntarily works and commits to collecting and whatever they contribute whether in financial or material terms.

3. The questionnaire was sent directly to the members of staff responsible for this role through e-mail, but in the majority of cases there was also prior contact by telephone and, whenever justified, repeated on a second (or even third or more) occasion so as to request completion of the questionnaire.

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CHAPTER 8

CERRO DE SAN PEDRO: GRASS ROOTS MOVEMENTS IN CO-OPERATION AND CONFLICT TO STOP A LIVING CITY FROM DISAPPEARING

José G. Vargas-Hernández

INTRODUCTION

Grass roots movements in relationships of cooperation and conflict between firms, communities, and government have an important role to stop a living city from disappearing. This chapter describes and analyzes the implications of the collective action used by grass roots movements in the defense of an old mining town, Cerro de San Pedro, of being disappeared due to the pollution of fresh watersheds by the operations of a mining company and the effects on the living city of San Luis Potosí, in the center of México.

The mining operations of the firm have been referred as an ecocide, contamination of watersheds, pollution of air, and destruction of the historical heritage. The inhabitants of these communities supported by environmental groups and NGOs argue that the project will pollute sources of freshwater besides of perturbing the environment and the ecology of the region.

NGOs and Social Responsibility

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According to the company Minera San Xavier (MSX), the 100%-owned Cerro de San Pedro gold and silver heap leach project is located in the historic Cerro de San Pedro mining district in the State of San Luis Potosí, México. The presence of MSX in Cerro de San Pedro has caused a severe social conflict among the inhabitants of San Pedro, Soledad, and San Luis, and has called the attention of all who are concerned by historic heritage, cultural, and environmental issues.

GEOGRAPHICAL LOCALIZATION

Cerro de San Pedro is a semi-abandoned historic mining town located in the center of México, the State of San Luis Potosí, because it was an important mining town during the colonial period. However, when at the middle of the last century, the exploitation of silver and gold mines was abandoned, the town was also almost abandoned. Cerro de San Pedro is a small village 10 miles east of the City of San Luis Potosí, the capital of the State of San Luis Potosí. Cerro de San Pedro is located in the mountains above the valley of San Luis Potosí and is part of the watershed area for the valley and its major cities. The valley is the source of 73% of the water for the area.

It is a ghost town containing the ruins of shops, churches, estates, and a hospital. Today there are only about 100 people living in the Cerro. The Real hamlet covers the hills on both sides of the canyon; large and small houses flank the narrow streets (Cordero de Enciso, 1997). The remains of the 400-year-old town are still there, along with an active church and municipal office. Cerro de San Pedro sits in the high desert in the heart of México, the kind of place with lots of roadrunners and big cacti. Four hundred years of mining did not alter the original appearance of Real, which is irregular and whose center is the parish of San Pedro. The artistic and urban development that started in the 17th century is represented in Cerro de San Pedro. There are two structures particularly important from the historical heritage perspective. The Church of San Nicolás dates from 17th century and San Pedro Apostle dates from the 18th century.

Tarascan Indians settled around the church and they adopted San Nicolás as their patron saint; the avenue in front of the church was used as an exchange and socializing place. Two churches were built in Cerro de San Pedro, attended by the secular clergy and helped by the Franciscan monks, and later by the Augustines who were able to speak Tarascan. The two churches built in the first half of the 17th century were identical, though the San Pedro church was later modified. The church of San Pedro is a rare

example of a 17th century church; and its coloring is in aesthetic harmony with the hill behind it. The San Nicolás de Tolentino church is built on one side of the canyon and has become an urban area. The San Nicolás church kept its primitive appearance of only one nave and barrel vault. The section of town known as “La Colonia de los Gringos” contains what once were company offices and living quarters of the American Smelting and Refining Co.

The purpose of this chapter is to describe and analyze the relationships of cooperation and conflict between grass roots movements, a community, and the role of government to stop the operations of a mining company that contaminate the watersheds, pollute the environment, and destroy the living spaces of the town Cerro de San Pedro, and affect the City of San Luis Potosí in México.

HISTORICAL ANTECEDENTS

The Guachichiles inhabited the area of Cerro de San Pedro hills before the Spanish came. The first original urban plan of Cerro de San Pedro dates from 1412. A couple of missionaries visited the area in the 1570s, when silver was found in the Cerro de San Pedro hills. Cerro de San Pedro used to be one of the biggest mining towns of the colonial New Spain 500 years ago – Spanish conquistadors carved up the earth as they plundered the town’s riches, sending most of the treasure back to Europe. In March 1592, Don Miguel Caldera, a mestizo and commander of the Spanish army, sent a group of miners to reconnoiter the land in the hills of the valley of San Luis Mexquitic and register the mines of the gold that called it Real de San Potosí.

Some 60 discoveries were registered with metals rich in lead. The richest minerals lay near the surface. After 40 years of struggle with the Guachichiles during the last decade of the 16th century, the conquistadores convinced the Indians to plant crops and have a sedentary life. Real de Minas de Cerro de San Pedro was founded in 1583 after several mines in the vicinity began operations, although it is established that it was in 1592, before that the capital of San Luis Potosí, discovered in the 16th century, due to its wealth was baptized by the Spanish as the Potosí. Martín Pérez was one of the discoverers of the mines of el Cerro de San Pedro (S. L .P.), on March 4, 1592.¹

Cerro de San Pedro dates back to the 16th century and was the original location of the state capital of San Luis Potosí. But at the San Pedro Hill

there was not enough water to support the town and for washing the metals, so they ended up moving. The Spaniards founded the village San Luis Potosí in the valley. The San Luis Potosí city's Coat-of-Arms had the Cerro de San Pedro on a blue and gold background with two silver and two gold cross bands, over which is lying Saint Louis King of France, testimony to its mining origins. The mountain is the symbol of their heritage.

Some Spanish families mestizos, mulattos, and Indians founded Real de Cerro de San Pedro further up in the sierra which had their own governors and unions. Tlaxcalans, Tarascans and Otomies were brought into work in the mines and the cattle ranches. The mining district Cerro de San Pedro has supported various periods of significant mining activity and has seen many production mining campaigns since its discovery over the past 500 years. There are no records of production during the period (1575–1660) of mining activity in the Cerro de San Pedro. The mines produced wealth in the first 30 years and the equivalent of some \$ 62 million were paid in rights alone during its first 60 years of existence; that is, some \$ 1 million per year (Cordero de Enciso, 1999).

In 1613, the mayor, Pedro de Salazar had the famous Socavón del Rey built; a horizontal tunnel that gave access to deeper veins which produced around 30 tons of silver mixed with gold in a year. After 15 years of mining, the amount of precious metals reduced although there was a “gold rush” that stirred greed among a group of men, who colluded in an enormous fraud and the owners of the Briones mine lost their property and finally in 1628 the houses in San Luis Potosí's main square were vacated. The last rich mine, the San Cristóbal was closed down in 1656 although there were some bonanzas on El Cerro.

In 1690, the Mayor, Alonso Muñoz Castilblanque, opened the San Cristóbal mountain pass with the help of a loan made to him by the Viceroy, the Count of Galvez and production increased to one-fifth of what it was in 1620. In 1740, 100 furnaces and 60 mineral crushers still existed in the region (Cordero de Enciso, 1997, *op. cit.*).

In the 18th century the area had a reputation for maltreatment of indigenous people and anger. The poverty of the inhabitants of the Hill and its surroundings increased and became worst in 1767. The donations of silver given toward the reparation of the church were lost. The expulsion of the Jesuits resulted in an uprising in 1767. Cerro de San Pedro in 1767 was the focal point of a popular insurrection against the excess of Borbonic reforms. The serranos had demands and opposed the removal of the Jesuits but have to surrender. Viceroy Marquis de Croix sent Don José Galvez with 400 soldiers to punish the rebels and their families cruelly, but the

serranos managed to have their taxes reduced and the church was repaired and improved.

By the mid-18th century, after 200 years of mining industry, Cerro de San Pedro was underdeveloped and the mines had low of productivity due to a lack of capital, technological insufficiency, the limited capacity of the specialized workers, and a shortage of supplies and labor, among other things (Villalba Bustamante, 2000). A few years later, Don Joseph de Castilla y Loaeza, a knight of Santiago founded the *Compañía Patriótica* that invested 20,000 pesos and used old-fashioned techniques. In 1773, San Luis Potosí had around 20 mining communities in deplorable state of unproductiveness. By 1774, Cerro de San Pedro had to continue to struggle to restore exploitation of the local mines (López Miramontes & Urrutia, 1980).

In 1816, a horizontal tunnel was built in the Pópulo hill and the Socavón Aventurero de la Victoria, the tunnel of adventure and victory, restarted 60 years later. *Compañía Metalúrgica Mexicana* owned the railway that extended toward Río Verde that to transport the minerals from San Pedro to San Luis Potosí. A major period of mining activity began in 1870 and continued through the early 1950s. In 1930, the American Smelting Company (ASARCO) worked the horizontal tunnel and the work continued until 1948 when the miners' strike broke out and the mine closed down.

By the late 1940s, the gold, lead, iron, manganese, and mercury deposits finally began to give out. By the early 1950s, it is estimated that approximately 2.5 million ounces of gold and 40 million ounces of silver had been produced from the Cerro de San Pedro district. In 1993, the region of Cerro de San Pedro was declared an ecologically protected area. Local firms continue to extract limited quantities of minerals from the mines. Visitors can enter La Descubridora, the town's first mine.

LEGAL BACKGROUND

Since the Prehispanic times in México, mining has played an important role in economic and political history. From 1986 to 1990, the World Bank granted credits to support the structural adjustment economic policies. The credit 3,359 supported structural adjustment of the mining sector categorized as B to eliminate environmental requirements and public hearings (Border Ecology Project, 1994). Under a neoliberal economic policy, amendments to constitutional Article 27, a new Agrarian Law, a Mining Law (1993), and a Foreign Investment Law during the 1990s, allow the *ejidatarios*, originally limited owners of land rights, to change the

ownership. Investors now could associate with ejidatarios, exploit land resources without buying it. The North American Free Trade Agreement (NAFTA) offer advantages and opportunities for investors.

The Mining Law (1993) and the Regulation to the Mining Law (1999) opened to foreign capital areas that were reserved for national investors and defined new rules for the development of national and foreign investments in exploration and exploitation of minerals as activities of public utility. The granting process of mining concessions does not require public hearings and most of the times the affected communities are the last ones to know about the project. There are some references about considering this and others “competitive advantages that offer México compared to their partners in NAFTA” (Bardacke, 1993). A mining concession can not be cancelled for polluting the environment and only can be fined.

MINERA SAN XAVIER PROJECT DEVELOPMENT IN CERRO DE SAN PEDRO

Renewed interest in the Cerro de San Pedro district began in the 1970s with evaluations by various companies to determine the district’s potential as a large tonnage, low-grade, bulk mineable deposit. In 1971, Las Cuevas mining company was unable to revitalize the mines. When the NAFTA was enforced in 1994, the Canadian Company Metallica Resources Inc. started to explore the old mining town with the intentions to exploit its resources in gold and silver. In 1995, Metallica acquired an option to purchase Cerro San Pedro project and began an exploration program to expand the work of recent exploration programs conducted by other companies. MSX at Cerro de San Pedro is developing a gold mining project.

In February 2003, Metallica updated the Glamis’ feasibility study run-of-mine development plan to provide for contract mining. The use of contract mining will reduce the project’s capital cost to approximately \$25 million, a result of eliminating the need to purchase the mining fleet. Metallica also updated the mineral reserve estimate using a higher gold price due to the strengthening of the gold market. Based on a \$325 per ounce gold price and a \$4.62 per ounce silver price, the mineral reserves stand at 61.1 million tonnes representing 1.8 million ounces of gold equivalent. The gold equivalent reserves increase to 2.1 million ounces at a \$350 per ounce gold price and a \$5.00 per ounce silver price (Metallica Resources Inc., 2005).

In September 2003, an updated capital and operating cost study was completed for the Cerro San Pedro project. Metallica Resources (MR), promised to build what it announced Wall Street, one of the greatest open-pit mine of gold and silver of the world.

ACTORS INVOLVED IN THE CONFLICT

The Mining Company

MSX is the Mexican subsidiary of the Canadian company is MR involved in developing the San Xavier Mine in the municipality of Cerro de San Pedro, San Luis Potosí, México. The mining project of MSX is located 20 km northeast of the city of San Luis Potosí, the state capital with a population of approximately one million people.

Community and Social Movements Involved

The affected community is the small village of Cerro de San Pedro where it has been formed an alliance among diverse civil groups, organizations, and political parties in a coalition called Alianza Ciudadana Opositora an MSX. Alliance in Opposition to the San Xavier Mine is formed by social movements. Among the groups, the most involved are: Educación y Defensa Ambiental A.C., Environmental Education and Defense. Pro San Luis Ecológico A.C., Pro San Luis Ecology, Patronato Pro-Defensa del Patrimonio Cultural e Histórico de Cerro San Pedro, A.C., Patronato in Defense of the Cultural and Historical National Patrimony of Cerro de San Pedro, and Asociación de Vecinos de Cerro San Pedro, the Neighbors' Association of Cerro San Pedro. Other members that have joined to the alliance are more than 80 social movements.

The alliance also counted with the support from the Catholic Church and its Archbishop. The citizen's group opposed to the project, the Ample Oppositional Front (Frente Amplio Opositor) is the citizens' movement that has a long-running struggle to prevent the destruction of the village of Cerro de San Pedro by a Canadian company that is planning to operate an open-pit gold mine. University of San Luis Potosí has conducted an independent review of the environmental impact study. Compas, this is one of the resistance movements of the San Luis Potosí civil society.

Government

Municipal President of Cerro de San Pedro opposed the mining project and had not given his town's permission to the state government, the Governor of the State of San Luis Potosí, and the President of México. These three levels of government are actors on their own.

THE CONFLICT

According to the company MSX, the 100%-owned Cerro de San Pedro gold and silver heap leach project is located in the historic Cerro de San Pedro mining district in the State of San Luis Potosí, México. The presence of MSX in Cerro de San Pedro has caused a severe social conflict among the inhabitants of San Pedro, Soledad y San Luis and has called the attention of all who are concerned by historic heritage, cultural, and environmental issues.

MSX argues that its operations would have some benefits: \$ 4 million in taxes will be paid to the federation in 8 years and would by materials and provisions to local suppliers which would be the minimum because most of these suppliers would be foreign. Never the company referred the mining operations as an ecocide, contamination of watersheds, pollution of air, and destruction of the historical heritage. The inhabitants of these communities supported by environmental groups and NGOs argue that the project will pollute sources of freshwater besides of perturbing the environment and the ecology of the region.

At the center of the controversy is the cheap and efficient technology. It is the use of cyanide and its impact on watersheds, the environment and human health. Lixiviation consists in pile up mineral mixed with cyanide over a platform in such a way that gold will be residual. Cyanide is used for the extraction of metals since 1887 as a chemical reactive to solve gold in water (Logsdon & Hagelstein, 2003). Twenty percent of global production is used in a process of lixiviation to get gold. Almost 99% of gold is separated from a rock and it is profitable to spend a ton of cyanide to extract 6 kg of gold (Ronco, 2002).

Studies done by MSX to evaluate pollution risk to the watershed of the valley of San Luis and to quantify the use of millions of cubic meters of water and its evaporation are insufficient and with a tendency. The hydrological card of INEGI the subterranean waters of San Luis Potosí and Cerro de San Pedro are the same in the geo hydrological zone. The daily use

of 16 tons of cyanide and 32,000 tons of rock material that would require a million of cubic meters of water per year would have residuals of cyanide, heavy metals, toxic material, and mercury stem can contaminate the watershed favored by inclination of land and put at risk population.

The process implies daily 16 tons of cyanide mixed with 32 millions of liters of water. According to the Environmental Impact Manifestation presented by MSX, should be erosion by deforestation, alteration of drainage patterns, cancellation of productive activities, pollution caused by deposits of toxic residuals and severe, irreversible and permanent damages. The Manifestation of the Environmental Impact of the company considers that “the impact is significant and adverse for the extraction of water” (p. 16) 90% of water consumption comes from the valley of San Luis Potosí which can be contaminated by the cyanide used in the lixiviation process (Martínez Ramos, 2004).

In the past 25 years, the major causes of cyanide spill over have been 76% due to imperfections in the lixiviation yard, 18% due to pipes, and 6% due to transportation accidents (State Environmental Resource Center, 2004). Mining Companies have caused ecological catastrophes that have provoked reactions of civil society groups and governments around the World. Governments of many countries have prohibited open-pit mining exploitation using cyanide (State Environmental Resource Center, 2004; Friends of the Earth y Oxfam America, with the support of Mineral Policy Center, 2003).

The company had bought up buildings in the village to be used for offices. The open-pit silver and gold mine planned for the area would have a dramatic effect and is being challenged in court by environmentalists. Environmentalists have a long battle against the company MSX, a subsidiary of Canada’s MR that plans to build an open-pit silver and gold mine that would decapitate the mountain that looms behind the town Cerro de San Pedro. In a postproduction model developed by the company, the area looks like a lunar landscape. The ore-processing plant, where the toxins would be used, sits just 20 min from San Luis Potosí, the capital of the state and home of about a million people.

Excavation for the mine will take place in an area where the mountain will be demolished and in its place will be large deep pits filled with the residue of the mining process. Soil cover will be lost in an area of approximately 500 ha.

The pit is only approximately 600 m from the town square and the tunnels from the old town go under the church and the square. If the mine project goes forward, a half-mile crater would be blasted in the top of mountain

that sits behind the town of Cerro de San Pedro. The proposed mine would destroy the historic remains of the old town and destroy the environment because of the cyanide leaching and potentially poison the water of San Luis Potosí. Greenpeace says cyanide high risk in mining plans by a Canadian firm in the Mexican district of Cerro de San Pedro. The firm Cambior has been involved in two most disastrous cyanide spills in mining history (Deza Arroyo, 2002, 2006; Zenón, Iban/CEICOM, 2006). Millions of liters of water were contaminated.

The project would entail moving part of the town and its historic buildings, but the people did not want to move. To avoid damage of the buildings, the company plans would move the municipal buildings and the centuries old church another 600 m away. The company would destroy the environment for a yield that would last only 6–8 years. MSX only vaguely outlined on the environmental-impact report. How it would restore the mountaintop, clean up the massive piles of bulldozed waste, protect rare plants and wildlife like the biznaga cactus and the desert tortoise, and safeguard the town's 16th-century structures. It is estimated that profits from the exploitation would be low in comparison to the amount of destruction and permanent ecological damage that would result.

Most troubling was the company's unclear plan for the management and disposal of the toxins, including cyanide, that are used in gold mining. The daily use of 13 tons of explosives composed of nitrate "Anful" will produce great quantities of dust which can cause irreversible ills. Six hundred and forty millions of cubic meters of cyanide materials would be residuals covering a surface of 178 ha which will not allow agricultural or cattle activities for generations. The potential poisoning of the watershed lands alone would have dramatic consequences for the inhabitants of San Luis Potosí (Campbell, 2004). However, MSX argues that it has clarified its plans and is implementing the 100 changes suggested by a group of Mexican academics who studied the environmental-impact report.

In spite of the fact that permits to exploit the mine in Cerro de San Pedro have been cancelled, the company has huge trucks, big tanks and workers on site, and the land has been cleared for future use in an environmentally protected area, so the cleaning and clearing have been obviously illegal. A test drill resulted in the street collapsing because of the tunnels under the street and the company had "repaired the damage" by dumping a load of gravel. If the project goes forward, MSX would add about 170 jobs to its existing staff of 34 to work on the mine, but the new jobs will require education and training that people from Cerro de San Pedro often lack. Some qualified residents would receive temporary housing a few miles from

town. Other villagers could choose to stay here and receive a monthly payment based on the typical wage here, from MSX that could be used to strengthen their houses to protect them from the blasts.

The Company violated federal and state laws. Among the violated federal laws:

Presidential Decree of June 2, 1961 which forbids extraction of water in the valley of San Luis Potosí.

Article 35 of Federal Law of fire arms and explosives. Store and consumption of explosives is only 50 m from town instead of at least 1 km. The Agrarian Law establishes the obligation of the agrarian authority to staff and protect the ejidatarios or peasants possessing a small plot of communal property land. The Company leased ejidal lands from fake ejidatarios.

State Laws violated are

Article 7 of the Environmental Law of San Luis Potosí which does not give faculty to the governor to authorize licenses of land use. The Governor exceeded his authority to grant authorization of land use in may 2000.

Article 15 of the State Constitution of San Luis Potosí establishes the right of citizens to enjoy a healthy environment and to prevent and combat environmental pollution.

COOPERATION AND CONFLICT RELATIONSHIPS BETWEEN THE ACTORS

A decree of September 1993 protects the area of the municipalities of Cerro de San Pedro, Soledad and San Luis Potosí of any type of aggression against the natural environment. A Renewal Plan of San Luis Potosí and surroundings (Plan de Ordenación de San Luis Potosí y sus alrededores), launched by Government in 1993 included Cerro de San Pedro and previewed and ecological restoration during the following 20 years. On September 1993, the government of San Luis Potosí granted the plan, establishing that three-fourths of the municipality territory should be oriented toward development of wild life, signaling the lack of water as a fundamental problem and the need to have recharging watersheds and giving priority to industries with low consumption of water and not polluted ([Periódico Oficial del Estado de San Luis Potosí, 1993](#)).

In 1994, MSX conceived the mining Project to exploit Cerro de San Pedro in an open-pit process at only 50 m from the town. Since 1995, information and letters have been sent to many officials. The citizen's group opposed to the project, the Frente Amplio Opositor (Broad Opposition Front), has won a number of legal battles. However, some people favor the project arguing that mining is part of this town's history and its economic legacy. On May 5, 1996 was founded the Patronato Pro Defensa del Patrimonio Cultural e Histórico del Municipio de Cerro de San Pedro, AC.

The mining project started in 1997, when MSX received authorizations from local authorities. The company argued that the Project Cerro de San Pedro would generate almost \$ 200 million in investments, jobs positions for locals and 74% of buying all local suppliers (Europa Press, 2004). With the announcement of the Project was born also the opposition formed by environmental and architectonical conservation MSX subscribed the leasing contract of land in March 1997 for a period of 15 years by fake ejidatarios that did not have land rights on the Ejido. The Environmental Impact Statement for the Cerro San Pedro project was submitted to the Mexican Federal authorities in October 1997.

Since then, the permit process has included a public hearing in March 1998 and a technical review of the permit documents by the University of San Luis Potosí as mandated by the State government. In 1998, a technical scientific opinion from the Commission to Review the Project Cerro de San Pedro and Minera San Javier from the Autonomous University of San Luis Potosí established over the environmental components that only prevents monitoring of water but not air and soil where the cyanide could harm (Comisión de la Universidad Autónoma de San Luis Potosí para la Revisión del Proyecto Cerro de San Pedro de Minera San Xavier, 1998). Researchers accepted the invitation under the condition that the results of the study should be published before should be shown to the Company and to Environmental and Natural Resources Secretary (SEMARNAT or Secretaría del Medio Ambiente y Recursos Naturales).

The researchers of the Autonomous University of San Luis Potosí had conducted the environmental study. However, this study has not been considered to be serious, complete, and professional although it was considered as an instrument of expression of company's interests.

On March 20, 1998, the Municipal President was found dead by a bullet in his head. He was murdered after he requested an audit and wanted penal action against former municipal president that had sold illegally abandoned Fincas to MSX. One day before he was murdered, an official of the company gave a presentation of the mining project at the Hotel Westin

in San Luis Potosí. After the lunch at El Saucito the Municipal President argued with William Copeland Dodge, the manager of MSX. It was a lost case containing documents which proved the land communal property that the murdered had with him. The Governor of the State of San Luis Potosí recommended the interested persons to review their motivations, to take care of themselves and warned that the officers of the company would do anything to get what they want.

An official from the International Council of monuments and sites (ICOMOS), an organization of UNESCO declared that if the Minera de San Xavier project destroys the cultural heritage of Cerro de San Pedro, the Governor of San Luis Potosí will be remembered in history as responsible (*La Jornada San Luis*, 1999). Conservationist and environmentalist groups have asked stated government and federal government not to authorize the project. Government should find equilibrium between conservation of cultural values and exploitation of material resources in such a way that the solution should guarantee the integrity of historical monuments.

In 1999, the SEMARNAT authorized the project and its environmental impact in spite of serious violations to the General Law of Ecological equilibrium and Environmental Protection. In February 1999, the National Institute of Ecology (INE) granted environmental permit to operations of MSX against the existing plan of 1993 but establishing 100 conditionings, among which, the number 12 established relocations of the communities Cerro de San Pedro and La Zapatilla. Conditioning 68 established that the company should consider a proposal for limiting the use of water through treatment and other alternatives (*Instituto Nacional de Ecología*, 1999).

On the February 26, 1999, the INE granted authorization at changed land use in Cerro de San Pedro. In the 2000, the civic platform Pro San Luis Ecological presented an appeal against authorization of mining exploitation granted on 1999 to MSX by the INE. On May 5, 2000, the government of San Luis Potosí and the municipal of Cerro de San Pedro granted conditional authorization at land use for mining exploitation.

Since 2001, the social Justice Committee of Montreal, Mining Watch Canada, and the Mexican NGO FUNDAR Center for analysis and research, funded by IDRC, are involved in a project to establish the impact of Canadian mining operations in México, and to provide support to the affected Mexican communities. Field research was carried out in Cerro de San Pedro. Relationships between Canadian and Mexican partners are maintained, nurtured and deepened linking communities, and NGOs up with similar groups. A seminar on the impact of mining activities in Mexican communities took place as well as case studies (*Mining Watch Canada*, 2002).

In April 2002, according to information from the company, the last of the amendments to the federal and state mining permits that had previously been issued was received by MSX. MSX acquired of irregular form water rights of ejidatarios and small land owners who suits the company. The company obtained illegally and against conditioning 68,992,000 m³ of water from intermediaries of 6 concessions. An order of apprehension of MSX's officials was granted ([La Jornada San Luis, 2002](#)).

On August 2002, the Tribunal of the International Center for Dispute Resolution on Investments established a laud in favor of the United States Enterprise Metalclad, imposing a fine of \$16 million to the Mexican Government for discriminatory treatment after the authorities closed a land field for residuals and trash in Guadalcázar (San Luis Potosí, México). This was a dangerous antecedent that the commercial and business logic is above the health and welfare of communities.

In October 2003, Mexican state and federal agencies, and Catholic Archdioceses of San Luis Potosi, authorized the structural stabilization and installation of blast monitoring equipment at the Cerro San Pedro Apostle Church. Metallica Resources Inc. was pleased to announce it on October 23 ([OTC Bulletin Board, 2003](#)). On November 24, 2003, the Agrarian Unitary Tribunal (Tribunal Unitario Agrario) emitted an agreement to stop operations of the transnational company, requested by the real ejidatarios to maintain the integrity of the land in conflict.

Approximately \$2 million was spent on initial project development during 2003. Construction of the mine begun in the first quarter of 2004 with commissioning scheduled for the fourth quarter of 2004. The exploitation unit started to build on February 2004 with the withdrawal and replantation of 21,000 protected cactae while MSX affirmed being in process of ISO 14001 certification. The topography report includes plans of geoposition of the National Institute of Geograpy and Statistics (Instituto Nacional de Estadística Geografía e Informática, INEGI) stating that the mining exploitation is on the area of the hill and in the town. On February 11, 5 years later, the company submitted the impact on health issues and the company has not given any information regarding the areas of conservation of 5 species of cactus to the SEMARNAT. Besides the historic architecture, there are five species of flora risking extinction.

Earlier, a group of nearly 20 environmental and civic groups charged México's Ministry for Environment and Natural Resources of illegally rubberstamping in 1999 MSX's environmental-impact report. [Cruz Camarena \(2004\)](#) reports a confrontation early in March between 60 local environmental and community activists and representatives of the

San Xavier Mine, the head of the State Unit of Civil Protection, Investigators from the Autonomous University of San Luis Potosí (UASLP) and the Secretary of Ecology and Environmental Organization.

On March 17, 2004, the Unitary Agrarian Tribunal rejected the rental contracts between the MSX and false ejidatarios. The Governor of the State of San Luis Potosí pressured the President of Municipal Government of Cerro de San Pedro to grant the corresponding agrarian permits. He also pretended to cancel the decree that protects the ecological zone. The Secretary of the State Government also pressured and wanted to bribe the Municipal President of Cerro de San Pedro to grant permits of land use and to give support for authorization of Secretaría de la Defensa Nacional's (SEDENA) permit to use explosives for bastings. The Secretary of Economic Development of the State of San Luis Potosí has land properties neighboring MSX and ceded 65% of water rights. The President of the Mining Chamber of México was the situation of conflict of interests; however he supported the blasting of MSX even knowing that this was against judicial decisions.

MSX has established programs dedicated to the conservation of the environment. MSX has formed a nonprofit foundation to supervise and administer the funds that Metallica donate to preserve the village of Cerro de San Pedro and assist the surrounding communities. On April 12, 2004, a protest mining at Cerro de San Pedro was organized by the National Liberation Zapatista Front (FZLN).

On May 11, 2004, Fred H. Lightner, General Director of MSX, sent a letter to Herrera Muñoz insisting on the permit to use explosives, warning that MR would announce publicly in United States that the company is found without any possibilities to continue with the construction of the mine due that it has no count with the general permit to use the corresponding explosives. He continued on saying that their investors and potential investors in other projects in México would begin to question regarding the risks to invest in México (Cruz Martínez, 2004c).

On May 18, 2004, The Second District Court granted a suspension as part of the appeal 564/2004 promoted by inhabitants of Cerro de San Pedro to halt granting of construction and functioning of MSX. However, this permit was liberated on the August 7 at Cabildo session.

In June 2004, the antimine coalition, Pro San Luis Ecológico won a federal court sided with environmentalists in effectively nullifying MSX's environmental permit, which halted the company's work. On June 23, the Supreme Tribunal of Fiscal and Administrative Justice cancelled the environmental permit granted by the SEMARNAT in February 1999.

On June 23, the 9th Collegiate Tribunal in Administrative Issues of the First Circuit of the Nation Supreme Court of Justice (SCJN), declared that the license of change of land use and open-pit mining project granted to MSX by the INE violated the General Law of Ecological and Environmental Equilibrium and the Decree of Planning in the State of San Luis Potosí.

On July 22, the Municipal Presidency was taken over by the MSX, a week before an entrepreneur of the MSX intended to bribe the President. The Secretary of Economy of México declared in August that MSX was a win-win project and authorized on July 28 a temporal occupancy of land against Article 20 of the Mining Law that forbids a mining exploitation when there are populations or an ecological reserve. The environmental permit to operations of MSX was cancelled on July 28, 2004 the same that was granted by the INE. For more than a year, Fox visited the State once per month and promotes MNX. President Fox visiting Canada questioned the judicial decisions affecting operations of the mining company.

On July 29 when visiting San Luis met the President Municipal of Cerro de San Pedro and recommended the approval of the municipal permits even against resolutions of the judicial power. According to Loredó, Fox told him that he was worried to achieve the mining project and that he (the President of México) recommended its approval (La Jornada San Luis, 30.08.04). The argument used by government to support operation of the open-pit mining company is the generation of 300 low wages employments, for only 8 years. It was criticized that President Fox for having a double moral. Although he promotes disobedience to the law of the Municipal President of Cerro de San Pedro, he has accused the Mayor of México City for the same fault. The Municipal President recognized that he authorized the operations of the open-pit mining because he was afraid of his life and the life of his family. In 1999, the Municipal President, the father of Loredó, was murdered because of his opposition.

On August 7, the Municipal President of Cerro de San Pedro approved the permits to build the mine and conformity regarding safety and location against a previous agreement of no approval done on May 28, based on the appeal 564/2004 and agrarian and environmental resolutions forbidden these permits. Loredó recognized that the permits were illegal; there was no other way to face the pressure. However, the session was tape recorded, where the Municipal President declares that he was under pressure by President Fox and the Governor of the State. The Municipal President declared that it was known beforehand that the federal government and the state government are in agreement and they are potent that one cannot be against them; they have the hand over our neck and there were some

advertencies. When this decision was questioned, he responded asking if his life was not important.

On August 9, the Second District Court admitted other appeal presented by ejidatarios and next day declared suspension in order that SEDENA could not authorize buying and using of explosives. On August 10, the same Court granted other suspension as part of the appeal 909/2004, to halt SEDENA's actions to deliver to the company permit to buy and use explosives, but license was issued the October 12 by the Secretary of Defense. On August 18, a congresswoman Eliana García, presented to the Permanent Commission of Congress, came to a point of agreement to request the Judicial Power to investigate federal and state officials involved in disobedience to the law.

On August 21, opponents to the MSX's project closed the offices and demanded immediate exit of the company from Cerro de San Pedro. Among these opponents were Movimiento Pro-Cerro de San Pedro, Frente Cívico Potosino, Greenpeace, Frente Zapatista de Liberación Nacional y del Movimiento "Ya Basta," inhabitants from Cerro de San Pedro, San Luis Potosí and Soledad, and a patrol of public security.

September 1, 2004, a decision of the Mexican Federal Superior of Fiscal and Administrative Justice Court (TFJFA or Tribunal Federal de Justicia Fiscal y Administrativa) called for the mining company's permit granted on February 1999. The permit was granted to conditionally operate the mine. However, the TFJFA revoked the permit because of its failure to comply with proper procedures with respect to their environmental impact study. The resolution states that because biodiversity is at danger, the Project should not be authorized. Commencement of mine operations was anticipated to begin in the fourth quarter of 2004, subject to project financing.

In a resolution dated September 1, the TFJFA substantiated a case brought in 2000 by the civic union Pro San Luis Ecológico, opposing the authorization granted to the company the previous year by the INE. The delegate of the SEMARNAT in San Luis Potosí (2002–2004) created and presided Foundation of Potosí under the purpose declared by MSX to fulfill the conditions established by INE to authorize the Manifest of Environmental Impact and to provide the compensations of ecological costs. The firm needs more than 3 years to fulfill only 32 of the 100 conditions imposed by SEMARNAT while this Secretary only needed a month to accept them.

The Court halted operations at the San Luis de Potosí Gold Project, owned by MSX, a subsidiary of the Canadian company MR. The Federal Court's resolution was based on the necessity of ecological preservation of

San Pedro Hill, where some animal species are in danger of extinction, as well as risks derived from cyanide use in mining, which would put in danger the biodiversity of the area. In addition to this point, the TFIJA recalls that the responsibility for preservation and regeneration of the environment lies with the federal authority. It concludes that the permit granted for the concession did not conform to “applicable laws.”

The opponents to La MSX consider that “the project is dead,” since any action that could undermine the federal justice decision “would imply disrespect and transgression of the law.” The company has retorted that the decision lacks a scientific base and that it will harm Canadian investments in the country. Second District Judge of the Federal Judicial Power dictated suspension of plan as part of the appeal 909/2004, promoted by ejidatarios de Cerro de San Pedro, San Luis Potosí, to suspend permit of buying and using explosives by the company.

MSX appealed the ruling and, in September, lost again. Because the company’s latest appeal was rejected, they are threatening to use NAFTA’s Chapter 11 to sue the Mexican government for potential lost profits. On September 27, the Broad Opposition Front asked to the Subdirection of Mining Rights to order cancellation of concession to MSX.

On October 7, personnel of the Secretary of Economy asked the ejidatarios to withdraw the land but a judge suspended the action. Against the owners of the land, during the first period of the project, more than 100 ha of protected areas were illegally naked of protected species cutting the flora and expulping the fauna. The Municipal President who under pressure granted the permit, confronted a suit for not obeying the law because the municipal permit was suspended on March 16, 2004. On February 6, 2004, MSX did not acknowledge some of the environmental commitments acquired and underestimating obligations to fulfill conditionings.

The company also committed fraud against the three levels of government who granted respective permits for the mining project under the assumption that land tenure was not viscid. With a fake contract, MSX took possession of land causing destruction on old buildings and protected flora and fauna, a loss to the ecosystem.

The company also closed without any permit, neighborhood roads that had been used by inhabitants of La Zapatilla, Cuesta de Campa, Portezuelo y Cerro de San Pedro (Montemayor, 2004a). Invaded land of national property where was the old track of the train Potosí-Rioverde and installed a fence of several kilometers to avoid access to inhabitants to municipal land (Montemayor, 2004b).

On October 26, the Federal Tribunal of Fiscal and Administrative Justice determined that authorization of conditioned land use granted in 1999 to the project of MSX was against federal norms and not considered the existence of a protected area plan for the Cerro de San Pedro and surroundings. In a public speech on October 28, the Minister of Environment and Natural Resources evaluated the resolutions of tribunals as the worst and spoke on favor of the company as having fulfilled all the requirements and considered as absurd the opposition of the inhabitants.

After SEDENA granted permits for use of explosives, on November 18, an incident of violation of suspension granted to the appeal promoted by ejidatarios on August 9 was promoted. On the November 22, SEMARNAT promoted a revision against the resolution that cancels the permit of conditioned operation of the open-pit mining to MSX and SEDENA authorized to MSX the use of explosives.

On November 29, 2004, the Director of Mining in the State of San Luis Potosí declared that in the following days the Company would have the first blasts to prepare operations. On November 30, 2004, The Senate Chamber passed an “obvious and urgent resolution” to stop programmed operations of MNX.

On December 1, an Agrarian Unitary Tribunal defended its claim that MSX’s lease excludes a group of land owners. The Agrarian Unitary Tribunal ordered to obey the sentence derived of an appeal 807/202 which determined the illegality of the leasing contract of land subscribed in March 1997 for a period of 15 years by fake ejidatarios, or false holders of land rights, who did not have land rights on the Ejido (Cruz Martínez, 2004c, op. cit.). The Court cancelled rental contracts subscribed between the company and false ejidatarios. The ruling freezes MSX’s land rights although the company constructed barbed wired fences around the land that the company does not own (Cruz Martínez, 2004b).

The Agrarian Tribunal (Tribunal Unitario Agrario) has nullified the rental contracts for the land where important parts of the mine are located – on the grounds that the persons renting the ejidal (socially owned) land to the company were not in fact members of the ejido, that is to say that their actions were fraudulent. About the land use, the company declared that the ejido leased is Cerro de San Pedro when belongs to the municipality of Soledad de Graciano Sanchez. The intention is to avoid permits in area that is legally environmentally protected. Also, ejidatarios of Palma de la Cruz leased 136 ha to MSX to be used as shops but the company was using it for disposal of sulfurous material that is not lixiviable.

On December 13 and 14, the company blasted the area of La Zapatilla incrementing tension among the inhabitants of the region. On December 14, it began excavating the mountain. Inhabitants of the town La Zapatilla were relocated after the company-initiated operations. When the National Institute of Anthropology and History (INAH) knew about the blasting, requested the company to stop of such activities arguing the defense of around 115 buildings dated from 17th to 19th centuries. Since 1998, INAH had warned over the danger for the historic heritage that would represent to activate the mining. With the opposition of the INAH, and the reluctant permission for using explosives for blasting the mountain, of the Secretary of Defence (SEDENA) the company has begun its operations. The company appealed but the judge did not grant suspension against INAH decision.

On December 18, intellectuals, artists and around 50 civil, environmental, and human rights organizations strongly requested President Fox to respect and enforce the law at Cerro de San Pedro and to order MSX to suspend activities based on judicial resolutions and verdicts. The arguments of the organizations, among others, Frente Amplio Opositor, la Asociación Nacional de Abogados Democráticos, and la Unión Nacional de Trabajadores Agrícolas y el Movimiento Agrario Indígena Zapatista (Maiz), were in favor to defend the environmental, cultural, and historic heritage and the imminent health risks of more than one million people. Ejidatarios continued with a safety line in front of the entrance to the mine although it was announce that the Secretary of Economy of México will grant a permit of temporal land occupancy in the agrarian nucleus of Cerro de San Pedro in response to an application done by MSX on June 28, 2004 (Cruz Martinez, 2004a). Thus, the Company and government were looking for other options of land ownership such as expropriation or temporal occupancy. But expropriation is only by cause of public utility.

On December 20, the Third District Court received the appeal presented by the company against the decision of the INAH. The Canadian firm MR Incorporated suffered a second reduction in the year of 16 percent in value of shares on December 21, after informing shareholders over the resolutions of Unitary Agrarian Tribunal which nulls the contract of leasing of 300 ha in Cerro de San Pedro. The first reduction in a year, of approximately 20% had occurred in mid-2004. MR responded with an appeal and stating that would look for other option of land tenancy to have access to mineral resources.

Members of Christian Science Monitor were the first Canadians to come and witness the damage that has already happened, and the potential for more harm. On December 22, 2004 under strategic action, México

citizen's group sought halt in the Canadian-owned mine, in responds to an urgent request for Canadian support to challenge legality and operations.

SEDENA admitted participation in control and surveillance of blast that the company realized, confirming violation of suspension dictated by the judge in August 2004 ordaining not liberation of permit to use explosives (Cruz Martinez, 2004c, *op. cit.*). Another round of blasting was scheduled for December 31. On December 18, the Municipal President of Cerro de San Pedro announced next detonation.

On November 15, 2003, the Commander of the 12 Militar Zone of San Luis Potosí considered that authorization of the permit could affect negatively to SEDENA. The Secretary of National Defense, on November 30, 2003, agreed to suspend the permit to use explosives granted to the mining company, but on October 12, 2004, against resolutions of judged, signed and granted permits of use of explosives. The Commander of the military zone that had opposed was removed from his position. On November 22, SEDENA authorized to MSX the use of explosives.

However, on December 24, when authorizations were public already, the permits were suspended but not cancelled. The SEDENA, suspended the permit 3762 – San Luis Potosí granted to MSX to buy and consume explosive material under the argument that the license to the company was altering the peace, tranquility, and public order among people living in the region of Cerro de San Pedro, although the inhabitants have denied alteration of public order (Cruz Martinez & Juan, 2004).

The INAH suited against directives of the transnational for destruction and demolition of Finca Guadalupe, that dated since the 18th century. The Broad Opposition Front sent a letter to the Canadian Embassy requesting intervention to halt operations of the Canadian company who is black-mailing and pressing inhabitants of Cerro de San Pedro using as arguments the NAFTA's framework (Román, 2004).

The past two days of December 2004, the lawyer of the company MSX got signatures among fake ejidatarios from Cerro de San Pedro and La Zapatilla, who would agree to use TNT.²

The Ministry of the Environment has taken legal steps to have the previous court rulings against the company overturned SEMARNAT had promoted an appeal of revision to the resolution of cancelled permit but had obtained in its favor a suspension to avoid cancellation of the permit. The Commission of Governance, Constitutional Issues, and Justice of the Permanent Union Congress approved an agreement to request information to SEMARNAT about the legal status of MSX and to accept the resolution

of the Court that cancels the permit of operation of the open-pit mining. A plural commission traveled to Cerro de San Pedro.³

The destruction of a historic building catalogued as a heritage monument of the 18th century in the town of Cerro de San Pedro by MSX was reported by *La Jornada San Luis* and *Triunfo Elizalde* (2005). This historic building is the Finca o Casa de Guadalupe which is included in the National Catalog of Historical Monuments. Access to the Finca was denied to the Municipal authorities by the employees of the company when authorities went to take an affidavit because an inhabitant showed the titles of property.

The inhabitants of Cerro de San Pedro had only obtained from Congress an agreement to request information from the SEMARNAT over the legal status of the company.⁴ On January 18, 2005, the INAH suited MNX for the intentional damages caused to real states that are historic heritage of Cerro de San Pedro and request suspension of actions to avoid damages against real states and the AOF accused the company to unfulfilled obligations. The suit was presented on January 15 because the Company did not request any authorization although on November 18, the INAH had asked the company an immediate suspension of any activities and blast in the area. On January 17, protesters of AOF demanded INAH for information (Enciso, 2005e).

The owners of Casa Guadalupe, a historic real state demolished by MNX suited the company for dispossession and damages. The building is in the catalog of historic constructions of the INAH. Personnel from INAH ordered to stop demolition on January 15. The Patronato Pro Defensa del Patrimonio Histórico y Cultural del Municipio Cerro San Pedro demanded cancellation of concessions to MNX for not fulfillment of the Mining Law (Enciso, 2005d).

According to the SEMARNAT, MSX has fulfilled with 180 conditions established to favor sustainable development (Enciso, 2005c). On January 20, 2005, the Broad Opposition Front (AOF) Frente de Oposición Amplia (FOA) to the MSX addressed an open letter to the Constitutional Governor of the State of San Luis Potosí to denounce damages caused by the blasts and the dangers and risks of planned mining operations (Governor's office, 2003). The argument of the governor stating that it was "an issue between particulars" is severely criticized (Cruz Martínez, 2005b).

MSX suit for defamation to members of the Broad Opposition Front two ejidatarios of Cerro de San Pedro and the leader of a civil organization Pro Defensa de Cerro de San Pedro (Cruz Martínez, 2005a) for the publication of an article in *La Jornada*.⁵ The National Network of Civil Organizations of Human Rights, All the Rights for All (la Red Nacional de Organismos

Civiles de Derechos Humanos Todos los Derechos Para Todos) started to circulate a letter of support to the three accused, as an Urgent Action. MSX lost other judicial process when the Third Court of District from State denied an appeal against the INAH (Instituto Nacional de Antropología e Historia), who requested last December suspension of blast explosions that damaged the historic heritage (Enciso, 2005b).

In a public message, AOF sustained that in a shameful act of cynicism and impunity, Cardenas Jimenez has recommended the Minera to go to the Tribunals without knowledge of the coursed legal process.⁶ The Broad Opposition Front to the MNX announced in mid-February 2005 that would promote a demand of political suit for negligence against the Minister of the Environment and Natural Resources who have supported the company in a public hearing on February 11.⁷ The SENATE approved an agreement requesting SEMARNAT and SEDENA to explain their involvement in the MSX case (Cruz Martinez, 2005c).

On March 4, 2005 a conference/forum Cuarto Concierto Cultural por la Defensa de Cerro de San Pedro took place for the defense of the environment of the village and the rights in Cerro de San Pedro, sponsored by Patronato Pro Defensa Cerro de San Pedro, marking the 413th anniversary of its foundation, on March 4, 1592.

On March 17, a KAIROS delegation formed by seven Anglican, Lutheran, Presbyterian, Roman Catholic, and United church leaders went to Cerro de San Pedro to investigate a mining operation owned by MR, a Canadian company based on Ottawa that stands accused of illegal gold mining in México. The company threatens to destroy both the historic town and the surrounding fragile ecology. The Canadians met with KAIROS' Mexican partners and local people to bear witness to their struggle and brought details home to Canada, including video and other documentation. "Foreign mining in México is another by-product of NAFTA and the trade liberalization policies that affect the poor," said Lutheran National Bishop Ray Schultz, a delegate with the KAIROS program. "When our Mexican partners raised concerns about this Canadian-owned mine, we felt we had to investigate" (KAIROS, 2004).

Representants of KAIROS, formed by a group of Canadian religious institutions, expressed concerns over the conflict of the Community of Cerro de San Pedro and the Canadian company considering that the practices of MNX violates Canadian Laws in Mexican territory (Muñoz, 2005). Previously, a member of the Broad Opposition Front had toured and campaigned in Canada lobbying leaders of opinion and legislators. On March 18, 2004, the Auxiliary Bishop Daniel Bohan of Toronto called on a

Canadian company to abandon a Mexican gold and silver mining operation using cyanide that locals fear will poison their water. With a surge in gold prices, MSX executives want to move forward and are searching for a legal breakthrough that will allow MSX to begin excavation and resume operations by mid-2005 (Campbell, 2004, *op. cit.*).

Under an irregular procedure, the Canadian Company promoted two appeals, but was denounced by the Pro Ecology Group. On April 6, 2005, a Tribunal in Administrative matters of First Circuit informed to MNX that had lost the appeal. Canadian legislators and Human and Parliamentary Rights Canadian Organizations formed a follow up and analysis committee to investigate actions of MR, owner of the project MSX. The Human Rights Canadian Organization had previously visited the community of Cerro de San Pedro (Enciso, 2005a).

The Canadian Ambassador in México met with the Broad Opposition Front to the MSX on May 4 and expressed the concerns of the Canadian Government for the conflict between the company and the Community of Cerro de San Pedro. A group of 30 environmentalist organizations accused the Minister of the Environment and Natural Resources to benefit transnational corporations approving projects such as the open-pit mining at Cerro de San Pedro against the will of the community and demanded a change in the environmental policy (Enciso, 2005). The protestors also denounced that the Minister has prosecuted environmental activists.

Oppositional groups win the judicial controversy against MNX after the First Court of District (Juzgado Primero de Distrito) has dismissed the appeal 503/2005, which was the last resource of the Company's defense.⁸ The Governor of the State of San Luis Potosí ordered to highjack a complete edition of the newspaper La Jornada San Luis to avoid to know the publication of his official maneuvering for pressure the decision to install the mining company MSX (Hernández López, 2005).

May 13, 2005 is reported that after MR presented loses in its first report of the year, the owners of MNX plan to withdraw Cerro de San Pedro's project and will suit the NAFTA's panel of controversies (Cruz Martinez, 2005c, *op. cit.*).

FINAL REMARKS AND CONCLUSIONS

Mining activities are perceived as the main economic factor of marginal regions and depressed zones in México. Mining concessions granted by Mexican government are centralized, brief, and do not include public

hearings. Affected groups and communities cannot react immediately and mobilize against potential risks and dangers or to negotiate rights and interests.

The Canadian firm Metallica Resource Incorporated was at the point to destroy part of the environmental, cultural, and historic heritage of the country, although there were three judicial resolutions to halt operations granted by different authorities on request of the. Ejidatarios who have rights to own the land had been dispossessed. It was assumed that operations of the firm were in complicity with the federal, State, and local governments. The environmental and health risks would have side effects on more than one million people living in the localities of Cerro de San Pedro, La Soledad, and San Luis Potosí. Norms were violated by the transnational Metallica Resource Incorporated when it started operations without obtaining legal permit of construction and operations and authorization to manage and to store explosives.

Exploitation of gold through open-pit mining and use of cyanide lead to destruction of natural environments and irreversible geomorphologic alterations, distortions of watersheds, reduction on the quality of available water, transport accidents of dangerous substances, and spill over during the exploitation, irreversible destruction of natural scenic and generation of deposits highly risky pollutant materials which have social, cultural, and environmental impacts on short-, medium-, and long terms (Montenegro, 2004).

The negotiation agenda and international mobilization around the debate over the concept of sustainable development and defense of the environment is a paradigm presented as a model of cooperation and consensus where the needs of all are incorporated and the greater have a compromise to support weaker. Intervention of the international community to the benefit of the public interest, the common good, to control forces of the state and to achieve more equity among populations, together with the implementation of more sustainable production and consumer patterns, are common and always welcome by the small local communities.

It is quite evident that the lack of sensitivity of foreign mining companies toward the consequences and effects of their activities upon the local communities and damage to the surrounding environment. To a certain extent, I disagree with Sánchez-Mejorada (Sánchez-Mejorada, 2000) who argues that facts will not convince the fringe environmental activists. The best defense is to address all environmental concerns and to have an aggressive community relations program that will prevent the facts to the general population that will be affected by the project. Keeping a low profile

will rarely work when being assaulted by activists on all fronts. But, an aggressive community relations program will escalate the conflict.

This case also shows the lack of negotiation between firms, communities, new social movements, and governments. Information about externalities and future costs of company activities is crucial but more crucial is formulation and implementation of more sensitive policies to avoid damage of the environment, biodiversity, and health of population. Governmental institutions must be aware that their decisions may affect the community quality of life of actual and future generations only for a small increment in economic growth and large increase in private benefits of a small group of investors.

More informed citizens tend to be more active protestors, such as the case of the students in San Luis Potosí. Contact between informed individuals of diverse groups and organizations help to exchange experiences and create public opinion in favor of mobilizations. Community participation and involvement in decision making of community development planning is quite limited by the lack of critical information. This fact is critical when the local government cannot provide the right information because there are other interests affecting the process.

NOTES

1. P.F.V. Col. Doc., Vol. I, p. 254, cited by [Del Hoyo \(1979\)](#).
2. *La Jornada* (2005), January 2.
3. [La Jornada \(2005\)](#), January 12.
4. *La Jornada* (2005), January 17.
5. Masiosare, 29 de Agosto de 2004.
6. *La Jornada* (2005), February 13.
7. *La Jornada* (2005), February 14.
8. *La Jornada* (2005), 9 de mayo.

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CHAPTER 9

SUSTAINABILITY AND THE MODERN ZOO

Tina Lee Odinsky-Zec

INTRODUCTION

Mixing corporate social responsibility (CSR) with the zoo will likely provoke debate and discourse beyond these pages. However, this chapter intends to use the convergence of this business philosophy with this business area to address the fragile perspectives of responsible practices in controversial industries. From “oil” to the now more politically correct terminology of “energy,” many industries are trying to reinvent themselves and their missions in light of external pressures. Leisure-related services can also be included and none more so than the modern zoos (and aquariums) that have tinkered with image from family entertainment to conservationists in action. In the sector of visitor attractions, the long-standing issue of zoos and whether it is acceptable to retain animals for the entertainment of spectators have been addressed by the zoo industry itself and by the watchdog organizations alike.

In their 2005 book, *Leisure Marketing: A Global Perspective*, [Horner and Swarbrooke \(2005\)](#) challenge readers with ethical and social responsibility issues and grapple with the dilemma as follows:

Many zoos, recognising growing public distaste for traditional zoos, have responded by changing their promotional message. They now sell the idea that their main purpose is education and conservation, rather than entertainment. As many zoo owners are

NGOs and Social Responsibility

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voluntary-sector bodies, acting on behalf of the 'public interest', it is vitally important to their credibility that they are seen to behave in a socially responsible manner. It is interesting to note that one of the first tourism-related applications of virtual reality that has been talked about is the idea of the animal-less 'Virtual Zoo'.

This statement, coming from an industry insider viewpoint, is a critical launching pad and I use it to dissect some interesting sub-issues it raises. First, it takes a decidedly reactive rather than proactive stance and insinuates that necessity rather than genuine intention be the trigger. It emphasizes the idea of selling conjuring-up notions of style over substance. The passage spotlights perception to be *seen* as credible over the alternative of reality. And lastly, it gives an extreme versus incremental solution. Therefore, the starting point sheds doubt and highlights the potential pitfalls zoos as an industry must overcome to design and deliver meaningful CSR initiatives.

VIEWS ON CSR AND SUSTAINABLE DEVELOPMENT

CSR, as defined by Harvard Business School professor V. Kasturi Rangan, relates to "activities undertaken by businesses that enhance their value in the community and society and thus benefit their reputation and brand" (Lagace, 2009). Shamir (2004) deconstructs the phrase and emphasizes the issue of *responsibility* being to satisfy either moral and legal requirements or some type of humanitarian disposition. Examined together, it is surmised that CSR encompasses both thoughts and deeds. It is also essential to point out that CSR is about communicating those intentions and impacts in transparent and readily available ways. "CSR and corporate sustainability involve assessment of the company's economic, social and environmental impact, taking steps to improve it in line with stakeholder requirements and reporting on relevant measurements" (Katsoulakos & Katsoulacos, 2007). The Global Reporting Initiative (GRI)¹ is an organization that is at the forefront of creating opt-in standards and is a framework for conducting a sustainability assessment. Barrett (2009) aligns CSR with continuous improvement as he notes that both the Malcolm Baldrige Awards and the International Organization for Standardization are taking CSR into consideration in their quality appraisals.

Aras and Crowther (2009) make note of the evolution in corporate reporting from environment to CSR to today's favored sustainability reports. They further illustrate the key dimensions of sustainability through their model (Fig. 1), which is organized along the lines of focus: internal,

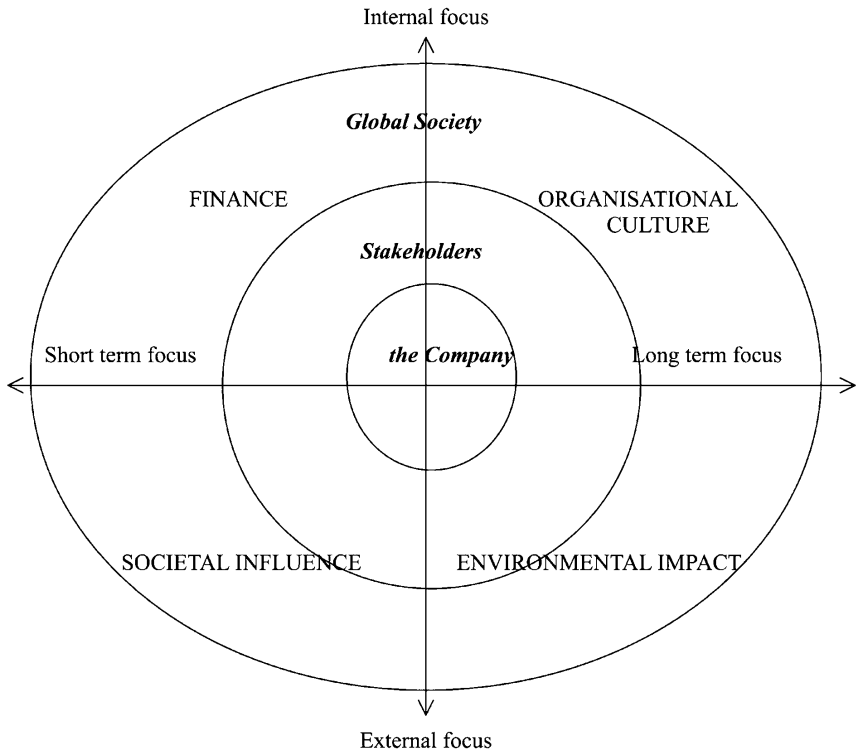


Fig. 1. Model of Sustainable Development (Aras & Crowther, 2008).

external, short-term, long-term forming quadrants of finance, societal influence, organizational culture, and environmental impact. This is then superimposed on a system of nested levels: the company, stakeholders, and global society. I embrace this model and use it as the compass to navigate through research on zoos and CSR sustainability.

MULITPLE LEVELS AND THE ZOO INDUSTRY

Historically, zoos have built bridges between local communities and far-flung destinations around the globe. They offer a glimpse into something greater than our small parcel and provide a destination immersion without having to travel a far distance. Today’s modern zoo offers more than just an animal on display but provides visitors with a representative context of their

natural habitats (Benbow, 2000). This setup of the physical space transports visitors to locales they might not likely venture to on their own. The zoo therefore becomes the centerpiece connecting stakeholders to the much wider sphere of society. It is also conversely shaped by both the cultural and the technological shifts taking place therein.

As an entity (company level), the modern zoo embraces its evolution continuum. From the humble array of domesticated, indigenous species to the elaborate displays of exotic trophies symbolizing wealth and triumphs of power (Morton, 2001). The latter forms the basis of argument for a wide range of animal rights groups to protest. Although the leading zoos distance themselves from these outdated forms, roadside and elite fringes still exist. However, the pressures from stakeholders have collectively united the industry, and several associations have risen to meet the self-regulation demands. "Researchers documented appropriate habitat from observations of species in the wild and used this information to design more appropriate environments for captive animals, resulting in more natural behavior, improved breeding, and increased longevity among the animals and higher visitor satisfaction" (Sommer, 2008).

The interface between the zoo industry and the global society is lead by regional and international accrediting bodies. Based in Maryland, United States, the Association of Zoos and Aquariums (AZA)² was established in 1924 and has strict standards of accreditation. The AZA currently lists 221 zoos and aquariums meeting their criteria, which is issued with a review of the process being conducted every five years. It is estimated that only 10% of United States Department of Agriculture-licensed animal exhibitors (Kopral & Marshall, 2000) apply and receive AZA accreditation. The AZA also includes ethical standards and in their code of ethics introduction accentuates "the continued existence of zoological parks and aquariums depends upon recognition that our profession is based on the respect for the dignity of the animals in our care, the people we serve, and most importantly, for each other." The AZA additionally lists over 15 different professional associations focused on North America and beyond.

The World Association of Zoos and Aquariums³ (WAZA) is another association panoramic in scope. WAZA is headquartered in Switzerland and was founded in 1935. While the literature review does indicate that both groups serve similar roles in advancing the industry on a global scale, AZA is only one of many members of WAZA. WAZA members represent various national and regional professional organizations, affiliates, and a handful of corporations in a network that expands over 47 countries clustered into 6 regions. WAZA lists only 234 zoos and aquariums as direct institutional

members, but they estimate a reach of more than 1,000 zoos and aquariums that also include indirect affiliations through other regionally significant professional organizations. For example, in Europe, the industry association that is known as the European Association of Zoos and Aquariums (EAZA) reaches over 300 institutions in 35 countries, and of them, only 125 are overlapping as WAZA direct institutions. Although the numerous industry organizations may have differences, their common thread lies in WAZA's conservation strategy (also known as WZACS 2005) "the world zoo and aquarium community knows that it has a powerful part to play in achieving global sustainability" (Olney, 2005).

In WZACS, the organization devotes an entire chapter to sustainability. They clearly address the importance of the wider zoo and aquarium network on both the principles and the practices set forth in the Earth Summit 1992, the groundbreaking United Nations Conference on Environment and Development. They adopt the definition of sustainability to be inclusive of social, economic, and environmental in scope as it is applied to "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." In principle, the WZACS agenda sets eight themes as a guide for all members in relation to waste management, energy efficiency, natural resource consumption, pollution accountability, local supply chains, fairness in business practices, and reducing the overall environmental footprint, proactively. In practice, implementing these changes in each individual zoo or aquarium needs to begin with an environmental audit and the creation of an environmental management system. In their doctrine, WAZA set out their recommendations for the global standard of best practices and those most in line with zoos serving as the pinnacle of conservationists in action through attainment of International Organization for Standards (ISO) 14001. These principles and practices need to be also communicated with stakeholders to promote and inspire action in the various stakeholder groups including but not limited to customers (visitors and members), employees, and corporations (sponsors).

World Association of Zoos and Aquariums (WAZA) Sustainability Vision Statement:

All zoos and aquariums will work towards sustainability and reduce their 'environmental footprint'. They will use natural resources in a way that does not lead to their decline, thus meeting the needs of the present without compromising future generations. All zoos and aquariums will serve as leaders by example, using green practices in all aspects of their operations and by demonstrating methods by which visitors can adopt sustainable lifestyles.

THE POWER OF THE MENTION

The approach to evaluate the sustainability of the modern zoos first examined keywords used in current CSR literature and research already done on zoos. In particular, I noted the studies of [Aras and Crowther \(2007\)](#) where they analyzed the frequency in which keywords and phrases are used on websites, and of [Patrick, Matthews, Ayers, and Tunnicliffe \(2007\)](#) with their methodic analysis of zoo mission statements grouping and sorting based on mentions and pairings. Both studies looked at over one hundred samples, whereas I opted for a quota sampling ([Table 1](#)) of 71 zoos to achieve a geographically representative group targeting 30% of WAZA’s membership. As WAZA sees itself as a unifying force for the zoo and aquarium community, I wanted to see how effective the message of sustainability is being dispersed and the language being emphasized or deemphasized as a consequence.

I looked at over a dozen different variables – words and phrases that represent intention to communicate their activities in the public domain ([Table 2](#)). Like [Aras and Crowther \(2007\)](#), I used concepts applied to measure CSR including “sustainability,” “sustainable development,” and “corporate social responsibility.” Then, like [Patrick et al. \(2007\)](#), I checked for the presence and the frequency of the words “conservation” and “education,” which are manifestations of how the modern zoos are positioning themselves in a sustainable manner. The term “green team” was used to signify a dedicated internal use of human resources focused on applying conservation practices in everyday zoo activities to symbolize a harmony between what zoo employees say and do. Critics of zoos as an institution are cited as being most opposed to the commercialization and audience-pleasing aspects of their operations, which I equated with the

Table 1. Quota Sample.

Region	WAZA Countries	WAZA Zoos	Zoos in Sample	Total (%)
Africa	2	6	2	33
Asia	11	26	8	31
Central America and South America	5	6	2	33
Europe and Near East	25	125	37	30
North America	2	62	19	31
Oceania	2	9	3	33
Total	47	234	71	30

Table 2. Keywords Searched.

Sustainability
Sustainable development
Corporate social responsibility
Green team
Conservation
Education
Sponsor
Entertainment
AZA (Association of Zoos and Aquariums)
EAZA (European Association of Zoos and Aquariums)
WAZA (World Association of Zoos and Aquariums)
ISO (International Organization for Standardization)

terms “sponsor” and “entertainment.” I also checked for a public acknowledgment of association activity and tracked the use of terms “AZA,” “EAZA,” and “WAZA.” This acknowledgment (or lack thereof) of the various associations was used to evaluate the role the associations play in day-to-day activities and communications of the individual zoological institutions. Lastly, I searched for “ISO” to see which zoos have reached out to achieve quality standards beyond borders and across industries. To achieve the results, I used an advanced search feature that let me isolate each of these terms on each of the 71 official websites of the zoos in the sample. Although variables such as language and web optimization factors could affect the results, the modern zoo must be user-friendly to a wide audience of both domestic and foreign visitors where English is a common platform and where their homepage will be visited more often than their physical establishments. This exploratory study revealed basic trends that can be monitored over time as was the intention of the author.

MANEUVERING FOCAL POINTS

In addition to the quantitative data garnered from the global sample, I moved in for a closer look at some best practices within this network and lastly combined it with a qualitative case spotlight on one zoo. The results of the sample were sorted with a focus on each keyword/phrase at a time and then filtered to rank the zoo’s mention in descending order from highest number of mentions to lowest number of mentions and examine patterns.

Once this was done, it was easier to select the zoos that were indicating their priorities based on the frequency or lack thereof of certain keywords. Then, a follow up on zoos was conducted, which topped the lists to find out if in fact there was a correlation between the frequency in which a keyword appears (the talk) and the actions of these zoos(the walk). The spotlight case study was done on Zoološki Vrt Zagreb (Zagreb Zoo) as it was both geographically accessible to the author and in the elite minority of zoos that mentioned ISO standards. With this juxtaposition, I hope to weave the story in and out of various perspectives to provide a more intimate portrait of the modern zoo.

KEYWORD ANALYSIS

The data analysis of keywords is represented in the snapshot provided in Fig. 2 and in Table 3, both of which illustrate the percentage of zoos that mentioned each of the phrases at least one time on their websites. Of the 12 keywords and phrases examined in the context of zoos, CSR was mentioned the least overall. Sixty-two out of 71 zoos did not even mention CSR. This can be positively translated further by stating that 13% of zoos mentioned

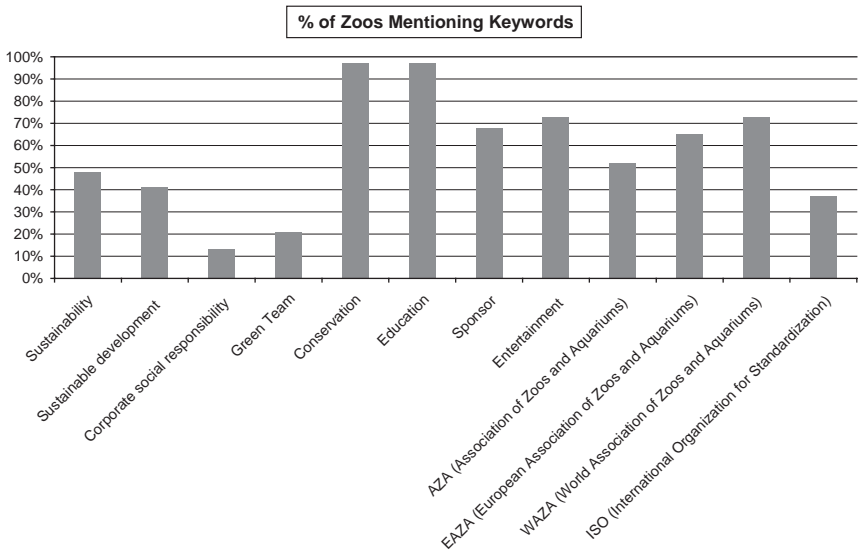


Fig. 2. Percentage of Zoos Mentioning Keywords.

Table 3. Ranking of Keywords Mentioned.

Keyword Searched	Mentioned (%)
Conservation	97
Education	97
Entertainment	73
WAZA (World Association of Zoos and Aquariums)	73
Sponsor	68
EAZA (European Association of Zoos and Aquariums)	65
AZA (Association of Zoos and Aquariums)	52
Sustainability	48
Sustainable development	41
ISO (International Organization for Standardization)	37
Green team	21
Corporate social responsibility	13

the term. On the other end of the spectrum, we have *conservation* and *education*, which tied as most mentions. Ninety-seven percent of all zoos mentioned both conservation and education.

The cluster of terms *sustainability* (48%), *sustainable development* (41%), and *CSR* (13%) being widely used across other sectors finds less than 50% of zoos using such language. In contrast, more than 50% of the zoos sampled mention one, if not all of the associations: *AZA* (52%), *EAZA* (65%), or *WAZA* (73%). The term *green team* and *ISO* had popularity with only 21% and 37% of the sample, respectively. However, these are seen both as powerful indicators of the environmental commitments zoos have and as a project.

The analysis reveals that certain zoos dominate in the frequency in which they mention the keywords in the study. Table 4 illustrates the most mentions by a single zoo of each keyword, and therefore with 12 keywords, there could have been 12 unique zoos. Yet, this was not the case; instead, the Smithsonian National Zoological Park (SNZP) was the zoo that most frequently mentioned 5 of the 12 including *conservation*, *education*, *sponsor*, *sustainability*, and *green team*. All organizations can take measures both internally and externally to support sustainability. Internally, best practices to reduce, reuse, and recycle can be applied. Within the SNZP, the staff have been organized to direct conservation efforts and have opted to label these internal activities under the umbrella of *green teams*. The range of activities undertaken by a green team may include the following: consumer education, consumer awareness, green lifestyle guidelines, publication and other resources, events, knowledge checkups in the form of a green quiz, and more. The Smithsonian Zoo is also one of the oldest in the sample being

Table 4. Ranking of Zoos by Keyword Frequency.

Keyword Searched	Total Mentions	Most Mentions	% of Mentions	By a Single Zoo	Country	Year Established
Entertainment	1746	288	16	Auckland Zoo	New Zealand	1912
ISO	295	172	58			
AZA	1967	439	22	Brookfield Zoo	United States	1934
CSR	13	3	23	Chester Zoo	United Kingdom	1934
WAZA	1762	617	35	Prague Zoo Praha	Czech Republic	1931
EAZA	3432	2070	60			
Conservation	20956	5280	25	Smithsonian	United States	1889
Education	13820	4360	32	National		
Sponsor	7143	2960	41	Zoological Park		
Sustainability	6064	2860	47			
Green team	3423	3150	92			
Sustainable development	424	118	28	Universeum	Sweden	2001

121 years old compared to the average age of 93 years. This zoo in particular reinforces a message of the linkages between the keywords in the sample with an entire dedicated program called the *Center for Conservation Education and Sustainability (CCES)*. The SNZP’s CCES offers education and training to a wide strata of *friends* of the National Zoo including visitors, scientists, undergraduate students, graduate students, professionals, schools, and the community at large.

Smithsonian National Zoological Park, Center For Conservation Education and Sustainability (Source: www.nationalzoo.si.edu):

The decline of Earth’s biodiversity and the need for sustainability practices mandates that we need a new approach to conservation that conveys to people of all walks of the crucial interdependence of plants, animals, people, and the environment. This challenge is too urgent and too large for any single organization, government, or discipline to tackle alone. We need pragmatic approaches and new partnerships among biological and social scientists, government and industry professionals, and citizens to reinforce and protect the intrinsic value of biodiversity, and garner support for sustainable use.

The Auckland Zoo ranked high in many of the key terms but stood out on top for number of mentions for the keywords *entertainment* and *ISO*. Forming the basis of their entertainment value are special programs like summer music events, school holiday programming, photography workshops, behind the scenes at the zoo tv series, and a planned section of the park that celebrates local flora, fauna, and country history and past in an immersion experience. The zoo also adheres to the strict guidelines of ISO

environmental standards and incorporates and communicates its efforts online. The Auckland Zoo has transferred complicated procedures and intricate aspects of its ISO compliance into easy to read and replicate awareness building highlights on its website. In particular, they draw attention to their operational practices for integrating conservation including areas of water, waste, office, horticulture, buildings, and energy.

The Prague Zoo Praha in the Czech Republic is recognized for valuing the credibility and standards that international associations provide. Both WAZA and EAZA were most frequently mentioned by the Prague Zoo. The Brookfield Zoo also touts its relationship and adherence to AZA's mission and vision through its varied activities and reports linked to its site. The Chester Zoo in the United Kingdom is one of the few zoos that understand and address the double bottom line of potential sponsors. They directly appeal to the need for corporate partners to meet their fiscal and social responsibilities and have a segment directly addressing the opportunities for firms to gain both commercial and CSR benefits from collaborations with their zoo. Universeum is one of the youngest zoos in our sample being established less than 10 years ago. Its commitment is reflected in its common use of the word sustainable development more than any of the other 71 zoos in the sample. Due to this newness, it is evident that they were developed with sustainability in mind. They have used an external council to assure sustainable growth and maintain the highest level of environmental awareness in their operations. The issues of biodiversity and conservation of endangered species are heavily emphasized by Universeum.

The ranking of the zoos and the keywords aided in identifying zoos in the sample that were strong in certain areas that may be indicative of overall behavior. To examine a case of a zoo that did not garner attention based purely on its empirical value, I examine in depth a zoo that is significant to the community in which the author resides. This offered accessibility to observe and interview the leadership of the zoo and gather information of qualitative value.

CASE HIGHLIGHT: ZOOLOGICAL GARDEN ZAGREB (ZOOLOŠKI VRT ZAGREB)

In this wider study, I examined 71 zoos affiliated with the World Association of Zoos and Aquariums, also known by its acronym WAZA. One of those zoos, the Zagreb Zoo, is profiled here as I acknowledge that each individual

zoo is worthy of further examination in their relative contexts as they are shaped and help shape the communities in which they operate. This spotlight on the Zagreb Zoo helps to shed light on the interplay of various levels and the complexity of running a sustainable operation taking into account various stakeholder groups.

Zagreb Zoo (ZgZoo) is the shortened form for the Zoological Garden Zagreb, which has been in continuous operation since 1925. It is located in an urban park setting with easy access by tram in the eastern part of the city directly from the main soccer stadium. It has survived through various political turmoils that have plagued the region and has emerged as a leader within its own industry, as a public institution, and as a formidable brand.

With over 300 species spreading over 7 hectares of land, ZgZoo is considered a small size zoo park. It belongs to the regionally important EAZA which has over 320 members. The ZgZoo boasts membership to several industry organizations for various reasons. First and foremost, the industry associations unite to support each other with the latest information on hot topic industry issues, staff exchanges, technical assistance, capacity building, and sustainability of captive animal populations. WAZA offers prestige to member institutions as they have global reach to a main audience of Zoo directors. WAZA assumes the role of setting the agenda for the zoo and aquaria community; however, their membership is by invitation only and is based on recommendations of at least three existing members. On the contrary, while EAZA also requires an accreditation process, it plays a more practical role in shaping the activities of its membership throughout the year as they reach all levels of the organization and offer programming. The EAZA organization holds meetings once every year with an attendance of around 700 participants in a six-day intensive format. However, EAZA is run by a skeleton staff of eight full-time employees and relies heavily on volunteers from within their network to create programs and provide technical support for such events. EAZA also takes time out to honor member for best practices in implementation, so out of field of hundreds, it is particularly impressive that ZgZoo was singled out for their awareness raising campaign for the European Carnivore. The ZgZoo campaign was effective and wide reaching as it held activities in and outside the zoo. Over 200 schools participated in the program that helped bridge educational information on native Croatian species such as the lynx, wolf, and bear from the wild to the classroom.

Within Croatia, the ZgZoo serves as a mentor to one zoo and has a connection to other zoos in the country. Although ZgZoo operated throughout World War II and even during the more recent fight for

independence in the early 1990s, this was not the case for other facilities in the region. The Zoo with the second most amount of visitors is Osijek and they had to relocate animals and close down operations during the war as that area saw heavy combat. As Osijek Zoo has rebuilt over the past decade and a half, ZgZoo has been their mentor actively helping Osijek's modernization development and sustainability. In this aspect, we can see that ZgZoo has taken on a leadership role country wide.

The ZgZoo in 85 years has taken various forms, and while it once was a wholly owned corporation run by the city of Zagreb, it now has the classification as a public institution. As such, it must report its activities to the Mayor of Zagreb, the City Council, as well as to the Board of Directors. They must lobby carefully in light of political shifts and priorities of various administrative bodies and the public good.

In 2004, most companies owned by the town were encouraged to apply and go through the ISO certification process. The ZgZoo is a standout as they have achieved ISO 90001 and ISO 140001 certification in 2006 and beyond. The certification requires annual inspection to assure they are maintaining excellence in operational and environmental management protocols, and the ZgZoo continues to successfully undertake the renewal process.

Another example of their adaptability and ability to thrive under new conditions is that the ZgZoo was mandated to assume governance over the city animal shelter as of April 2009. Thus, they are not only responsible for the animals on their own premises but also for those domestic and wild animals seized and brought to the city animal shelter. This has caused some controversy, but it is not an isolated case in the zoo world. In less than a year, the new management of the shelter has been able to place 356 abandoned dogs and find a new home and supervise the adoption for an additional 372. In this capacity, the ZgZoo often works in conjunction with the local nongovernmental organizations (NGOs) including Noina Arka, Animal Friends Croatia, and the Info Pet Center – SUZA, to name a few.

ZgZoo is more than willing to cooperate with animal welfare organizations as they view synergies along the lines of similar missions. However, it is widely accepted that the animal rights activists do not always share the same opinion. But any anti-zoo policies on the part of NGOs have to be put aside as the ZgZoo is now the legal entity responsible for animal welfare city wide. On a personal level, there has been an acknowledgment that the animal welfare community shares much more in common than in contrast.

Within Croatia, there is not as much outrage of zoos as an institution as there are in Western European countries. Historically, the countries hidden

behind the Iron Curtain were also sheltered from the development of the citizen-action movements. Thus, zoos in countries like Holland and the United Kingdom have struggled more with powerful NGOs like Royal Society for the Prevention of Cruelty to Animals (RSCPA) and World Society for the Protection of Animals (WSPA) and their followers. There is indication that more collaboration than conflict is on the horizon as WSPA representatives have been given a constructive platform to raise their issues through the EAZA annual conference. From the point of view of ZgZoo, Director Davorka Maljković puts it best as, “Zoos have the visitors and resources to communicate the NGO’s messages; institutionally there are problems and there will need to be time to develop joint cooperation but its moving in the right direction.”

Their international and local cooperative outreach has resulted in a constant growth and improvement mechanism. The ZgZoo operates with 75 employees and students. Half of the staff are dedicated to animal care, the zoo keepers, and the other half to service and business operational roles. The university student relationships have been useful in given students’ practical work, assisting in research initiatives and expanding educational programming. In 2007, the education department was able to work with over 3,000 children on a wide range of education and conservation topics of local, national, and global importance. By 2009, the number of children participating in zoo teaching and learning project rose to 13,000 and continues to climb. Peek season for the ZgZoo Education department is spring and summer with educational events such as lectures, workshops, and camps taking place almost every week.

The ZgZoo is the top visitor attraction with an estimated 400,000 visitors a year. The next most popular attraction, the Technical Museum, only gets 25% of that traffic. As a brand, it stands out with families and children alongside of Coca-Cola and McDonalds. However, it is in a constant state of preparing for the future today. It is being remodeled and its premises updated in phases that are more suitable to its own conservation and education messages and in alignment with other forward-thinking EAZA members. It is harnessing technology and at the same time balancing their growth with sociocultural sensitivity. As a zoo in a high-traffic area, they have taken steps to put up a noise barrier similar to that now lining Croatia’s modern highways. They need to do this to help protect the animals but at the same time be aesthetically pleasing in the historic setting. The ZgZoo is applying for all the licenses, permission from the office of the Protection of Monuments while at the same time applying to pre-accession funds to support it. In doing so, they must justify not the structure they want

to build but the knowledge process behind it. They hope to use Eco-Innovation, utilizing recycled tires in the construction to create a win-win situation for all. The ZgZoo stands as an example of good governance for their industry, their region, and their brand.

CONCLUSIONS

Many industries are in a process of adapting to radical changes in the marketplace. Some have been reactive to the CSR movement whereas others have been proactive. Within the zoo community, it was found that their cross-national associations have taken a leadership role in mandating a synchronized, sustainability vision. The communication of industry-wide initiatives has revolved around a clear and common mantra. For the zoo industry, sustainability relates directly to their collective positioning as centers of education and conservation.

It has been widely accepted that in western societies, zoos have evolved in three distinctive stages: the menagerie, the “living museum,” and the conservation center (Ginsberg, 1993; Mullan & Marvin, 1999; Hancocks, 2001; Hallman & Benbow, 2006). This conservation focus seems to have a correlated history with the groundbreaking Earth Summit 1992, which would support that the modern zoo industry has been at the forefront of this change.

The study looked at current CSR literature and framed publicly available information from a quota sampling of 71 accredited zoos and the choice and frequency of expressions online illustrating the results quantitatively.

This study looked at zoos and explored how they are moving closer to the ideal portrayed in the missions and vision statements of some of their regional and global associations. CSR as applied in the form of sustainability to zoos is occurring as they are now more likely to emphasize their role as change agents in conservation and education rather than their pure entertainment value. The majority of the zoos in the sample are indeed embracing proliferating the conservation and education messages that are more in line with being responsible entities in their particular industry.

The importance of this study lies in the fact that it began to examine the virtual portraits that individual zoos are creating and how, in this way, they provide a window for further observation. Although the empirical data represented general trends in keyword usage (the talk), more comparative and longitudinal case studies need to be conducted to verify if indeed individual zoos, the zoo as a collective industry, will continue to align their

CSR policies, practices, and promotion. I argue, however, that regardless of the trigger point, there are positive outcomes of zoos embracing the CSR pathway.

I view CSR as evolving as a democratic system where critics can be heard and organizations can rally to the challenge in ways that can exceed and transform industries. Communicating CSR activities is critical and not simply to craft an image but to make connections and improve stakeholders engagement. However, the assumed linkage between sponsors and an emphasis on the zoo as a CSR vehicle is rare at this time. While zoos as a marketing vehicle (Hampp, 2006) are increasingly appealing to corporations, zoos themselves are cautious about the appearance of corporate sellout. The sponsors are, therefore, using more implicit than explicit tactics to benefit from their zoo partnerships.

Another important facet of this study lies in the fact that it began to examine the virtual portaits that individual zoos are creating and how in this way they provide an alternative domain for observation and outreach. However, forms of the virtual zoo are sure to evolve past the stage of dynamic web interfaces to reflect the rapidly emerging technology platforms, which will continually redefine the virtual zoo, the physical zoo and the future hybrids.

On the micro level, a single case was profiled to highlight qualitative issues that maybe overlooked using numbers alone. It was found that the Zagreb Zoo, while not remarkable in quantity of mentions, had a range of topic areas qualifying it important to understanding the interplay of the various levels. In this single entity, the role of the international associations was prominent including that of both the zoo industry (EAZA) and the international quality standards (ISO). Rapid growth of their animal welfare responsibilities, outreach programs on education and conservation and leadership in cross-sector partnerships, in what would be classified as a mature (85 years old) organization certainly, seems surprising given the small size, historical and political climate, the ZgZoo endured.

Lastly, I evoke the etymology of sustainability that is rooted in aptitude of biological forms to remain diverse and productive over time. As a living cultural institution, the zoo has been able to sustain itself through adapting to socially accepted norms and stakeholder values. Zoos are evidently supportive of education cooperation in the areas of science and art; yet, they also offer many interesting insights into sustainable business practices as many have survived decades (and in some instances, a century or more) of cultural and technological shifts. CSR as a term is not widely used, and perhaps therefore not misused, in this industry. However, there lies a vast

amount of research yet to be explored. The multinational nature of the zoological parks lend themselves to more expansive studies from various geographical and theoretical vantage points.

NOTES

1. The Global Reporting Initiative (www.globalreporting.org) began in 1997 and has lead a multinational, multi-stakeholder charge to take sustainability reporting from the marginal to the mainstream in just over a decade.

2. More information of the Association of Zoos and Aquariums is available at www.aza.org.

3. The World Association of Zoos and Aquariums can be found at www.waza.org

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