1 *Beyond virtue: evaluating and enhancing the credibility of non-governmental organizations*

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Does being virtuous guarantee credibility for transnational non-governmental organizations (NGOs)? NGOs are increasingly important in monitoring the ethical behavior of others – certifying that products are made according to socially responsible standards or that elections are free and fair. Likewise, NGOs now deliver greater humanitarian aid around the world than ever before. In both the monitoring and humanitarian activities of NGOs, we rely largely on their own reports to verify performance. Do the products actually meet the desired standards? Does the aid help relieve human suffering? Usually, we are far away from the scene of production or assistance and cannot observe directly what NGOs are doing. Generally, we assume that they have carried out the responsibilities that we, as a society, entrust to them. Yet, sometimes we have reason to wonder about the virtue of NGOs, and we seek reassurances. This book is about that doubt and how it is managed and, possibly, manipulated. When are statements by NGOs credible and believable, when are they not?

Most NGOs are, indeed, virtuous. They pursue laudable goals, attract dedicated individuals who labor hard for little remuneration, and – in general – do good work. We find them credible, in turn, precisely because of their virtue. Recent surveys show that NGOs are

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trusted to address pressing social problems more than governments or businesses.[1] But is virtue sufficient? Whereas transnational NGOs were once mostly small groups of committed activists, many now are major organizations, and as such are subject to all the pathologies common to large bureaucracies. Reports of malfeasance by nonprofit corporations, increasing in the United States at least, threaten to undermine confidence in the virtue of the entire NGO community (Gibelman and Gelman 2004). Even in the absence of explicit wrongdoing, however, NGOs can be threatened with a loss of credibility. Kiva, the leading peer-to-peer (P2P) microfinance NGO, for instance, was heavily criticized for oversimplifying its lending procedures on its website by friendly critics who feared that its misrepresentations might undermine support for microfinance institutions as a group. Kiva was forced to respond to preserve its credibility (see Chapter 7). Similarly, Islamic Relief was challenged after September 2001 on its charitable work in Islamic countries, especially by Western governments worried that it was channeling funds to possible terrorists. It undertook a series of institutional reforms to show a now more skeptical audience that it was, in fact, acting in accordance with the practices of other similar NGOs (Chapter 6). When virtue is not sufficient, NGOs turn to other mechanisms to enhance their credibility. They are not passive actors who take their virtue for granted, but are active shapers of how they are perceived by others. Our central question, then, is when, why, how, and to whom do NGOs make themselves credible when virtue alone is not enough?

In this volume we examine the issue of credibility from the perspective of NGOs as strategic actors within environments that they cannot fully control.[2] We explore how different audiences evaluate and come to accept or doubt an organization's credibility. As we outline in this chapter, NGOs are credible not only when they are virtuous but also when they share common interests with an audience, send

[1] "Faith, Hope, and Charities," *The Economist*, November 13, 2010, 69–70. At the same time, surveys indicate that the public systemically underestimates the extent to which many NGOs accept government funding and are staffed by professionals rather than volunteers.

[2] On NGOs as strategic actors, see the large literature in economics on nonprofit organizations, especially Anheier and Ben-Ner 2003 for a review. For discussions of transnational NGOs as strategic actors, see Barnett 2005; Bob 2002b, 2005; Cooley and Ron 2002; Gugerty and Prakash 2010; Prakash and Gugerty 2010a; and Sell and Prakash 2004.

costly signals, incur penalties for misrepresentation, and are subject to third-party verification. When their virtue is challenged, NGOs seek to enhance their credibility by adopting autonomous governance structures, increasing transparency, professionalizing their staff and processes, and integrating into the community of NGOs. These conditions and strategies for credibility are then examined at greater length in Chapters 2–7. We find that NGOs are, indeed, extremely sensitive to the need for credibility, and increasingly aware that they cannot rely simply on their perceived virtue. At the behest of donors who rely on NGOs as their agents, and others who depend on the valuable information and services they provide, NGOs do undertake significant actions to establish and maintain their credibility. This is a valuable asset they strive to acquire and protect.

Indeed, the need to maintain credibility may lead NGOs to act in ways that potentially divert them from their core missions. As we discuss in the concluding chapter, they may emphasize procedure at the expense of substance, shift their focus from the members of the local community with whom they are working "upwards" to their donors, direct resources toward immediate and more easily verifiable tasks and away from longer-term, more ambiguous ends, and become more "bureaucratized." We cannot say that these diversions decrease the effectiveness of NGOs, for without credibility their ability to bring about any social change would be diminished. It is unrealistic to measure real NGOs against a utopian standard where they are always credible on the basis of their virtue alone, and therefore free to devote all of their energies to their appointed tasks. But at the same time, minding their credibility is not without importance and sometimes with costly consequences for NGOs.

NGOs, social change, and the need for credibility

NGOs are engaged in many activities around the world today. In this book, we are concerned primarily with NGOs engaged in the process of transnational social change, especially NGOs that monitor the ethical behavior of others or provide humanitarian aid and development assistance to suffering populations.[3] These NGOs are central

[3] Other major categories of NGOs include transnational advocacy networks (TANs) (Keck and Sikkink 1998) and nonprofit health and human service providers, of which most of the latter are domestic in their activities. TANs work across the public and private standards division. To the extent that they

to enacting and enforcing ethical standards of third-party behavior, like human rights, honest elections, or goods produced without child labor. They are also bound only by their own standards of behavior when engaged in humanitarian work in other countries. Precisely because they are operating outside areas of established public law, and in areas where actions by all are hard to observe directly, the credibility of NGOs is essential to their success in bringing about social change. Because NGOs are ever more important in monitoring ethical behavior and in providing humanitarian aid, the problem of credibility is more acute today than in the past.

Ethical consumption, which features in several of the case studies below, is an increasingly popular means through which individuals by their purchasing power can seek to improve working conditions abroad, reduce environmental degradation, and in many other small ways improve human welfare. By their examples, individuals hope to encourage others to consume in a more ethical fashion, potentially setting off a "norms cascade" (Finnemore and Sikkink 1998). NGOs are integral to monitoring the production and sale of such ethically-produced goods. In 2008, TransFair USA, the leading fair trade organization in the United States, certified 90 million pounds of coffee produced by cooperatives that were paid a "fair," above-market price for their beans, yielding an additional $32 million for their members.[4] Rugmark similarly certified in that year that $52 million of hand-woven rugs were made without child labor.[5] Consumption of goods labeled antibiotic and pesticide free has grown considerably, and mass suppliers like WalMart are now sourcing organic broccoli from China.

Similarly, NGOs are also deeply involved in promoting and monitoring the ethical behavior of sovereign states, including free and fair elections and internationally recognized human rights practices.[6] Since 1989, for instance, the Carter Center has monitored eighty-

lobby for public standards (that is, law), credibility is less central since claims can be contested in established legal settings.

[4] Figures provided by TransFair USA, www.transfairusa.org/content/about/aboutus.php (accessed May 2, 2010).

[5] Constituting about 3.25 percent of the market for hand-woven rugs. Rugmark is now Goodweave. See the annual report at www.goodweave.org/uploads/2008%20Annual%20Report.pdf (accessed May 2, 2010).

[6] One of the first studies of NGOs as monitors of sovereign states is Raustiala 1997.

two elections in thirty-four countries, calling national leaders who engage in electoral fraud to account and sometimes, with the aid of mass demonstrations or foreign pressure, forcing them from office.[7] Amnesty International tracks human rights abuses around the world, issuing annual reports on every country and sending out "urgent action" notices to its members on specific cases of abuse. In all of these examples, NGOs have emerged as powerful monitors of the ethical practices of other private and public actors.

Likewise, NGOs are themselves ethical actors delivering humanitarian aid in crises and, increasingly, implementing long-term development projects that seek to promote human welfare and especially empower previously disadvantaged groups within societies. Humanitarian NGOs such as Save the Children, World Vision, and the International Rescue Committee provide tremendous amounts of aid to countries around the globe, often in alliance with local NGOs in the target countries. For example, CARE USA, one of the largest humanitarian NGOs, distributed in 2008 nearly $708 million in humanitarian aid in sixty-five countries.[8] Since its founding in 2005, the microlending charity Kiva has channeled over $191 million to more than 496,904 small borrowers in fifty-eight developing countries.[9] In contrast to the monitors, such humanitarian NGOs work directly to relieve human suffering. Funded by donations from individuals and corporations, and often under contract to particular governments or international organizations, humanitarian NGOs are on the front lines of relief and development efforts around the world today (Barnett 2005, 2009).

Ethical behavior is regulated in two ways: by public standards, typically enacted into law, and private standards, on which we focus here. The role of NGOs is different under the two types of standards. Where ethical behavior is mandated by law, NGOs often play the role of vigilantes, tracking down violations and pursuing legal remedies (Elliott and Freeman 2003). In such cases, the credibility of the NGO itself is not at issue, as its claims can be contested in a court of law under established rules of evidence. Although it may not be

[7] See Carter Center report at http://cartercenter.org/peace/democracy/observed.html (accessed February 9, 2011).
[8] See CARE USA's 2008 report at www.care.org/newsroom/publications/annualreports/2008/AR_2008.pdf (accessed May 1, 2010).
[9] www.kiva.org/about/facts (accessed February 9, 2011).

common practice, NGOs can make biased claims to provoke popular support for legal action as long as some of their charges stand up under scrutiny. When clear public standards exist, NGOs need not be as concerned directly with their own credibility. Their role is to press governments into enforcing the law, lobby for stronger laws, or urge compliance with them.

Under private standards, NGOs both promote and enforce normative compliance. Private standards are likely to emerge when ethical behavior lacks sufficient consensus to be enacted into law – in other words, when the behavior is not yet widely shared as a norm or lacks the political strength to become law.[10] Because of weak law, most ethical consumption is guided by private standards, such as those that determine the conditions for coffee to be sold under the Fair Trade label (Daviron and Ponte 2005), the meaning of "child labor" debated by the Fair Labor Association (FLA) and the Worker Rights Consortium (WRC), how much recycled input is required for a product to be marketed as "made from recycled materials," and so on.[11] What constitutes a free and fair election is determined not by any international rule but by NGO observers themselves, and the standard has evolved considerably over time (Chapter 2, this volume; Hyde 2011b). And of the many international principles defined in the United Nations human rights agreements, not all are equally the subject of international pressure and sanction, and NGOs are central to setting the agenda for which rights states shall be held to account (Chapter 4, this volume). What constitutes appropriate delivery of humanitarian aid is also defined by the NGOs themselves; what is an appropriate share of administrative expenses, how much should be spent on fundraising, what kinds of development projects are worthy, and how aid workers should conduct themselves in the field are not defined by any public laws but are set by the NGOs individually and collectively as a community of service providers.

[10] Due to this lack of consensus, there may also be competing private standards in any given issue area, complicating the ability of audiences to assess the statements of NGOs. On private standards in the global economy, see Abbott and Snidal 2000; Baron 2001; Conroy 2007; Cutler *et al.* 1999; Hall and Biersteker 2002; Hansen and Salskov-Iversen 2008; Haufler 2001; Held and McGrew 2002; Kahler and Lake 2003; and Vogel 2005.

[11] The problem of determining the value of ethically produced goods blends analytically with the problem of valuing the quality of "singular" goods such as art. See Aspers 2006; Beckert and Aspers 2011; and Karpik 2007.

The credibility of NGOs matters deeply for bringing about successful social change under private standards. Without the backing of law, the ethical claims of NGOs either as monitors or service providers must stand the test of public opinion if they are to change social behavior. That is, their claims must themselves be credible if others are to act upon them. If an NGO's certification that a soccer ball is made without child labor is "meaningless," for instance, consumers will not condition their purchases on whether or not the ball bears an appropriate logo. If consumers are to bring their purchasing power to bear on those who exploit workers or employ children, they must believe that the products NGOs certify meet desired ethical standards.[12] Likewise, if promoters of democracy are to reward honest leaders in new democracies and punish corrupt autocrats who attempt to steal elections, they must trust the word of election monitors on which contests are "free and fair" and which are not. The same holds for those seeking to promote better human rights practices. In order for individuals and states to bring economic or political pressure to bear on those engaging in unethical behavior, monitors must be perceived as credible by those pursuing social change. Moreover, if a humanitarian NGO's assertion that it is relieving human suffering is not believable, donors will dry up and target countries may prohibit the organization from working within its borders. Since this is where the issue of credibility is most binding for NGOs, we focus our attention throughout this volume on the problem of private standards.[13]

The problem of credibility is prominent in private standards not just because they lack legal standing but also because ethical behavior is often impossible or very costly to observe directly. In ethical production, for instance, it is not possible to see how something is made simply by looking at the final product. Fair trade coffee looks and tastes identical to "unfair trade" coffee, with the primary difference

[12] Consumers appear to care about the values on the labels concerning ethical production standards, but it is not clear how much they care about the accuracy of the labels. See work by Hiscox and Smyth (2009) and the concluding chapter in this volume.

[13] NGOs are also involved in the setting of private standards. The setting of standards is analytically distinct from the task of monitoring whether there is compliance with the standards. The two do interact: it is easier to comply with weak standards than stringent ones, so monitoring a tough standard is costlier than a weak one, and audiences will differ on what they want. But once we have a standard, the various audiences want to know if it is being met.

being in how growers are organized and compensated; similarly, an ethically produced apparel item looks the same as one produced using child labor. Electoral fraud is by its very nature difficult to detect, especially if carried out subtly, and human rights abuses are typically hidden from public view. Whether humanitarian NGOs are providing aid in an effective manner or actually "developing" countries is also difficult to observe from afar. Unlike other activities where the qualities of a product or an outcome can be more readily assessed, the "ethical" part of behavior is typically hidden from view. NGO monitors arise for precisely this reason. They specialize in providing information to others that would otherwise be difficult to obtain. But it is for this same reason that the credibility of NGOs is most crucial. Since the behavior they are observing or performing is largely unobservable, others cannot independently verify the claims of NGOs that they are themselves acting ethically. We often have only their "word" for it, and thus others will condition their responses to NGOs – and thus, their efforts at social change – on whether their word is credible.

Sources of credibility

An NGO is credible when its statements are believable or accepted as truthful by one or more audiences.[14] Monitoring NGOs certify that this coffee is "fair trade" or that a particular election is "free and fair," in both cases attesting that the behavior of another meets certain standards. Humanitarian NGOs report that they have saved a number of lives that otherwise would have been lost in the aftermath of some natural disaster or that they have alleviated human suffering by vaccinating some number of children against disease. Both types of NGOs report that they have spent their resources in the service of these causes, and not on waste, corruption, or excessive pay of employees. In all such cases, we rely on their statements and must reach a judgment about their veracity. Their "word" is credible when we find it reasonably convincing or likely to be true, a continuous condition that varies from less to more. As we shall emphasize, a statement can also be more or less credible to different audiences. Credibility is not a singular fact, but is always variable and interpreted by the various listeners.

[14] In game theory, a statement is credible when it is in the self-interest of the speaker to carry out the promised action in the future. Our use here is considerably broader and relates to past behavior as well.

Table 1.1. ***Sources of NGO credibility***

Internal	External	
		Strategies for increasing credibility
Virtue Rests on the internal or personal qualities of NGOs as perceived by audience	*Common interests* NGO claims more credible when an audience perceives that it possesses common interests with the NGO	*Promoting bonds around shared values* *Adopting autonomous governance structures*
	Costly effort NGOs more credible when their claims are backed by observable costly effort	*Adopting autonomous governance structures* *Professionalizing* *Expending costly effort in other fields*
	Penalties for misrepresentation NGOs more credible if they suffer penalties for lying or otherwise misrepresenting information.	*Increasing transparency*
	External verification NGOs more credible if claims are subject to the possibility of external verification	*Increasing transparency* *Integrating into the community of NGOs*

Sources of NGO credibility, both internal and external, are summarized in Table 1.1 and discussed in further detail in the next sections.

Virtue: internal sources of credibility

Virtue is one foundation of credibility. Virtue rests on the internal or personal qualities of a speaker – in our case, NGOs – as perceived by an audience. As Aristotle noted long ago, "We believe good men more fully

and more readily than others" (quoted in Lupia and McCubbins 1998: 41). We believe virtuous individuals or organizations because they are inherently and intrinsically "good," although what that might mean in different contexts remains open.[15] Importantly, people or organizations need not actually be virtuous to be credible, but they must be perceived as virtuous by relevant audiences if they are to be credible on this basis alone. Organizations that are virtuous often refer to themselves as "legitimate," a synonym preferred by Thaut, Barnett, and Stein (Chapter 6, this volume) for that reason.[16] NGOs have traditionally relied to some large extent on virtue – or legitimacy – for their credibility.

Many NGOs are indeed virtuous, and comprised of individuals who are themselves virtuous. They are deeply committed to their cause and are perceived as such by various audiences. This image of virtue is often confirmed and possibly promoted by NGOs taking principled stands on issues that are unpopular with one or more audiences – the act of "speaking truth to power," as it is sometimes called. Virtue is also communicated by "right" conduct in public, as with environmentalists who live "green" to publicly demonstrate their character.

Although virtue alone can produce credibility, it may be a fragile foundation. Right conduct is difficult to maintain – if it were not, we would not need norms to promote it. We all have moral lapses. Even the most committed activists may find it hard to live up to their principles in daily life. In turn, critics are quick to identify hypocrisy by NGOs and their leaders. Climate change skeptics were delighted to point out the size of environmentalist Al Gore's carbon footprint as he traveled to give presentations on the dangers of CO_2 emissions, prompting the former vice president to begin making carbon offset payments out of his lecture fees.[17] To criticize someone's virtue is, in this way, to undermine their credibility.

As NGOs develop, moreover, they acquire interests as organizations that may deflect them from their ultimate cause (Bob 2005; Cooley

[15] In book II of *Rhetoric*, Aristotle posited that three things "inspire confidence" in an orator's character: "good sense, excellence, and good will" (Lupia and McCubbins 1998: 41).

[16] The discussion of virtue and credibility resonates with the analysis of trust. See Habyarimana *et al.* 2009 and Ostrom and Walker 2003.

[17] For an explicit link between hypocrisy and credibility in Gore's carbon footprint, see www.usatoday.com/news/opinion/editorials/2006–08–09-gore-green_x.htm (accessed November 1, 2010).