

Building NGO-Corporate Partnership for Social Development

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There is considerable discussion and action in recent years on building partnership between voluntary organizations and corporates for social development. This paper discusses the arguments for and against corporate involvement in social development and the rationale for building partnership with voluntary organizations. It also discusses the difficulties involved in building such partnerships and examines the trends and issues.

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While businesses have always been approached for philanthropy, in recent years, there has been more organized efforts to persuade corporates to get involved in social development. This is a consequence of marked shift from socialism to liberalism and nationalization to privatization. Since India adopted the policy of liberalization from early 90s, there has been a strong emphasis not only on industrialization but also on privatization. While private sector is being encouraged to increase its investment in businesses, government has begun to reduce its own stake in business enterprises. There is considerable discussion regarding privatizing insurance, banking, telephones, and public transportation where government has traditionally been a sole or major player.

Today, government is giving more and more concessions to industry by way of reducing taxes and other tariffs. State governments are going out of their way to invite industries to come to their states offering them several facilities and concessions. At the same time, government is cutting down on subsidies and financial support it used to give to the non-industrial sectors. The values of self-financing, self-sufficiency, and market approaches are spreading to all sectors. This shift to business orientation has not only come about in government policies but also in social ethos.

India still stands very low on most indicators of social development. More than one-third of India's population is still illiterate with another 15 per cent barely literate. Infant mortality, mother mortality, and general morbidity are quite high. More than one-third of India's population is below poverty line; more than one-third of world's food insecure people is in India. India stands 134th among 190 countries in terms of overall human development. Social and economic exploitation of the poor, oppression of the weak, and atrocities on the vulnerable groups have not abated (UNDP, 1996; National Crime Bureau, 1993; Bhatt, 1989; Desai and Mehria, 1996; Mackwan

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and Desai, 1998). Therefore, those who have been involved in social development and those who are working for the betterment of poor and vulnerable find these trends worrisome. People concerned about poverty, injustice, and inequities in Indian society have apprehensions that with business ethos and market approaches spreading even to social sectors, will society abdicate its responsibility to the poor?

Case for Corporate Involvement in Social Development

Why should corporates support development? This is an issue that has led to considerable debate. "Our job is to do business," so the argument goes, "so long as we do it well, we have played our role in the society." In an informal small group meeting of managers in Ahmedabad, a senior executive from an advertising company remarked, "why should we feel guilty about making profit? Is it not enough that we create wealth, bring in foreign exchange, and give employment?" "What is in it for business if it contributes to social development," is another question that the more practical-minded ask.

Essentially, there are two lines of arguments put forward for corporate involvement in social work. The first line of argument takes an idealistic and aggressive position by saying that the corporates should compensate the society by getting involved in social work as they take so much from the society, and, in the process, also create social problems. The second line of argument takes a pragmatic and conciliatory approach by saying that it is in the companies' own interest — direct or indirect, short-term or long-term — that they get involved in social development.

The first line of argument is developed somewhat along the following lines: As corporate sector expects and gets lot of support from the government in terms of facilities, concessions in taxes and tariffs and infrastructure, it should, in return, do something for the society.

India has a tremendous natural resource problem, a problem which has reached a crisis level. These highly depleted and low quality natural resources of land, water, forests, and mines are being put at the disposal of the corporate sector. It is the corporate sector which is mainly responsible for environmental and ecological imbalances. Industries, particularly the large manufacturing ones, also create many problems in and around the communities where they are established. Apart from problems of pollution and

Social Development

The term social development usually refers to development of the poor and weaker sections (including children and women) of the society in terms of basic minimum needs of health, education, nutrition, shelter, income, etc. as well as larger societal issues of equity, justice, and human rights.

NGOs

The term NGOs is commonly used for non-governmental voluntary organizations involved in socio-economic development of the poor and weaker sections as well as those working for environment and development of natural resources and human development issues of equity, justice, and rights. They are to be distinguished from non-governmental and voluntary organizations involved in cultural, sports, and religious activities or professional and political organizations.

It is in this sense — NGOs working for development and social justice — that we use the term NGOs here.

congestion, sometimes, they create social tensions in the communities by importing cheap labour from outside. Prices of essential goods as well as property inflate heavily in these communities. Such disruptions in the local economy affect the poor and vulnerable groups who suffer the most (*Changes*, October-December 1996). Therefore, the corporate sector, which is responsible for it must do something about it.

Some of the main arguments of the advocates of the second line of thinking are as follows:

It would be helpful for the corporate sector to build a good image with the communities, the government, and the society at large. Citing the example of business houses like the Tatas, they argue that if a corporate house has a good image, it would receive support from the community, the bureaucracy, and the society. In the West, many enlightened customers prefer to buy products or do business with socially responsible companies. A multinational company will get quicker and easier acceptance and legitimization in the host country if it supports social causes. There are also tax benefits for spending on social welfare and developmental activities.

A company's substantial and sustained involvement in social causes creates positive ethos within its own organization. Employees feel proud of the

company and their motivation and morale go up. Internal bickering and organizational politics may get reduced. This would help the company to improve productivity and profits. Even when there are no immediate or tangible gains for the business, it is in the long-term interest of the companies to work towards social development. "We have to build our factories," said a representative of Lipton India, a Calcutta-based company, "and rural development aids factory development" (*Changes*, July-September 1994, p 13).

If poverty is eradicated, runs the argument, then people's purchasing power will grow and business will benefit all around. Doing business will be better in a well-to-do society than in a poor society (Thomas, 1996).

Moreover, in these days of globalization, exports will be hampered if the products are seen as coming from a poor and backward country. Giving the example of Titan Watches, Thomas argues that the company may face impediments in selling its watches overseas to rich customers not because of quality or price but because status conscious customers may not want to buy products from a poor country. "India's international image," argues Thomas (1996), "is of a poverty stricken and squalor-ridden country. Changing this image in the minds of western customers and businessmen will be crucial if Indian goods and services are to find increasing acceptance overseas."

This line of argument, however, has severe limitations. If business would contribute to social development only if it sees benefits for itself and not as an intrinsic value and an integral part of its mission, then its contribution will be severely limited and, in some situations, could even lead to lopsided or distorted development. Based entirely on self-interest, a company's involvement is likely to be short-term and *ad hoc*. Arguments such as enlightened self-interest, long-term (but remote and indirect) benefits, benefits to the sector as a whole rather than a particular company are not likely to cut much ice if companies would do social good purely for self-interest and business benefits.

Firstly, companies will get involved in social development only if the business is good, and how good the business has to be before they can think of social development will be defined differently by different companies. Secondly, if a company thinks that it can maintain and develop its business interests without investing in social causes, then it would not like to get involved in social development.

There are, however, business organizations strongly committed to social work not just because it is good business but because they believe in it as their duty to society. The CEO of Madras Cements Ltd. stated that, "We are into community development for no reason at all..... when your heart is bleeding you do not go looking for reasons." Greaves Ltd. a Mumbai-based company argued that, "The government should make it mandatory for all companies to involve themselves in social work" (*Changes*, July-September 1994, p 13).

To quote C K Mehta, Chairman, Deepak Nitrite Ltd., a company with Rs 1250 million turnover and with two foundations for social work, "we should pay our debt to the society." He also argued that tax (benefits for charity) and commitment (to social work) has no relationship (*Sampradan*, 1998). Deepak Medical Foundation, a trust working for community health founded by Mehta's company holds shares in the company and, therefore, the company's contribution to the trust is in the form of share of the profits without any regard to the size of the profits. The Chairman of Tata Iron and Steel Company, while talking about the company's contribution to social service, stated that "social responsibility is one of the criteria of gauging the performance of the company" (*Annual Report*, 1998).

A study commissioned by Action Aid showed that among the top 150 companies, as many as 70 per cent believed that they have an obligation towards society upon whose resources they were drawing. Tax benefits to be derived by the company for involvement in social work was the lowest on their list of motivation. Only 9 per cent mentioned this factor as an important motivator as against 45 per cent who mentioned satisfaction for fulfilling social responsibility (*Changes*, July-September 1994, P 12).

Rationale for Partnership with NGOs

Among the businesses which have in any significant and consistent way got involved in development work are mainly medium to large modern corporate type establishments. And they have mostly preferred to launch their own foundations and trusts rather than working in collaboration with non-governmental organizations (NGOs). While this is understandable, there is a great deal to be said for corporate involvement in social development in partnership with NGOs.

In the last 25 years, the NGO sector has taken great strides in the field of development and social

justice. NGOs are spread in all corners of the country including the remotest areas. They have gathered tremendous insights, skills, and capabilities and have understood the critical differences between charity, relief, welfare, and development. Their development paradigm is much more holistic and includes not only physical quality of life activities but deals with exploitation, oppression, and social justice issues. They understand the social, economic, and power relationships within the communities and, therefore, have developed innovative and effective approaches, technologies, and pedagogies for reaching and mobilizing the poorest of the poor (Bhatt, 1995).

NGOs have not only worked with individual beneficiaries and communities at the grassroots level but also on macro issues of environment, natural resources, liberalization, privatization and structural adjustments, and issues of rights and justice. The NGO sector has influenced the state and national governments as well as foreign governments and international organizations on problems of environment, forest policies, policies related to women's development or housing for the poor.

Corporates genuinely interested in development have a lot to learn from NGOs and gain from collaborating with them as they can help with choice of programmes, approaches, and techniques that can reach the poor. It is common knowledge that in the Indian social context it is not easy to reach the poorest as there are vested interests who thwart the flow of services and benefits to the poor and siphon off the benefits for themselves. In fact, this has been the case in 50 years' history of governments' efforts for development though they have come up with a variety of programmes and projects and have spent considerable resources.

Companies may find it more convenient to undertake development programmes through NGOs rather than directly by themselves. For instance, they may find it uncomfortable to launch a programme exclusively for the poor keeping out the non-poor in the same community if they did it directly. But they may be able to do it through NGOs.

Companies may find it difficult to undertake on their own such activities of development as awareness, conscientization, organization of the poor, activities that require influencing delivery services of the government to reach the poor, increasing the access of the poor and weak to the governmental and other public institutions, influencing government programmes and policies in relation to development, etc., because they may be viewed as having political

overtones. Partnership with NGOs can be useful in such cases.

Though the major advantage of partnership for NGOs is funds, they can also look for help in terms of technology, machinery, equipment, management advice, and technical support. There are already some examples of companies having helped NGOs with staff training, strategic planning, monitoring and evaluation systems (*Changes*, April-June 1997).

Companies can also help NGOs with certain activities which are commercial in nature such as income generating activities or savings and credit activities. NGOs may also learn the skills of commerce from the corporate sector.

It is argued that in partnership with companies, NGOs would learn to be more efficient and productive (Venkateshwaran, 1995). Though this argument needs to be examined more closely, both productivity and efficiency may have to be viewed and assessed with different criteria in the context of poverty, inequity, and injustice.

If NGOs view their larger mission as social transformation, partnership with companies may be one of the useful ways of disseminating values and philosophy of social development. Business has now become a very important sector. With privatization and liberalization, it is also expanding and the values and culture of business are beginning to get more widely diffused. Business, therefore, needs to be influenced about the issues of social development.

Thus, NGO-corporate partnerships will bring together lots of resources and a variety of skills as this involves a coming together of two large and strong sectors for social development. If they are able to build partnerships, not only on a one-to-one basis but at sectoral levels too, they can be a formidable combine to influence society, politics, and government.

The Current Scenario

Traditionally, business has been supporting philanthropy. Most businesses have at one time or another helped a social cause. But, such support has been either for religious causes, humanitarian relief or at best social welfare rather than social development. Moreover, barring a few large business houses who have set up their own trusts or foundations for social service, such support has been individualized, *ad hoc*, and sporadic.

A recent survey of 647 large modern corporations that included public and private sector enter-

prises by Action Aid indicates that only 36 per cent had some sort of a policy on their support to social service and only seven per cent had a clearly stated written policy (*Changes*, October-December 1996; January-March and April-June 1997).

Most businesses have very little knowledge about the issues in social development in India. To them it is doing good, and therefore, even when it goes beyond relief, charity or religion it is largely confined to health, education or infrastructure facilities such as wells, clinics or school buildings (*Changes*, October-December 1996, p 9). Activities such as bringing awareness among the poor, mobilization and organization of the poor, capacity building of the poor so that they have greater control over the circumstances of their lives, influencing the delivery services of the government which though meant for the poor hardly ever reach them, and to generally empower the poor and the weak so that their exploitation and oppression is reduced have almost entirely been absent from the corporates' social work agenda. While this is to be expected since the corporate sector prefers to stay clear of confrontation with the government and the bureaucracy and is also wary of undertaking activities which may have possibilities of social tensions or conflicts, it also means that some of the most critical issues of development have remained out of the purview of corporate concern.

As mentioned earlier, most corporates involved in social development in a sustained way prefer to do so on their own and not in partnership with NGOs. The survey commissioned by Action Aid showed that out of 295 companies involved in some kind of social work, only 48 (16%) had worked through NGOs and these were mostly welfare and relief type organizations such as Lions or Rotary Clubs, Jaycees, and YMCA rather than grassroots level NGOs. However, in recent years, thanks to the efforts of intermediate organizations like Partners-in-Change (PIC), Indian Business Community Partnership Trust (IBCPT), and Indian Centre for Philanthropy (ICP), some of the corporates have come forward for partnership with NGOs.

There are several reasons why such partnerships are very few. Both corporates and NGOs know very little about each other. Corporates have very little knowledge of NGO work, their achievements, and their growth in the last 25 years. Their acquaintance with NGOs is limited to relief and welfare type organizations. Mutual suspicions and prejudices are quite widespread. To the extent that the NGOs work for the poorest and the weakest, they have to often criticize and confront bureaucracy and government.

They use media, streets, and courts quite often in order to focus attention on their causes. Since corporate culture is politically conservative, corporates tend to view NGO activists who work for social justice, equality, human rights, etc. as socialists and leftists. NGOs too, on their part, perceive businessmen as profiteers and exploiters and are afraid of collaborating with them as they may be seen as having been coopted by vested interests and would lose their credibility. As bureaucracy often refuses to believe that NGOs can work for the poor without personal or socio-economic gains, many NGOs too have a firm belief that corporates will not get involved in social development without ulterior motives.

Also, occasionally, NGOs working at the grass-roots level have to directly or indirectly confront the industry. In the Saurashtra area of Gujarat, for instance, NGOs have been quite agitated over the process of increasing land salinity due to chemical industries, exploitation of labour imported from other regions, and high incidence of child labour. NGOs' opposition to such projects as ENRON in Maharashtra, Narmada Dam in Gujarat, indiscriminate mining in southern Rajasthan, etc., may also be perceived as NGOs' anti-industry stance.

In a dialogue between NGOs and corporates held in New Delhi in November 1996, it was argued that while NGOs in general were willing to collaborate with corporates, they expressed some reservations. Some of the major reservations were as follows ("Partners in Change," *Workshop Report*):

- Companies do not really understand the complexities of development in the Indian context. They may impose their brand of social development. Since NGOs are fragile in terms of funds and technical manpower, they may easily get diverted and coopted.
- Partnership with corporates may result in sacrificing the "voluntary spirit" of NGOs for the professionalism that the corporate sector is familiar with. The product/output/result concerns of the corporates may undermine the people and process orientation which is so important in social development.
- Companies may not be willing to provide long-term support that development interventions require.

Emerging Trends and Issues

In spite of these difficulties, in more recent years, a trend towards corporate involvement in social

development is beginning to take place. There is a slow but noticeable shift on the part of business towards social concerns. Many business organizations are beginning to view their business in the context of socio-political environment and to broaden their perspectives of development beyond GNP and per capita income. This is increasingly getting reflected in their mission statements and annual speeches of the Chief Executives.

There is also a marked shift away from charity and relief to social development. Either through their own foundations and trusts or in partnership with NGOs, increasingly, companies are now getting involved in developmental activities on a sustained basis. Industry associations like the CII, ASSOCHAM, FICCI and others are forming committees and task forces and also supporting seminars and workshops on development issues.

Due to the efforts of intermediate organizations such as PIC, IBCPT, ICP and others, industry involvement in social development in partnership with NGOs has also increased in the last five years. *Changes*, the organ of Action Aid, publishes reports on such partnerships (the April-June 1997 issue listed 15 such partnerships in addition to the four reported in the text). Moreover, not all the partnerships are confined to donations by corporates. They have started helping NGOs in their technical and management needs, entered into business transactions with them such as appointing them as distributors of company products, buying NGO products, skills training, etc.

NGOs, on their part, are paying more attention to efficiency, performance, and achievement and are systematic planning, organization, and management of their programmes. Increasingly, they are recruiting people with professional background and adopting corporate culture (Lai, 1996). Some NGOs have started adopting company form of organization. In fact, non-profit company form seems to be more in vogue today as compared to the charitable trust and society form that NGOs had commonly preferred so far.

Seminars, workshops, and fairs that bring together NGOs and corporates are being organized in recent years and organizations like PIC are fully devoting themselves to building partnerships and have, in fact, developed 'how to' guidelines for doing so. On the whole, therefore, the environment has become more conducive for enhancing corporate social responsibility and corporate involvement in social development.

However, there are certain issues that need to be addressed by corporates as well as NGOs. Corporates that have so far entered into partnerships are generally large in size, modern, and professionally-oriented. Small and medium industries, large trading, and other commercial establishments can also be motivated to enter into such partnerships for social development.

Similarly, collaborating NGOs are also relatively large, city-based (though they may be working in the villages), and have professional characteristics. The intermediate organizations that work towards building corporate-NGO partnerships such as PIC, IBPCT, and ICP seem to have so far tapped only large corporations and professional type NGOs. This is understandable since these intermediate organizations and their CEOs seem to have corporate origins. PIC in Delhi is sponsored by Action Aid, a UK-based professional development support organization which itself receives industry support. ICBPT at Delhi owes its origin to the initiative of Prince of Wales Business Leaders' Forum based in UK. ICP at Delhi is again presided over by a management consultant. Many small NGOs involved in crucial tasks of increasing the awareness, mobilization, and organization of the poor, access of the poor to government schemes and services, and in general empowering them may also benefit by linkages with business.

As of now, the partnerships that have taken place are built around specific activities of development at micro levels and have not dealt with larger societal issues of ecology and environment, natural resources, slum problems, problems of specific regions (e.g. desertification in Gujarat), etc. Corporates and NGOs need to concern themselves with such larger societal issues.

There are many industrial estates that have now been established. These estates have profound social, economic, and environmental effects on the communities around them. NGOs and associations of industrial estates can work together on these issues.

NGOs and business can come together on larger issues of development on a formal and continuing basis. They can form task forces and working groups on critical issues, study the situation, and influence the concerned institutions and establishments. NGOs and business together would be able to exert considerable influence on government and bilateral and international agencies (Bhatt, 1997).

Corporates would prefer applying technical, managerial, and financial solutions to development

problem is they might perceive NGOs' approach of asserting one's rights, protesting against exploitation or oppression as too radical or having political overtones. However, problems of development in the context of Indian social structure are not only that economic opportunities are not available but that some people are systematically denied whatever little is available. While enormous resources have been spent and a whole range of different approaches have been tried out for development by government in the last 50 years, problems of domination and subjugation, exploitation and oppression have rarely been dealt with. In building partnerships, it should be kept in mind that funds, support, and efforts do not get concentrated for only one type of development and one type of NGOs.

In the 90s, NGOs as a sector have become increasingly technical and managerial and professionalism seems to be subduing idealism and ideology. It is because of this that the role of the intermediate organizations becomes crucial. On the one hand, they need to involve more corporates in social development and bring more corporates and NGOs together and on the other, they have to constantly monitor the implications and consequences. They have to ensure that in the name of professionalism and pragmatism, the NGO sector does not get drawn into ethically and morally questionable practices. Also, they would need to be careful that business establishments which indulge in unethical and socially damaging practices do not see in partnership a way to get social legitimacy and protection from law.

Corporate culture and corporate approaches to problem solving may also unduly overwhelm the development sector. In building partnerships, corporates may have a tendency to only worry about themselves — what they would like and what they would not like.* Because they want to enter into partnerships, NGOs may feel pressurized to adopt the corporate style of functioning.

Social development also requires considerable process work — communities acquiring a comprehen-

sive understanding of the causes and consequences of the development activities they undertake, their participation, developing their own capacities, understanding of social, economic, and political relationships within and outside the community and so on. In fact, some of these processes themselves might be considered as indicators of development. In the quest for collaboration, one has to guard against undermining some of these processes for corporate culture tends to promote speed, efficiency, and results rather than processes.

If corporates are genuinely interested in the development of the poor, then they have a lot to learn from NGOs as NGOs have developed greater insights into the social and economic relationships and power patterns in our highly hierarchical social structure and have come up with creative approaches and methodologies. They have also developed alternative approaches to development and attempted to construct even alternative development paradigms.

It is a truism to say that industrialization has many social consequences — the process of industrialization, what goes into the industry and what comes out, how and with what effects. The movement towards partnership should not pre-empt a critique of industry and industrial behaviour by development professionals and activists.

As already mentioned, partnerships between corporates and NGOs is a relatively recent phenomenon. As yet, only a few collaborations have actually taken place. It is not known to what extent the partnerships are really effective in strengthening the entrenched interests and in what ways they have affected NGOs, their agenda, their approaches, and their priorities. Similarly, the role of intermediate organizations, their approaches and ideologies, and their impact also needs to be examined. Perhaps, it is too early to make any judgements but the impact and larger societal implications of this new thrust in the arena of social development will have to be assessed with an open mind.

* In a seminar organized on the subject sometime ago in which NGOs and corporates were the participants, it was interesting to see that the organizing group was concerned almost entirely about the corporates in deciding on the colour and content of brochure, timing and content of invitation letters, venue, menu and so on. Hardly any thought was given to the needs and views of NGOs.

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