The informational role of nongovernmental organizations to induce self-regulation: Cheering the leaders or booing the laggards?

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Abstract: Non-governmental organizations (NGOs) play a key role in creating incentives for firms to develop a Corporate Social Responsibility (CSR) policy by disclosing publicly self-regulatory corporate efforts. Their informational behavior is heterogeneous: Some NGOs mostly disclose information on firms that do not behave responsibly (e.g., Greenpeace). Others are specialized in revealing firms that are socially or environmentally responsible (e.g., the Marine Stewardship Council). We develop a model describing the interactions between a NGO, a continuum of firms and a representative stakeholder to explain what drives the NGO communication choice and its impact on the level of self-regulation. We show that the NGO specializes in equilibrium: depending on the size of its budget, it either chooses to cheer the leaders or to boo the laggards. We extend the model to the case with multiple NGOs. We also introduce the possibility of NGO corporate partnerships and derive policy implications.

Keywords: Non governmental organisations, Corporate Social Responsibility, incentives, self regulation

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EXPORTER
Non-governmental organizations (NGOs) are now recognised as key third sector actors on the landscapes of development, human rights, humanitarian action, environment, and many other areas of public action, from the post-2004 tsunami reconstruction efforts in Indonesia, India, Thailand, and Sri Lanka, to the 2005 Make Poverty History campaign for aid and trade reform and developing country debt cancellation. As these two examples illustrate, NGOs are best-known for two different, but often interrelated, types of activity: the delivery of services to people in need, and the organization of policy implementation.

NGOs are a growing source of technical reports on a wide range of subjects including the health effects of chemicals. NGO reports are often done by experienced scientists or area experts. NGOs can often produce fast state of the knowledge reports without having to be subject to extensive interagency review or political challenge. Most NGOs have a report section on their websites and these reports are usually available for free. Non-governmental organizations (NGOs), voluntary group of individuals or organizations, usually not affiliated with any government, that is formed to provide services or to advocate a public policy. Although some NGOs are non-profit corporations, the vast majority are nonprofit organizations. A non-governmental organization (NGO) is a legally constituted, voluntary association of individuals or groups that is neither a governmental agency nor a for-profit enterprise, although it may and often does receive both government and corporate funds. Regardless of funding source, an NGO maintains its status only to the extent that it excludes government representatives from membership or participation. Business representatives, however, may participate, either as...