The Globalisation of Non-Governmental Organisations: Drivers and Stages

by

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ISBN: 1-58112-276-4

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THE GLOBALISATION OF NON-GOVERNMENTAL ORGANISATIONS: DRIVERS AND STAGES

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B.A. (Hons), M.B.A.

A Thesis Submitted to the Open University

For the Degree of Ph.D.

In Business Management

The Open University

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Submitted April 2004

ACKNOWLEDGEMENTS

I would like to thank with deep gratitude my supervisors, Chris Cornforth and Geoff Mallory, for their diligence, support and encouragement over the years this thesis has taken. Their help was invaluable throughout the process, and without their unflagging attention and enthusiasm it would never have grown from lofty concept to concrete reality.

Also I would like to thank all those in the Third Sector who gave freely of their time to fill out and return questionnaires, and who graciously spent precious hours in giving advice and comment, especially during the case study interviews and in answering my subsequent enquiries.

Equally, my friends and family especially Deirdre Morrow, Kitt Baguley and Sam Baguley without whose love, patience and practical support I would never have completed this particular journey.

ABSTRACT

Commercial companies and non-governmental organisations (NGOs) are internationalising at an increasing pace. Yet little is known about the management of NGOs during this process. Indeed, they have been neglected by comparison to the literature on companies.

This thesis draws on theories of how and why companies internationalise to determine whether the explanations they offer can be extended to cover NGOs. It considers the driving forces experienced by NGOs, the stages they pass through.

This was undertaken through a postal survey using results from 52 international NGOs from Europe and the US. The findings were later considered in relation to four case studies of NGOs; two relatively small NGOs, which have internationalised slowly, and two larger and faster NGOs, to give practical examples and a wider insight into internationalisation.

The results indicate that for driving force theories to be applicable to NGOs they need to take into account NGOs strong internal motivation to meet "needs", the varying influence of drivers on different NGOs and the separate roles drivers play for NGOs. For stage theories the results suggest that there are similarities and differences with companies, and that Federations may follow a parallel route to other NGOs.

The results also suggest that NGO managers should pay critical attention to the range of driving forces, both internal and external, that apply to their organisation.

Managers should also be prepared for problems with their overseas branches before they reach the stage of being "truly global"; NGOs, however, may be better suited to that stage than many companies.

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CHAPTER 1

The Outline of the Research

1.1 Introduction

Anheier (2002) reports that commercial companies and non-governmental organisations (NGOs) have been developing internationally at an increasing pace. He suggests that, for NGOs, this was a relatively new phase, which included the rise of international NGOs, especially in the 1990s, who immersed themselves in an extensive dialogue with governments at all levels as well as with businesses. He points to a surge in growth of international NGOs in the 1990s and 2000s linked to a growth in information technology and funds available. During this time, governments and funding institutions greatly increased the flow of development funds through international NGOs. For example, in 1980 more than US$4.7 billion was transferred to Latin America, Africa, and South Asia from industrial nations through nongovernmental channels. In 1987 $5.5 billion was transferred through NGOs (Reilly, 1995). By 1999 this had increased to $6.5 billion (Greensmith, 2002). This represents a movement of government resources towards NGOs, which are increasingly seen as effective agents in the creation of civil societies. This marked a fundamental change from previous funding, which took place primarily through the state.

These international NGOs are often substantial organisations, which may have over 100,000 individual supporters, more than 100 staff members (The Voluntary Agencies Directory, 2001) with a turnover of over £10m (CAF Dimensions of the Voluntary

Sector, 1997). They may be concerned with a wide range of issues from pressure groups like Greenpeace or Amnesty International, to development organisations like CARE or Oxfam, and include those with a narrow focus like age, such as, HelpAge International or Save the Children, or medical charities like SightSavers or the Multiple Sclerosis Society. Some NGOs may focus on single countries and others on a region or the whole world.

The body of academic literature dealing with company internationalisation is developing in its depth and sophistication (Bartlett & Ghoshal, 1989; Ohmae, 1996; Yip, 1995); but there are virtually no academic studies concerning the international development of NGOs in their own right.

The aim of this thesis is to begin to fill this gap in knowledge, and examine what factors influence decisions by NGOs to internationalise. In particular, it examines the driving forces behind NGO internationalisation and the stages taken. The examination of the driving forces and stages draws on and extends theories based on company research, which are adapted in this thesis for NGOs. It is the management of the process of internationalisation that is the primary focus of this thesis.

This chapter examines the definition of NGOs used in this research and sets the context for the research. It sets out the scale of development of international NGOs, and compares the management of that process with the management of company development. It finishes by setting out a plan of the whole thesis.

1.2 The Definition of Non-Governmental Organisations

Before considering NGO internationalisation in more depth, it is useful to look more closely at what is meant by non-governmental organisations, and how they are defined for the purposes of this research, because definitions vary greatly. Broadly they are organisations working outside the market sector (they are non-profit making), are not part of the state sector either and characteristically have a voluntary governing body. Salamon and Anheier, (1996) define NGOs as those organisations that share five common features. These are; that they are formally constituted, they are organised separately from government, non-profit seeking, self-governing and voluntary to some significant degree. They point out that though voluntary organisations are non-profit seeking they often engage in commerce, and private fees are their largest single source of income followed by public sector support.

They were then able to apply this definition in their research in six developed countries (Italy, Japan, UK, France, Germany and USA), one former member of the Soviet Union (Hungary) and five developing countries (Egypt, Brazil, Ghana, Thailand, India). This thesis follows their research in accepting two other limiting factors; the first that they are non-religious and the second non-political. The exclusions apply to religious organisations whose main purpose is evangelical or pastoral such as the missionary organisations or to churches themselves, and to political parties such as the Green Party who may have international links. However, many NGOs have a religious base in that they were started by people from one denomination, and may still be largely staffed by people of that faith though they do not proselytize, (e.g. Christian Aid) or seek political action and are not affiliated to any political party (e.g. Greenpeace) and these have been included in the research.

In the UK, those NGOs which are registered with the Charity Commissioners are known as charities (a few, like Free Tibet Campaign, do not have charitable status). When their principal function is grant making they are commonly known as charitable trusts, foundations or simply grant making trusts. In the US those registered with the Internal Revenue Service (IRS) as 501(c)(3) companies have a similar (though not identical) status and are usually known as non-profit or not-for-profit organisations. Where they are grant giving they are usually known as foundations or grant making foundations. All the preceding organisations are at times called voluntary organisations, because they usually have a volunteer board at the head of the organisation and tend to employ a number of volunteer workers in a large variety of roles. For the purposes of this thesis, the term NGO is used to cover charities, voluntary organisations, non-profit or not-for-profit organisations. Grouped together these organisations are often known as the voluntary or third sector. Grant making organisations usually give funds to other NGOs to carry out their objectives. Where these NGOs have partners or branches overseas to which they provide funds, services or information they come under the purview of this thesis, as internationally established NGOs or international NGOs. It is the process they may undertake of opening new branches or partners, especially in new countries, that this thesis refers to as their international development or internationalisation. Federations linking NGOs undertaking the same type of work in several countries and co-ordinated by a headquarters are also included. Charities or foundations that only provide grants to overseas bodies are excluded as they do not usually develop branches or partners overseas. Branches and partners are defined and differentiated later.

As mentioned in the introduction, international NGOs are expanding rapidly and taking on a much wider role than in previous years; often being the chosen vehicle for meeting governments' social concerns, not least in the field of building civil societies in countries with former command economies and dictatorships. In these circumstances it is pertinent to ask if lessons can be learnt from the practice of companies, which have internationalised far earlier and in much larger numbers and for which there is an increasing body of academic literature.

1.3 Scale and Development of NGOs

The relatively large scale and rapid development of NGO activity deserves consideration. Anheier (2002) reports that though comprehensive statistics are not available it is clear that international NGOs have a serious economic presence. Salamon and Anheier (1996, p xviii) taking research from the US, the UK, France, Germany, Italy, Hungary, and Japan report that the non-profit sector, as they define it, is a major economic force "employing 11.8 million workers in the seven countries for which complete empirical data were compiled. It thus accounts for one out of every 20 jobs and one out of every 8 service jobs." They add that the non-profits in each of these countries employ more people than the largest company by 6 to 1. Indeed, the true scale of NGOs is probably much greater than these figures suggest, as they do not include volunteers, which form a large part of the workforce of many NGOs.

Anheier (2002, p3) states "in contrast to previous historical periods, the state seems less challenged by foundations - to the contrary governments and international organisations alike welcome foundation involvement in a broad range of activities and fields". He cites employment statistics as a measure of NGO size revealing that the

non-profit sector in the USA amounted to 6.0% of total employment with 4.0% in the UK, and France 4.2%, Germany 3.7%, Japan 2.5% and Italy 1.8% (Anheier 2002, p34). Anheier does, however, use an unusually wide definition of this sector; including organisations deriving over half their funds from governments or from fees, which are sometimes classified as quasi-governmental or commercial organisations. In the 1996 World Development Report, the World Bank recommended that one of the important steps governments undergoing transition can take is to make NGOs legal and to provide tax advantages or some explicit funding for their activities. Moves such as these help to create an enabling environment for civil society development, and to support NGOs in their efforts to achieve financial stability (Hudock 1997).

By comparison to commercial activity, however, the sums are small. For example, foreign direct investment (FDI) worldwide in 2001 was $735 billion and that was half the amount of the previous year due to the fall of technology stocks in the US according to UNCTAD (2003). Total voluntary sector income in the UK, was estimated by the Charity Commission, at only £16 billion in 1996 including that available for overseas work or investment.

The scale of the available resources for some regions, however, grew steadily in the 1990s. In 1994 Germany channelled US$2.6 billion and the United States US$2.4 billion to Central, Eastern European and Former Soviet Union countries increasingly through and for NGOs. This was an increase of nearly 50% over the previous year. By the end of 1993, there were 11,884 associations and foundations in Hungary. In 1994 in Slovakia the number of registered NGOs reached 9,800, employing 3,500

workers and 381,000 volunteers. Poland in 1996 had a reported 80,000 NGOs with 4 million people (including volunteers) active in them. There is often a similar pattern outside Eastern Europe. In association with the recent democratisation in Nepal, for example, NGOs have increased from 300 in 1991 to over 3,000 in 1993 (Fowler and James,1994). Not all Southern NGOs are, however, able to meet donors requirements for carrying out their programmes. Without satisfactory evaluations of NGO practice and performance, funds are likely to be curtailed or switched to alternative recipients or even alternative regions. As a result a number of Northern NGOs are undertaking capacity-building programmes with Southern NGOs to assist them in gaining access to these resources or developing their own branches and partnerships overseas and, in so doing, joining a host of long established international NGOs.

Very little attention has, however, been paid to this latter process, whereby NGOs either internationalise under their own brand name through branches, or develop partnerships (perhaps via capacity building activity), both of which may be equated to companies developing overseas ventures using FDI i.e. by investing funds in setting up overseas operations. As Hymer (1976) has indicated FDI often involves the transfer of less tangible items such as management skills, entrepreneurship and various technologies. It must be said, however, that only a very small proportion of NGOs are international in this way. In 1996, for example, there were only 417 NGOs in the US recorded by USAID as involved with international relief. Of these, the largest 25 accounted for 60% of all expenditure (Ditcher, 1999). Of the 180,000 charities registered in the UK there are only a few hundred international NGOs listed in current directories. Most charities in the UK are, however, very small and only a few of the larger charities operate overseas. Development NGOs tend naturally to

expand into the areas where they are meeting needs such as Africa and India, but campaigning organisation may start with strong branches in Western countries before targeting or being invited to start up in developing countries. In either case, the organisation may fulfil its objectives by sending funds, information or people overseas rather than internationalising by establishing a more permanent presence in another country through branches, partners or by establishing a federation.

International NGOs cannot hope to avoid being influenced by the whole process of globalisation. As Salamon and Anheier (1996 p129) have said, "…the fact remains that nonprofit organisations cannot afford to ignore the global developments taking place around them. In one fashion or another, they must adjust their operations to cope with an increasingly interconnected global scene." An examination of the processes involved in managing this adjustment, or lack of it, is at the heart of this thesis.

1.4 The Comparison with Companies

David Lewis (2001) has argued that there can be a reconciliation between the views of those who believe that NGO management can learn a great deal from the practices of company management because they face similar problems, and those who argue that NGO managers face a set of problems not present in a for-profit company environment. The latter include the management of volunteers, the tension between mission and internal values and often a wider set of accountabilities (Mason, 1995). This is on the basis that there are distinct problems for NGO managers, but their overemphasis has led to a neglect of useful management ideas adopted by companies. Though there are distinctive characteristics held by commercial companies there are

also similarities of culture and organisation (Lewis, 2001). Lewis also stresses that the study of the management of NGOs has had a much lower priority than other research into NGO activities and has not yet fully connected with much of organisational theory. Paton and Cornforth (1992) argue that the lack of clear understanding of business management by NGO managers has made it hard for them to appreciate the aspects of commercial management that may prove useful to them.

They also give four key areas where companies and NGOs may differ. These are in their purposes, resource acquisition, stakeholders and governance and culture. Taking these in turn, companies exist to create profits, but NGOs exist to meet a variety of needs; making measurement and planning more complex for NGOs, though companies can face similar situations. In the case of resource acquisition, which at first may appear distinctive in NGOs, they point to similarities especially with service industries. Again stakeholders and governance play a similar role in each sector, though comparisons can be selected to give a sharp contrast between the sectors. Lastly in the case of culture they point to the variety in both sectors, whilst acknowledging the intense commitment often characteristic of NGOs and the logic inherent in their different managerial solutions. They argue, however, that differences are not black and white or absolute but much more a matter of degree. It is this matter of degree which enables theories of company management to be considered, albeit with some adaptation, by NGO managers.

In making any comparison with theories concerning commercial enterprises it is as well to be clear how commercial transactions compare to those of NGOs. In companies the product sold or service delivered in exchange for money is usually

obvious. In this thesis, it is understood that the NGO "product or service" is what the NGO gives in exchange for the donation or grant mentioned above. For a company there is an immediate connection between the service sold and the payment received. For NGOs there is often a much looser connection depending on the type of donor and nature of the donation. An institutional funder like the EU may give a grant for a specific purpose and then require monitoring and an evaluation of how that task has been carried out; but an individual funding an organisation say, as a member will often be content for their membership fee to be used for general purposes and to read about aspects of the organisations work in a newsletter.

An NGO (or an overseas branch of an NGO) may carry out both the functions of undertaking the NGO's programme work and fundraising. In this respect it faces in two directions. In one way to its "donors" who fund it (perhaps setting certain conditions that must be met) and in the other to its "clients" who are the recipient of its services. A public companies raison d'etre is often taken to be the making of a profit for its shareholders, and in the case of a private company the making of profit for the owner or owners. Though NGOs do not have shareholders or accumulate profit to be passed on to such third parties they are responsible to their donors for any guarantees given in exchange for that donation. They also need to at least break-even to maintain services, and usually need to generate a surplus to fund new developments.

Other stakeholders, however, also need to be taken into consideration by both types of organisation such as the government who may frame legislation designed to shape companies activities for the public good. Both NGOs and companies have boards or