4 ETHICAL MANAGEMENT: NEED FOR NGOs

Abstract

Non-governmental organizations (NGOs) have proven to be excellent instruments for promoting a wide range of causes. But they need to adhere to strict ethical principles that they usually define in voluntary codes and standards. NGOs have the responsibility to be transparent, honest, accountable and ethical, to give out accurate information and not to manipulate situations for the personal benefit of their boards and staff. NGOs have the responsibility to dedicate themselves for the sake of others and do so according to the highest code of ethical conduct. A code can assist stakeholders in identifying and avoiding "pretenders" and irresponsible NGOs. A Code of conduct and ethics is a set of fundamental principles, operational principles and standards to guide the actions and management of non-governmental organizations. NGOs have a duty to maintain the highest ethical standards and stay the course in terms of their own practices and founding vision of service. It will help to inform and guide the work of NGOs in this capacity. This paper analyses the ethical standards, values and social principles that define its mission and activities. The study is done on NGO accountability issues also.

Key words: *Non-governmental organization, Ethical Code of conduct, Accountability, Responsibility.*

What is a Non-Governmental Organization (NGO)?

The term, "non-governmental organization" or NGO, came into use in 1945 because of the need for the UN to differentiate in its Charter between participation rights for intergovernmental specialized agencies and those for international private organizations.

At the UN, virtually all types of private bodies can be recognized as NGOs. NGOs have grown rapidly in number, size and influence in recent decades. It is governed by private law and with independent legal status, pursuing programs of general interest for the improvement of society in the fields of social welfare and sustainability; community action, education, healthcare, environmental protection, development cooperation and sustainable development (Aenor, 2004). They only have to be independent from government control, not seeking to challenge governments either as a political party or by a narrow focus on human rights, non-profit-making and non-criminal. The majority of these organizations are charity organizations, and thus would not fall under the category of development-oriented NGOs. NGOs with fast expansion in size and services in the late 20th century throughout the world are being considered as the third sector of society, besides, public and private.

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NGOs are organizations that are non-political, non-profit, non-governmental, and accountable to their stakeholders and involved in welfare and socio-economic development of people. For the purposes of the Code of Ethics and Conduct for NGOs, an NGO is considered in its broadest context: a not-for-profit, non-governmental organization. The term non-profit is used in the sense of "not-profit-distributing" in that any profits are invested back into the public mission of the organization, and are not distributed for the benefit of the board, staff or shareholders - thus distinguishing the NGO sector from the business sector. The term non-governmental is used in the sense that the organization is independent of government - it is not controlled by a governmental entity nor is it established by an intergovernmental agreement. Included in the definition are large, international organizations and small, one-person operations, those that are secular as well as those that are faith-based, and both membership and non-membership groups. The idea of NGOs as an active and representative part of civil society is attractive, but highly debatable (Abramson, 1999).

Non-governmental organizations (NGOs) have been defined by the World Bank as 'private organizations that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development'. NGO activities can be local, national or international. NGOs have contributed to the development of communities around the world and are important partners of many governments – while remaining independent from governments. According to the Human Development Report , there were in 2002 over 37,000 NGOs in the world, a growth of 19.3% from 1990. The influence of globalization, technological progress, rising standards of living in advanced countries and in many emerging countries, on one hand and also changing political, social, economic and human framework increased the activities of NGOs on the other hand.

An NGO should have commitment to its vision and mission, taking care of external environment, stakeholders and operations. In order to be effective and well managed, it should maintain good relationships with donors and state, and also involve the community in their decision making at the board level. The management system for NGOs is supposed to be different from traditional management thoughts given by Fayol's Modern Operational Management, Taylor's Scientific Management and Weber's Bureaucratic Model, because of their distinctiveness in vision, mission, organisational culture, goals and values from the other two sectors. The number and variety of areas in which NGOs are involved has expanded to include immigration, dependant care, human rights advocacy, peace promotion, the fight against specific diseases or pressure for acts of corporate social responsibility (Eisenberg, 2000).

Accountability is an important issue because of the influence that NGOs have on the life of many people, including those that are not the direct object of the NGOs' promoted policies. There is a variety of alternative accountability meanings, from identity accountability (the NGO is answerable to itself and to its members through its values, mission and culture), to accountability to the owners (for example, the core activists that control the NGO), to those stakeholders who have the ability to influence the results of the organization, or to all those stakeholders upon whom the NGO's actions have or may have an impact (Unerman and O'Dwyer, 2006). In view of neglect of the original goals, lack of legitimacy, inefficiency, lack of transparency etc, NGOs are sometimes criticized across the broad and in specific cases (Zaidi, 1999; Foote, 2001; Gibelman and Gelman, 2001, 2004; MacDonald et al., 2002).

Code of Ethics & Conduct for NGOs

Lloyd (2005) identifies six reasons for self-regulation in the NGO sector: 1) The rapidly increasing number of NGOs and their growing influence has made them key players in society which demands responsibility and accountability. 2) NGOs' success in changing national and international policy has led other agents (governments, companies, unions and public opinion) to question their legitimacy. 3) Their rapid growth has outpaced the ability of many governments to effectively regulate the areas in which NGOs operate. 4) Even in countries with proper regulation, self regulation is seen as a way of going beyond the legal minimum to promote higher standards of governance and accountability. 5) NGOs need to maintain society's trust and to do that they must meet higher standards in their own organization and operations. 6) The need to diversify sources of funding and attract other donors makes self –regulation a necessity.

Self-regulation can be achieved in many different ways along a continuum between two extremes: codes of conduct, on one hand and accreditation and certification systems on the other. Codes of conduct are self-regulatory mechanisms where groups of organizations agree on standards governing their conduct, with each promising to abide by established norms. Accreditation and certification systems are self-regulatory systems involving independent external reviews of an organization's compliance with pre-established standards and norms (Shea, 2004). Codes are voluntary and lack enforcement mechanisms. This makes it more likely that NGOs will adopt them and encourages their members to learn and adapt to the code's requirements. Codes can also be enforced indirectly through awareness of the impact of non-compliance on NGO reputation, or by making compliance a condition for access to certain sources of finance. Certification mechanisms are subject to external control and so are stricter (Leader, 1999), although they do not always have means of enforcement.

The purpose of Code of Ethics is to promote high standards, quality, effectiveness, transparency and accountability among NGOs. In recent years, we have witnessed a dramatic increase in the importance, number, and diversity of non-governmental organizations (NGOs). NGOs now impact policies and advance initiatives that once were nearly exclusively the domain of governments and for-profit corporations, and their humanitarian service has become vital to the well-being of individuals and societies throughout the globe.

All NGOs, even the most sincere and selfless, can benefit from a code of ethics and conduct that systematically identifies ethical practices and acceptable standards. The adoption and internal enforcement of a suitable code not only provides an ethical check for an NGO; it also serves as a statement to beneficiaries, donors and the public that the NGO takes seriously the importance of maintaining high standards. Such a code can assist stakeholders in identifying and avoiding "pretenders" and irresponsible NGOs. The Code is a set of fundamental principles, operational principles, and standards to guide the actions and management of non-governmental organizations.

Developed under the auspices of the World Association of Non-Governmental Organizations (WANGO), the Code of Ethics and Conduct for NGOs was formulated by an international committee representing the wide spectrum of the non-governmental community, and included input from NGO leaders from all regions of the world. As institutions that do not place profit as their number one goal, NGOs also tend to be among the most trusted institutions in society. In the Fourth Edelman Survey on Trust and Credibility (2003), both US and European leaders indicated greater trust in NGOs to do what is

right than they professed for business, government or media. In an earlier (June 2000) Edelman survey of 500 US elites and 100 European/Asian elites, the respondents demonstrated that for environmental, human rights and health issues, their trust in NGOs more than doubled their trust in government, corporations, or media.

Notably, in most cases, there is only minimal regulation of NGOs by state authorities – often only enough regulation to see that the NGO has been legally formed or meets its requirements for tax exemption or other concessions. Funding organizations and the public may have little understanding of which NGOs are reputable and which are fraudulent. Nor is it easy to ascertain which NGO are utilizing public money responsibly and efficiently to carry out their activities, and which are spending most of their resources on their staff and board. Compounding the problem is that less than desirable organizations may assume names that are quite similar to those of reputable organizations, or may assume "attractive sounding names" while carrying out little or no activities for the purposes claimed. Foundation grants tend to go to organizations with which the foundation is familiar, rather than risk giving to an NGO that may prove not to use the funds responsibly.

Creeping in of Unethical Deeds

While most NGOs strive ethically and responsibly to promote the public good, there are also many actors in the NGO community that do not follow acceptable standards of conduct, whether in fundraising, governance, or use of public funds. There are also many NGOs that have been set up for unethical ends, such as "Briefcase NGOs" who function mainly to try to attract grants or donations to enrich their owner. Unethical NGOs such as these exploit people's giving nature and weaken the trust of the public and donors in the NGO sector. Ethical and responsible NGOs are tainted in the process.

Given the growing reach and importance of non-governmental organizations (NGOs), it is essential that they utilize consistent and thorough methods aimed at ensuring accountability to their various stakeholders: donors, their own charter or mandate and staff, and last but certainly not least, the communities and clients they seek to help and serve. Particularly in this age of constant media influence, lapses in NGO accountability frameworks or lack of such frameworks altogether resulting in scandal can cause the public to lose faith in these institutions, thus ruining the reputation and ability of similar organizations to raise money and truly enact change.

One example of such public scandal was that of United Way of America, where the CEO William Aramony was found guilty of 25 felony charges including conspiracy to defraud the United Way, filing false tax returns and falsifying records to hide the diversion of money; among other things, he used charitable donations to finance a lavish life style, including trips on the Concorde and an expensive condominium. United Way was hurt both by its affiliates delaying payment of voluntary dues to the national organization and public charitable contributions to both United Way and its affiliates dropping up to 30%.

The Accountability of NGOs

The standard is based on a limited, very pragmatic concepts of disclosure. A limited concept of disclosure entails also a limited concept of accountability (Lloyd, 2005) and therefore, a possible

"accountability gap" (Salamon et al., 2000). The standard does not devote sufficient attention to the principle that NGOs must render account of their activities to all the stakeholders. Taking pragmatic approach, seems to concentrate on donors and the authorities, besides members. A broader concept of accountability would offer greater scope for reflection and self-criticism. This suggests the need for further thought as well as theoretical and practical development of NGO accountability (Najam, 1996). The standard leaves much to be desired in regard to dialogue between stakeholder and client, participation and involvement in planning NGO projects, and at the different stages of implementation, monitoring and reporting. In the stakeholder approach, an NGO must be accountable to a wide range of stakeholders; but this is not easy, since NGO's responsibilities are naturally varied, complex and diffuse and also because the means of enforcing the standard are very weak (McDonald 1999).

The most important stakeholder for NGO accountability must be the clients themselves. Therefore, an NGO must "have some levels of formal or semi-formal accountability to those it wishes to see empowered – its constituents" (Kilby, 2006; Smith-Sreen, 1995). In any case, accountability to clients is ethical and social; therefore, it falls within the scope of social responsibility (Argandona, 2006) and so must be the result of an internal attitude and, where appropriate, a commitment to an industry code or a standard. The broad meaning of accountability look for the involvement of NGOs' leader with accountability, policy and practices, integrating accountability into strategic planning, employing internally driven forms of self-regulation and integrating learning from accountability evaluations into organizational practices (Bies, 2001). The organizations are responsible for engaging in an honest and open democratic debate regarding their policies and actions, and this implies that the organization must provide an honest and open account of their actions to their stakeholders (Unerman and Bennett, 2004).

The standard envisages instruments (codes, reports, audits etc) and the processes for accountability(evaluations, consultations, complaint mechanisms etc) (Ebrahim, 2003). But as Mulgan points out (2003), the crucial thing is, to what extent these instruments and processes lead to a change of behavior. In the standard, accountability is understood as a disciplinary mechanism, not as a driver for change (Young 2000), ensuring continuous improvement of processes and decisions; as rule bound responses of organizations that become important when things go wrong, more than a process that is understood as part of the daily organizations life of the NGO (Fry, 1995).

The standard should be focused on the development of ethical management systems in NGOs, perhaps assuming that this will be sufficient to foster fully ethical behavior in organizations and satisfy the demands for compliance disclosure. NGOs should be organized and managed according to their particular view of the common good, as they have a right to address human needs in whatever way they see fit. They must explain vision, mission and policies and be accountable for them. What NGOs need is not regulation, but oversight, insofar as no real harm is done.

Conclusion

These Human Rights organizations hold political and ideological independence and neutrality among their core values. Of course the organizations are made up of their people. For the organization as a whole to be impartial, it requires that all of its people behave in an impartial manner. For accuracy of reporting to be maintained, it requires that all those collecting data, processing and reporting on it

maintain the highest standards.

Employees must uphold the ethical values of the organizations they work for, at least while they are on-the-job. The requirements place on employees in their free time are debatable, but it is clear to see that someone who spends this time as a political activist for a particular cause can not in good faith work in an area relating to that cause with an NGO. To do so would either compromise the NGOs neutrality or would put the employee in a very difficult position where their own rights and freedom are compromised. Where an employee is campaigning as part of their job, there are other safeguards that must be observed.

In today's world of multiple narratives, human rights workers have to be careful not to get caught up in the cultural narrative of one group. Being involved in one side can lead to selective vision, manipulation of information to better suit one perspective, and interpretation colored by one narrative. Individuals falling into such a trap can bring their organization into disrepute and cause the public to lose faith in human rights organizations in general. Neutrality is never easy but it must be sought after.

No workplace is perfect and no organization always meets its goals. In the arena of human rights organizations, however, important moral principles are at stake and every employee must play their role in upholding these principles. To enumerate the functioning of an NGO and the ethical values they put forth, a case has been given for the study.

Case Study: RAN Targets Mitsubishi

RAN's global campaign against Japanese giant Mitsubishi started innocuously enough. In January 1993, Tachi Kiuchi, then chairman and CEO of Mitsubishi Electric America, began receiving a steady stream of letters from elementary school students, asking him why his company was destroying the world's rain forests. The letters puzzled him. Mitsubishi Electric didn't own any forests, and it used very little paper. How could it be impacting the rain forest?

From his headquarters in Torrance, Calif., Kiuchi called Richard Recchia, then COO of Mitsubishi Motors' U.S. sales arm, whose headquarters was just down the street. His company, it turned out, was also the target of a rain forest campaign. Protesters were locking themselves inside Mitsubishi automobiles at car shows around the country, drawing publicity for their cause.

The force behind the actions was the San Francisco group Rainforest Action Network. According to RAN founder and current board president Randall Hayes, RAN's real target was a third company, Mitsubishi Corp., a Japanese trading company responsible for perhaps 3 percent of the world's trade in tropical timber.

To understand why RAN targeted all of the Mitsubishi companies, including those that had no operations in the rain forest, requires a brief step back into history. "General MacArthur broke up the [Mitsubishi] companies after World War II," explains Jim Brumm, general counsel for Mitsubishi Corp. and an influential member of the corporate board. "Each Mitsubishi company retained the right to use the same name, but they could not be subsidiaries. Because of this, we at Mitsubishi Corp. view Mitsubishi Electric and Mitsubishi Motors as our clients." But "the general public doesn't realize that the Mitsubishi

companies are all separate and distinct businesses," Brumm says. The public's inability to distinguish between the various companies bearing the Mitsubishi name, and the fact that the companies often work together to protect the name, gave RAN a strategic opportunity to apply pressure.

RAN is the ultimate market campaign NGO. RAN concentrates on direct action in the social and economic marketplace. If it can discredit the names or disrupt the business activities of the companies it targets, it believes that it can devastate the profits from rain forest destruction. The problem that RAN faced is that most consumers have never heard of most of the tropical timber harvesters. And even if it had, most of the companies do not sell directly to the public, making a consumer boycott difficult.

That's why RAN picked Mitsubishi. It had a recognizable name, and the various companies it owned or that bore the Mitsubishi name sold numerous products to consumers. Mitsubishi Corp was one of several companies that shared small and roughly equal portions of the tropical timber trade. If RAN could target consumers of autos and electronics, thought Hayes, perhaps those companies could exert pressure on Mitsubishi Corp. to change its timber practices. And if Mitsubishi changed, maybe the rest of the industry would, too.

Striking an Accord

As they came to understand RAN better, Kiuchi and Recchia grew increasingly convinced. Mitsubishi Corp., however, was unconvinced. During the summer of 1996, in a tumultuous meeting in Tokyo between top executives from the three companies, Mitsubishi Corp. broke off direct discussions with RAN and dropped out of its partnerships with Mitsubishi Electric and Mitsubishi Motors.

Freed from Mitsubishi Corp.'s more conservative approach, Kiuchi and Recchia asked Hayes to work toward a formal agreement with RAN. The agreement was based on the belief that even though Mitsubishi Electric and Mitsubishi Motors did not buy large quantities of timber and paper products, their sheer size and links into global supply chains might generate an impact far beyond the companies themselves. Signed in February 1998, the agreement stipulated that Mitsubishi Electric and Mitsubishi Motors would, among other things:

- Phase out purchase of paper or timber from old-growth sources by 1998.

- Achieve a 75 percent reduction in paper use by 1999.

- Phase out of all wood products by 2002.

- Commit Mitsubishi Motors to offer "carbon offsets" tied to sales of its Montero LS, proceeds from which would fund forest reserves.

- Commit Mitsubishi Motors to lobby President Clinton's administration to reduce carbon emissions. Mitsubishi Motors would be the first major car company to do so.

- Fund forest reserves to protect natural resources and indigenous communities.

- Establish a comprehensive system of eco-accounting to measure the net value created by a company, after accounting for social and environmental externalities.

The agreement was risky for all sides. The companies had to trust that RAN would not besiege them with additional demands after they signed. RAN had to demonstrate to its activist base that the agreement was worthwhile even though it did not directly require the company to change its logging practices. Both sides had to overcome internal factions determined never to strike an agreement with the enemy.

What Was Accomplished?

One of the most powerful portions of the agreement turned out to be the phase out of old-growth paper and timber purchases. Once the two Mitsubishi companies made their commitment, hundreds of other companies followed suit. The combined buying power of all these companies created a healthy and growing market for sustainable timber, and set the stage for several later agreements. RAN adopted the role of advocates and agents of a more just and caring society. They exhibited a responsible and caring attitude toward the environment in all of its activities. There is an impact on the public's perception of RANs and that it shares responsibility for the public's trust of RANs.

"It was really the first agreement between corporate entities and an NGO that took a systems approach," says Hayes. "This was one of the first time issues of supply chain management were addressed." The other clause that spread beyond the two Mitsubishi companies was the eco-accounting commitment. To implement it, Future 500 developed a tool for Mitsubishi Electric and Mitsubishi Motors that consolidated several existing systems for measuring corporate social and environmental performance. The tool evolved into a process now known as Global Citizenship 360, which has been adopted by Coca-Cola, General Motors, and a dozen other large corporations.

The most controversial clause committed Mitsubishi Motors to be the first auto company to buy carbon credits for a line of its automobiles and to fund forest reserves operated by indigenous communities. The company has never implemented the clause, nor has RAN ever pressed it to do so.

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