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The promise and challenge of collaboration for CSR – corporate-NGO engagement

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“Our times demand a new definition of leadership - global leadership. They demand a new constellation of international cooperation - governments, civil society and the private sector, working together for a collective global good”¹
(Ban Ki-Moon, Secretary General of the United Nations)

The mantra for collaboration is not new, yet it resounds with fervor in conversations about corporate social responsibility (CSR). Civil society actors, especially non-government organizations (NGOs), are often seen as the counterpoint to both the economic power of the corporation and the political power of the State. Although NGOs are recognized as a powerful institutional actor that has a decisive role in helping solve large-scale societal problems, the relationship between corporations and NGOs has historically been marked by distrust and conflict.

Against the backdrop of a new Indian legislation that makes CSR mandatory, this short piece unpacks the pragmatic and ideological tensions and challenges in achieving the promise of corporate-NGO engagement. The Indian government passed the Companies Act in 2013, becoming the first country to make CSR activities mandatory. The Act stipulates that companies with high net worth (Rs.500 crore/USD 80mn), turnover (Rs.1000 crore/USD160mn) or net profit (Rs.5 crore or more/USD 0.8mn) in any financial year must set up a Corporate Social Responsibility (CSR) Committee, formulate a CSR policy, and spend at least 2 per cent of their net profits for CSR.² The contentious clause is being hailed as both an opportunity and a retrograde step. It is estimated that close to 8,000 corporations will fall within the Bill's purview leading to a projected annual CSR spend of Rs. 12,000-15000 crores or approximately USD 1.9bn-2.4bn. The Act went into effect on April 1, 2014, and much anticipation surrounds the implications of the Act and its implementation/evaluation.

An immediate fallout of the legislation has been the rush for corporations and NGOs alike to find common ground and create joint platforms to work together as majority of the qualifying organizations reportedly spend only a fraction of the required amount on CSR. Already, corporations report working with NGOs to achieve CSR outcomes; for example, a survey by Mercer reportedly found that 78 per cent of participating Indian organizations partner with a local, independent NGO while 17% work their own NGOs.³ However, consider this: there are an estimated 2 million NGOs in India, about one NGO

per 600 people although the actual number is expected to be higher.⁴ Besides, civil society in India is a diverse group encompassing social movements, collectives, NGOs, and community-based organizations with varying roles and responsibilities.

From a western perspective, NGOs are generally seen as acting in the interest of 'public good' or a social orientation (see Dempsey, 2011).⁵ Although the mid 1980s were a turning point when NGOs emerged as important institutional actors in international business (Doh & Teegan, 2002)⁶, their influence has been propelled by the globalization of business, declining State power, and the scrutiny of business practices in developing countries (e.g., exploitation of labor, abuse of weak regulatory mechanisms, human rights violations). NGO relationship with business and society has been wide-ranging and diverse, from being one of hostility to cooperation, and variations thereof. Even the language used to describe NGOs does little to challenge the polarization and lack of trust inherent in the relationship. For instance, Kourula and Laasosen (2010)⁷ found that range of terminology used in scholarship reflects the state of corporate-NGO relations such that “antimarket environmentalists, pressure groups, and activists” represented adversarial relations, whereas multi-sector studies commonly used such labels as civil society, social movement, and local community, and nonmarket actors.

As said before, the NGO sector is extremely diverse, with substantive differences in ideology, ways of working, partnership orientation, among others. Åhlström and Sjöström (2005)⁸ argue that there are “partnership” or “independency” organizations. The former, labeled “preservers” tend to cooperate with business (“operate in boardrooms rather than with banderols outside gates”) whereas the latter seek alternative, non-collaborative ways of engagement, by being “protesters,” “modifiers,” and “scrutinizers” (p. 237). Arguably, this

⁴<http://timesofindia.indiatimes.com/india/India-witnessing-NGO-boom-there-is-1-for-every-600-people/articleshow/30871406.cms>

⁵ Dempsey, S. E. (2011). NGOs as communicative actors within corporate social responsibility efforts. In O. Ihlen, J. Bartlett, & S. May (Eds.), *The handbook of communication and corporate social responsibility* (pp. 445-466). Boston: Wiley-Blackwell.

⁶ Doh, J. P., & Teegen, H. (2002). Nongovernmental organizations as institutional actors in international business: Theory and implications. *International Business Review*, 11, 665-684.

⁷ Kourula, A., & Laasosen, S. (2010). Nongovernmental organizations in business and society, management, and international business research: Review and implications from 1998 to 2007. *Business & Society*, 49, 35-67. DOI: 10.1177/0007650309345282

⁸ Åhlström, J., & Sjöström, E. (2005). CSOs and business partnerships: Strategies for interaction. *Business Strategy and the Environment*, 14, 230-240. DOI: 10.1002/bse.470

¹ Quote retrieved from <http://www.un.org/en/civilsociety/>

² For a full version of the Companies Act, 2013, see <http://www.mca.gov.in/Ministry/pdf/CompaniesAct2013.pdf>.

³http://articles.economicstimes.indiatimes.com/2014-11-16/news/56137152_1_sustainability-activities-csr-activities-corporate-social-responsibility

classification is a bit too simplistic, and a more productive understanding may involve viewing NGOs along a continuum. Related to this, NGO tactics or 'politics' of influence have been a contentious issue. In addition to informational and symbolic resources to mobilize support, NGOs may also engage in public naming and shaming, lobbying for social change, protests, and so on. The urgency and legitimacy of NGO demands and their standing among the bigger NGO landscape are additional factors that determine NGO leverage vis-à-vis corporations.

As yet, there is limited scholarship that examines the relational potential and challenges among corporations and NGOs in the Indian context. So diving back into the Indian context, I now present some excerpts from a research project in which I invited perspectives from managers in large Indian and global corporations, as well as select NGOs, to review the state of CSR in India. Given the large number of NGOs, CSR managers noted that the engagement potential was plagued by issues of mistrust. Many acknowledged that NGOs possessed the much-needed ground-level expertise to implement community programs, and their reach within and understanding of local issues is a valuable source of knowledge and feedback. Many corporations in India, and certainly several of the ones I spoke with, report working with NGOs in some measure, as a way to achieve CSR outcomes. Beyond this rosy hue, however, lurk concerns arising from the lack of accountability and the absence of verifiable mechanisms to assess NGO credibility. A few recounted instances of being (nearly) duped by 'fly-by-the-night' NGOs while others recalled the stymied efforts to secure any structured reporting on deliverables promised by the NGO partner. Yet others objected to the tendency of NGOs to ask questions, without proposing alternative solutions.

In addition to speaking with CSR managers, I also invited perspectives from the heads of select NGO groups that were actively engaged in CSR awareness, education, and advocacy. Despite the differences among NGOs in their orientation toward partnerships, and their own identities, a fundamental issue that transcends differences is the question of acquiring and maintaining legitimacy as a social actor in the Indian context. Although the results cannot be generalized to 'all' 2 million NGOs or even a fraction thereof, NGOs in my research are acutely aware of the NGOs as (un)equal partners, as operating on the fringes of business-society relations, and as being bracketed in the dubious classification of belonging to the 'social/development' sector, terms that are elusive and ambiguous. As a result, NGOs are precluded from decisions about CSR. Of the possibilities for engagement (Kourula & Halme, 2008)⁹, most organizations limit themselves

⁹ Kourula, A., & Halme, M. (2008). Types of corporate responsibility and engagement with NGOs: An exploration of business and societal outcomes. *Corporate Governance: The International Journal of Business in Society*, 8, 557 – 570. DOI: <http://dx.doi.org/10.1108/14720700810899275>

to sponsoring NGOs, seeking training/volunteer opportunities for employees, or a one-time project consultation. Few actively involve NGOs in the decision making process, treating them as equal partners in developing end-to-end programs, and/or enter into strategic partnerships for sustainable and collective impact. Where the latter opportunities are possible, they are limited to large NGOs with proven credibility and trust.

NGOs are also cognizant of the question that trails sponsorship and funding from corporations, the question of whose agenda NGOs follow. This question is, arguably, linked with larger issues of representation and voice. The report on Indian NGOs previously cited revealed that in financial year 2010-11, about 22,000 NGOs received more than \$2 billion in international funds, of which \$650 million came from the United States. However, in the absence of transparency about fund allocation, majority of the NGOs that engage with corporations, in whatever measure, still rely on corporate funding, and may be confronted with the paradox of being coopted by the corporations that finance them. Thus, maintaining their independence and neutrality in light of a tricky financial situation poses several challenges.

Globally, the growing importance of corporate reputation and CSR has given NGOs a source of leverage and opportunities to be heard and be noticed. This short paper has only scratched the surface by highlighting some emergent tensions that merit further conversation and dialogue. In India, whether and how the growing rush to establish CSR collaborations will play out remains to be seen indeed. In conclusion, the following quote from one of the NGO directors I spoke with (personal conversation, 2009), resonates with the vision of collaboration and engagement that is placed at the heart of CSR:

We are saying that civil society comes with a lot of understanding—you [business] can't do it alone, you should not do it alone. You must do it because diversity and dissent, which is what democracy is about, can only come to play if you are working in true partnership with a host of organizations where each one brings their skills, talents, and expertise to the table. And I believe there is some hardware with corporates, and some software with civil society, some with the government...and we must come together for this interplay of hardware and software if programmatic responses are to take off. ■

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