

Corporate-NGO Partnership for Social Development: A Study in Karnataka

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1. Introduction

The term 'social development' has come to acquire a very important and new salience in the literature and practice of development. Earlier, development was identified with economic development and social development was brought in only as thin icing on the economic cake [Ramesh Chandra, 2004]. In more specific terms, it was construed as promoting social welfare and providing social services.

Though sweeping changes are taking place around the world, many countries continue to be marked by severe deprivation, poverty, illiteracy, declining crop yields and inequality in the distribution of income. A larger part of the society in the developing countries often lacks financial and human capital that should serve as the major drivers of socio-economic development. Governments, business and individuals are acknowledging the scale of these global challenges and an apparent need for new approaches, including a more active role for the business [D. Mayers, 2007].

With the structural changes brought in by globalization and privatization, the role of public sector has been declining in several countries. This gave greater responsibility to the corporate sector to serve the community and provide services, which were hitherto provided by the State. Apart from this, the need for sustainable development requires multi-pronged approach in which corporate sector has to play an important role as the user of societal resources. It has lead to the social intervention of corporate sector in various areas ranging from poverty alleviation, rural development to environmental protection. Another important factor for the increasing demand for company's social responsibility is the awareness of the stakeholders and public pressure. With increasing awareness about the business environment,

stakeholders are demanding greater opportunity to participate in the decision making process and also are urging for accountability. Companies can be regarded as socially responsible only if they provide greater participation for stakeholders and take measures for the welfare of their employees and the larger society.

Various international aid agencies such as the UK Department for International Development and the United Nations Commission on the Private Sector and the Development, and business organizations such as World Business Council for Sustainable Development (WBCSD) have played a major role in highlighting the debate on the relationship between business and social problems. Businesses which were once considered as a part of the socio-economic problems are now being viewed as the part of the solution. Companies can participate in social development either directly or by joining hands with the State or the voluntary sector. Sustainable development requires collaborative thinking and partnerships are the means to tackle the societal concerns having global dimensions [Elkington, 1997]. The widespread impression is that, businesses are not generally attuned to carry out social development programmes. Companies desiring to be more responsible do not necessarily have the knowledge, training or dedication to carry out development programmes. The complexities of community development require expert assistance and therefore, companies have started looking up to the voluntary sector.

The voluntary sector has grown in size and operations in the recent past. It has gathered tremendous insight into developmental paradigms. It has transformed itself from traditional organization that serves a small section of the poor people into modern organization that can be found in the various spheres of social development.

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Here mention needs to be made of fields like rural development, education, health and hygiene, poverty alleviation and also burning issues like global warming, human rights, environmental protection etc. In this context, companies have moved away from the traditional form of giving donations. In the process, they started adding a new dimension to their philanthropic activities by developing partnerships with Non Governmental Organisations (NGOs) [Yamamoto, 1999]. The social problems are so complex and intricate that these cannot be addressed by the State, businesses or NGOs alone. It has become necessary for all these sectors to work together.

2. Statement of the Problem

Philanthropy is located as the most discretionary and voluntary dimension of CSR and has not always been linked to the profits and performance of the organization [A.B. Carroll, 1979]. Of late, companies have started practicing philanthropic activities in various forms. The nature of their involvement, the scope of activities and the total corporate commitment to philanthropic activities has undergone many changes.

Though the developmental programs of the government in India have experienced some improvements in the socio-economic sector, the country continues to be marked by widespread poverty and severe economic inequality, not to forget baffling regional imbalances. The pressure is more on the corporate sector, since it has the capacity, competence and compulsions to work towards social development [Moodithaya, 2002]. Obviously, one of the ways of participating in the social developmental programs for the companies is forming partnerships with the NGOs. In the last 3 decades, the NGOs have emerged as major players in the social development scenario. According to the Participatory Research in Asia (PRIA) there were nearly 1.3 million Non Profit Organizations in 2007 in India [Anil Bhat, 2000]. With their experience and expertise in working at the grass root levels, the NGOs have developed innovative strategies to reach out to the poorest of the poor.

Though traditionally forming partnerships with the NGOs was not popular in the case of companies, today we find them showing inclinations to join hands with the NGOs. The macro forces create an environment in which collaboration becomes the rule rather than exception for the NGOs [James Austin, 2000]. Given the competition for people, resources and mind space, the NGOs face tough challenges in proving their relevance. It is argued that, in partnership with companies, the NGOs would learn to be more efficient and productive. Though the major advantage of such partnerships is funding, the NGOs can also look for assistance in terms of resources, manpower, managerial and technical advice. Partnering with NGOs would also bring more credibility to the social development programs of the companies. At the same time, partnerships between for-profit and non-profit sectors are difficult to create and sustain. The major concern would be aligning the goals and missions of both the partners. Similarly there are also other issues such as donor dominance, professionalism, transparency and accountability in the management of such partnerships. The companies being profit-oriented, are likely to be interested in immediate benefits and image enhancement. However, the NGOs are more concerned about the effectiveness of their programs in terms of reach and social change. This could, probably be the areas of concern in the management of corporate- NGO partnerships.

Given this background, this research has focused on the partnership as a mechanism through which companies and the NGOs can potentially negotiate and align their activities of social development. The central thrust of the study was on the different dimensions of partnerships including of course the analysis of the management and development of corporate- NGO partnerships.

3. Objectives of the Study

The following were the specific objectives of the present research work with Karnataka as the study area:

- i. To understand the motives behind corporate philanthropy among the companies chosen;

- ii. To study the nature of corporate participation in social development;
- iii. To understand the nature and types of corporate-NGO partnerships;
- iv. To understand the dynamics of organization and management of corporate-NGO partnerships; and
- v. To evaluate the effectiveness of corporate-NGO partnerships and suggest measures for improving the effectiveness of such partnerships.

4. Significance of Choosing Karnataka as Study Area

In India there are certain apprehensions about corporate-NGO partnerships. Action Aid survey in 2000, showed that, out of the 295 companies, only 16 percent of them worked with NGOs [Dadrawala, 2004]. However, in recent years, due to the conscious efforts of certain agencies like Partners in Change, Indian Centre for Philanthropy, Confederation of Indian Industry and Centre for Advancement of Philanthropy, the distrust between these two sectors is getting reduced. Though, we find few collaborations taking place, it is not known to what extent the partnerships have become effective. It is also necessary to identify the ways these partnerships have affected NGOs, their mission, approaches and priorities. The State of Karnataka, has been housing a large number of companies in information technology, bio technology, manufacturing and service sector in India. Along with industrial growth, the social developmental concerns are also increasing. It is found that, 56 percent of the population is still below the poverty line in some of the districts like Bidar and Gulbarga as per the 2001 Census. In terms of human development rankings Karnataka is in the seventh position in the country (Karnataka HDR, 2007). The consequences of poverty, illiteracy, child labour, inequality of income and wealth amongst the different sections of the society and regional imbalances are writ large on the socio-economic map of the State.

The study is relevant in understanding how the expertise, competencies and resources of both

corporate and the NGO sector are combined in addressing the major social issues here. Though many research frameworks for corporate - NGO partnerships are available in the West, no such models and scholarly works are available in this State.

5. Methodology

The study is based on both primary and secondary sources of data and information in Karnataka. Primary data has been collected using structured questionnaires and through interviews with the executives of the companies. The secondary data has been collected from company brochures, annual reports and databases such as Prowess and Proquest.

Karnataka has been the destination for large number of companies in the service sector and the manufacturing sector. The study is based on a sample of 20 listed public limited companies operating in Karnataka with a paid-up capital of more than Rs.10 Crore. Equal number of companies is drawn from the manufacturing sector which includes-engineering, auto ancillary, electrical and electronics, petroleum industries and service sector comprising information technology, bio-technology, real estate and banking institutions. No distinction is made between companies in terms of their nationality and size of their operations. However, companies with more than five years of existence only are included in the study.

The study also suitably incorporates the responses from 20 NGOs which are working with the companies in Karnataka. The NGOs with more than 2 years of existence are included for this purpose.

In the data analysis, the perceptions of the companies as well as those of the NGOs towards social development practices and the inter-sector partnership have been evaluated. An in-depth analysis has been carried out to understand the nature and dynamics of partnerships between the corporate sector and the voluntary sector.

6. Major Findings of the Study

6. A. Analysis of the philanthropic activities of the companies reveals that the nature of corporate participation in philanthropic activities takes various forms. While some organisations fulfill their social obligations by donating money to the needy, the other organisations join hands with NGOs to undertake social development projects. Organisations which are serious about the desired social change, establish own trusts and foundations to systematically carry out the activities. But at the same time, there are many organisations where the philanthropy activities have not received the serious attention which they deserved. Such organizations have entrusted the responsibility of philanthropy to the human resource department or the public relations department in the organisation. During the study it was also observed that worker's associations played a major role in shaping the nature of philanthropical activities in service organizations.

6. B. Majority of the companies have viewed the corporate philanthropy as a means of helping the poor and under privileged sections of the society. Corporate benevolence was seen in various spheres of social development like education, training, women empowerment, health, helping the under privileged and development of infrastructure. In addition to the above causes, new issues like protection of human rights, global warming, pollution and conservation of energy have become the areas of concern to the companies. Environmental lobby, strict governmental policies and the pressure to comply with global standards have necessitated the companies to widen their area of operation in social development. The study revealed that primary education is the major developmental concern for many of the partnership between companies and the NGOs. Out of the 20 companies, 16 considered primary education and vocational training as their main area of thrust in corporate philanthropy. Out of 16, as many as 12 companies have indicated spreading literacy and supporting quality education to the poorest sections of the society as their main area in social investment.

Supporting the health care facilities and taking these facilities to the rural masses were reported as the chief activity by seven of the respondent companies.

6. C. The study indicated a positive trend about the collaboration between the businesses and the voluntary sector. All the companies that were contacted were working with NGOs for the implementation of their social development goals.

6. D. The study revealed that the major reason for the companies to form partnerships with the NGOs is their experience of working at the grass root level, which the companies lack. Over the last few decades NGOs have emerged as the seasoned player in the field of social development. They have developed innovative techniques to reach the needy. Out of the twenty companies contacted, eleven organisations were partnering with the NGOs because of their expertise in understanding of the ground realities and the ability to reach out to the poor.

The main motive for the NGOs to work with the companies was the financial assistance that they would receive from the companies. NGOs have the ability, willingness and the expertise to bring about a social change. But they often lack the financial capacity to sustain the development programs. The bottlenecks and difficulties of working with the government and its agencies have forced the NGOs to look up to the companies for financial assistance. Though there are other benefits of partnering with the companies, the main reason for the partnership was the access to the financial assistance.

6. E. The study revealed that the companies were more careful in selecting the appropriate NGO to work with. Though the companies were receiving a lot of applications from NGOs for financial support, twelve of the organisations contacted chose their partner mainly on the basis of the past experience of working with them. So, operational synergies and work compatibility were considered as crucial factors in partnerships. Familiarity with one's functioning simplified the task of

striking a symbiotic relationship with the partnering NGOs. Five of the sample organisations were relying on the recommendations or referrals of others while selecting an NGO to work with.

Before selecting the NGO partner, the companies were evaluating their background to check the compatibility of working with them. It was clear from the study that the most prominent consideration while selecting the partner is the reputation or the credibility. This finding has much significance in a situation where lot of concern is being expressed about the transparency and accountability of NGOs. Eight of the companies felt that, a good track record of NGOs in the developmental work will act as an important criterion in selecting them.

Twelve of the NGOs opined that they themselves take the initiative in approaching the businesses to partner with. They felt that, given the competition for people and resources, they have to market themselves better in order to gain company's support. It was also observed during the study that some of the NGOs had a full-fledged team of professionals to market their programs. Fourteen of the NGOs consider goal congruence as the main criteria for the selection of a partner. Though they expect financial and managerial assistance from companies, they were ready to work with a corporate partner only if their objective and ideologies match.

6. F. Seventeen of the respondent organisations opined that they had undertaken joint goal setting process along with their partners. These organisations felt that engaging in joint goal setting process gave proper direction to their activities in the area of community development. This helped both the partners to work towards a common mission and reduce the chances of goal conflicts between them. Fifteen of the organisations had a constitution governing their partnership with the NGOs.

6. G. The majority of the partnerships were project specific in nature. Twelve of the organisations opined that their association with an NGO was restricted to a particular project and it helped them to widen their area of operation and also to reach out to larger

beneficiary groups. They felt that working with the same NGO for a longer duration, irrespective of the outcomes, would make the partnerships complacent. Eight of the organisations contacted felt that it is always better to strike a long term relationship with NGOs. This, they felt that, would ensure the continuity of their social development programs. Since the frequent changes in priorities and people in charge of such activities in companies make it difficult for the NGOs to sustain the same type of relationship with the organisations, sixteen of the NGOs were interested only in a project specific relationship with their partner.

6. H. The study revealed that providing financial assistance is the common form of association for all the companies from the sample. Though it was not the only reason for the NGOs to partner with the businesses, providing financial support is a major boost for the activities of the NGOs. Assisting the NGOs by providing material resources and employee voluntarism are also important means of association for sixteen and eleven organisations respectively. Employee voluntarism was seen common in all the IT companies except one. Though all the companies had revealed that they did not have any instances of goal conflicts with their partners, thirteen of the sample organisations had set up a separate committee to manage the partnership with NGOs and coordinate all the activities of partnerships.

6. I. Companies as well as NGOs opined that trust is essential for an effective alliance. Communication is an important factor that will bind the partners together. Out of the sample selected, eleven organisations scheduled their meeting with their partners every month to review the progress of their collaboration. The executives in these companies felt that the monthly meetings not only helped them in updating themselves with the progress of the works, but also enabled them to have a better control over the activities of the collaboration. However, only thirteen of the NGOs were reporting to their partners regularly. The remaining NGOs were communicating with the corporate partner only if there was any need to do so.

6. J. Lack of proper control mechanisms was one of the major limitations that were observed in the study of corporate-NGO partnership. Though some of the companies used to hold regular meetings with their NGO partners to get feedback on the program jointly supported by them, there were no standard control mechanisms to compare the performance with these standards. Except three NGOs, none of them were disclosing the details about their income and expenditure and financial position in their annual reports. Some of the organisations did not even bother to find out how their funds are being utilized. This trend was observed in the case of two banking institutions that were studied.

7. Conclusion

Though it is evident from the study that the company's involvement in philanthropic activities is increasing over a period of time, the social development activities require a definite policy support and commitment by all. In a developing a country like India with ever growing socio-economic problems there is a clear need for sustainable and consistent approach for addressing these problems. In this regard, making CSR mandatory and evaluating the companies based on triple bottom line approach would systematize the process of corporate contribution to the society. The business organisations also need to learn to strategise their social investments with an intention of creating a value for all the stakeholders of the company. The complex situations have made the NGOs to realize the need to be more professional. To ensure the successful collaboration of the two parties, some basic management principles are necessary. Planning the activities, aligning their missions, defining the roles and responsibilities and periodic monitoring and evaluation would lead to the success of a partnership. Commitment to the partnership is crucial. Initiation by the top management is important but what is more vital is that participation in philanthropical activities should become the culture

of the organisation. A company with total commitment and a strategic alliance with the NGO would definitely win the confidence of all its stakeholders.

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