



## An Opinion Study On Ngo-business Partnership For A Better Corporate Social Responsibility

### KEYWORDS

CSR, NGO, Partnership, effectiveness, challenges.

**NAMPALLY SNEHA**

Final Year Student, Department of Social Work  
Madras School of Social Work, Chennai -

**Dr.S. RACHEL**

Assistant Professor of Social Work Madras School of  
Social Work , Chennai-8

### ABSTRACT

*With the new legislation Companies Act, 2013 setting in, it demands a few set of companies requires spend 2% of their net profit of their three year profit towards Corporate Social Responsibility. Companies who have a net profit of Rs. 500 Crore and around a minimum of Rs. 1,000 crore and the companies who have a profit of Rs. 5 Crore should invest on the Corporate Social Responsibility. The study tries to understand the emerging trend of NGO-business partnership in conducting the Corporate Social Responsibility. To implement the Corporate Social Responsibility many companies in India have started to form their own foundations. While the Companies Act represents a big opportunity, it puts a challenge for them to attain expertise in managing the funds and functioning at the field in delivering the best to the people which the NGO sector are proficient in. With the new law coming into action they are many business firms that have been given an opportunity to-be socially responsible and so there rises a question of expertise in the field as well its effectiveness in carrying out the CSR activities. Therefore the study looks to find out if the business firm partnership with NGO will lead in performing an effective CSR with quality work on ground and at the same time help in building a better strategy for them. The study looks forward to provide detailed explanation on the causative factors, effectiveness and the challenges faced in the partnership.*

### INTRODUCTION

India from way back has been closely involved in attending to social causes for the nation development. Corporate Social Responsibility in India has been considered as a social duty by the fellow citizens though its nature and its implementation on ground has changed over the years. In the present Scenario, it is called as CSR.

The philanthropy of the people of business being rooted in the religious belief has resemblance to the western philanthropy. The practices of the business in 1900s has taken up different forms like serving the community, looking forth for employee welfare, donations to charity and promoting religious conduct. Many corporations by their philanthropic means would term themselves to be conducting humanitarian deeds but the actual scenario they portray is to gain the good will of the people. The idea that rooted in 1950s was because of the duty that the business firm had towards the society. There was only little documentation done about the social responsibilities of the business firms back then. Later there was an increase consciousness of the business firms globally to perform their duty towards the environment. It has also been realised that the companies that were genuine in performing their Social Responsibility had more customers drawn towards them. This led to the start of concept of CSR.

As per Section 135 and Schedule VII described in the Companies Act 2013, The Ministry of Corporate affairs has brought the Policies of Corporate Social Responsibility to come into act from April 1, 2014. With the new legislation Companies Act, 2013 setting in, it demands a few set of companies requires spend 2% of their net profit of their three year profit towards Corporate Social Responsibility. Companies who have a net profit of Rs. 500 Crore and around a minimum of Rs. 1,000 crore and the companies who have a profit of Rs. 5 Crore should contribute towards the activities of Corporate Social Responsibility. The activities that the companies undertake should be according to the activities that are mentioned in the Schedule VII of the act. In such cases any contribution done to the political party would not be considered as CSR. The act is applicable for the activities conducted

in India that would be accounted for the expenditure of CSR.

The net profits of the company are computed according to the Section 198 of the Act and is in accordance to the profit and loss statement made as per Section 381 (1)(a) and Section 198 of the Act. Though these services have not yet come into practice, it says that the net profits calculated under the Companies Act of 1956 need not be again calculated under the present Act. Any profits from overseas that includes the companies that operate separately as an individual company, net profits would not be considered under the rules of the Act.

The paper focusses on the NGO- business partnership for the implementation of the Corporate Social Responsibility. According to 2011 Cone Communication/Echo global corporate opportunity study it says that many of the consumers of India claim that the business firms have brought significant change in issues and even on personal lives and that it educated the general public on social and environmental issues and so it emphasis on the point that if the corporate takes up the social responsibility, it would be greatly encouraged by the citizens optimism towards their attitude.

To implement the Corporate Social Responsibility many companies in India have started to form their own foundations like the Reliance Foundation, Infosys Foundation etc. While the Companies Act represents a big opportunity, it puts a challenge for them to attain expertise in managing the funds and functioning at the field in delivering the best to the people which the NGO sector are proficient in.

Joe Phelan, India Director of International Business Leaders Forum says that the power to produce outcomes does not come from the well-known practices but engaging with the potential partners. This puts forth a challenge for the business firms to welcome new perspectives in implementing its goals and agenda of Corporate Social Responsibility. Considering this there is also a belief of NGO's that corporate back step when going for a relationship with them because of the bad reputation NGO's carried in lack of transparency, inefficiency and mismanagement. The major challenge that the corporates could do is in working on these significant issues with a cordial understanding but would Corporate take the risk is the big

question now.

The need for the emerging trend of the NGO- business partnership is the 2013 Companies act that compels the Corporates to think for the betterment of the society which was never their corporate agenda before. As it is made compulsory it would in longer run expect to increase its investment in the management of this area. Secondly, many companies consider Corporate Social Responsibility as the Philanthropic model of giving than a strategic way that would be inbuilt in its core values. Though they are few companies that would consider it as more strategic aligned to the company core competencies like the Johnson and Johnson that supported the rural village running costs with its medical products.

Thus the research here tries to focus on the implications of the relationship and understand the perspectives of the individuals in their approach to the NGO-business partnership.

### Methodology

The method of data collection was in-depth interviews with the person responsible for the CSR activities of the business firm. Four respondents from four different firms conducting CSR activities such as India Cements, Ford, Saint Gobain and Larsen & Toubro were interviewed for the research. The respondents were interviewed personally. The interview was conducted in one sitting for 30 minutes. Privacy was maintained during the interview. The questions posed tried to analyse the reasons that cause the relationship, effectiveness and challenges faced in the relationship.

### Findings

#### Corporates and Lack of Expertise in Social Work

The finding of the research is that corporates to an extent accept the fact that they lack expertise in the field as they point out to the reason that it is a new field which they were never been exposed to before. They say that the case is different for giants companies who have been in the field of Social Work for long and have gained expertise over the years whereas for the others it's a complete new stream and so they would be particular in choosing the fields in implementing the CSR activities. The research also found that corporates would not deal with people like the NGO's as in they would deal with people large and not take up any personal counselling oriented areas to work on. This however synchronises to what Business Standard in 2010 on CSR published saying that, "It was also founds that some companies chose to narrow their focus on a few thematic areas, other companies took a broader view and undertook a large scope of areas to focus on."

#### Reasons for the NGO-Business Partnership

With the onset of the New Companies Bill, it is a mandatory function to conduct CSR for many corporates. The data collected says that that as the HR responsible at the plant has to manage his demands at plant, managing CSR would be an additional responsibilities and in such case partnership with NGO will help in reaching better to the people around. Added to it they also say that one of the reasons is because of the concrete ground work, impact that NGO's have on ground. These NGO's have well rapport with the community than the corporate does. Corporates do not have an ideology of thinking socially whereas NGO's have it from the start. They have resources, people whereas people of the business firm are not from the local village. As mentioned in the "Private Sector- NGO partnerships: Finding the right strategy and approach" article by CSR Asia in 2010 which says that the reason for the relationship built between Coco- Cola and United Nations during the post tsunami reconstruction efforts is that it bought two parties for the 'partnership for development' and made to understand the rewards of building it.

NGO's have defined project mode and are much efficient in working with the communities. This is the reward that the Corporate could gain from the partnership. As the NGO's are much efficient in working with people than the Corporates and that with the many responsibilities the Corporates have, the CSR activities that contribute to the extra work can be easily implemented through the ones that have a whole lot of experience than the corporates i.e., the NGO's.

NGO partnership and new ideas

The research done by Akinermi 2013 on the "Emerging opportunities for Ngo-Business Partnerships: Creating Partnerships for Igbo Women Forum in Nigeria" specifies that the drivers between the NGO and the Business partnership are the new ideas that would help reach better to the people in the community. So were the findings of the research. The findings were that NGO in the partnership would definitely bring in new ideas as they are well versed with ground realities. It would bring in an exposure of social problems on ground. When credible NGO's contribute ideas then corporates would be happy to implement them but they also quote the point that out of the many NGO that do social work only few of them are reliable.

#### Effectiveness of the Partnership

Most of the respondents point to the fact that any corporate would test the project for one year. The social audit that is done annually will affect the effectiveness of the relationship because this would measure the impact implemented over one year. Credibility and Accountability are very important in maintaining the effectiveness of the partnership. As the article, "An exploration of business and NGO perspective on CSR, sustainable development and partnership" by Helen Wadham in 2009 points that sustainability, strengthened communities are the main indicators of the effective partnership compliments to what was found in the research. The social audit that is conducted every year will analyse the performance of the NGO and if the standard goals are met then it would result in an effective partnership between the NGO and the business firm. Another reason that contributes is if the NGO hold on to its passion, clear with their objective and implements it the right way then it would help in effectiveness of the partnership.

#### Challenges in the partnership

The partnership that is built for the purpose of implementing the CSR activities can root up different challenges. The challenges found in the research is that some NGO's fall back in the focus area and the thematic areas that the corporates would be interested in. The second reason is the lack of dedicated people who would work through the odds and yet be convicted to their ideology. This is what Dileep Ranjekar in the article "Making CSR meaningful" published in Human Capital, 2014 says that it is necessary for the teams and the management involved in the project to be patient and persistent. Thirdly, NGO's tries to replicate the corporate models and try to take credit for it. Fourthly, understanding the administrative structure of the Corporate and NGO as they are both registered under different acts and have varied functions and so as pointed in article, "Maximising the Business- NGO relationship" by Jody Addah in 2011 it is important to identify the common goals and build bridges between the organisations for mutual learning and engagement.

#### Conclusion

The opinion study on the NGO- business partnership for a better Corporate Social Responsibility has brought into light the facts of the business perspective of the partnership effectiveness and challenges. With the Companies Act coming

in, the added responsibility of conducting CSR though an opportunity has built in a pressure for many Business firms. The Business firms that have been socially responsible for long do not have this pressure though. The Corporates accept the fact that Social Work is a new stream and it is indeed challenging for them to work in this new sphere. In such circumstances NGO's can be a great help in taking up the extra burden that the Corporates could face in this scenario. NGO's have a better rapport building capabilities than the Corporates do and it would bring in new ideas as the NGO's are well versed in ground realities. But the challenges here would be the mutual understanding of interests of NGO and business firms, NGO holding to its values, credibility, transparency and accountability of the NGO and sustaining through the odds. The findings also say that the Corporates believe that only few NGO's of the many in the country can be considered reliable. If the NGO would overcome the challenges then it would sustain the relationship and would help in an effective implementation of the Corporate Social Responsibility through the NGO-business partnership.

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