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The future of CSR-NGO Partnerships

OgilvyEarth and Millward Brown collaborated in research looking into relationships between NGO and corporates in China. Beyond looking at the rapidly changing landscape of NGOs, we wanted to take a closer look into how partnership are developed and the evolving co dependence of NGOs and Corporations in this shifting environment.

In the last few decades, China's focus has been primarily on the nation's GDP growth. However, economic progress brought about new social problems that have propelled policy makers to increasingly prioritize strategies and measures that will ensure the implementation of social justice and long-term prosperity for this diverse nation. Within the 12th Five-Year Plan, one of the most important goals in the coming years is to focus on social welfare and the protection of the environment.

Over 300,000 NGOs are reportedly now active across China

Over the last few years we have also seen a dramatic growth in number and size of grassroots NGOs. A few factors have attributed to the fast growth of this sector. In the wake of the Sichuan earthquake, neither the government nor the market was fully prepared to sustain full scale post-quake disaster relief. The gaps in services opened the door for grassroots NGOs to emerge, and just recently the government made an attempt to lift constraints on the NGO registration process by reducing multiple bureau sponsorship to just one bureau. However, many NGOs have reported that this new policy is unevenly implemented at the local provincial level and the system remains very complicated, especially for those with limited networking resources. There are now reportedly over 300,000 NGOs active in China, however statistics are unreliable and it is more likely that only around 2000 of these are organisationally stable grassroots NGOs.

A crisis of confidence

The growth of this sector has not come without its problems. With evolving technologies enabling smaller players to more easily communicate with their stakeholders and new supporters, on the one hand digital platforms are a fantastic channel, but on the other hand microblogs have also become the seedbed for quick dissemination of negative word of mouth. A crisis of confidence recently overshadowing the sector was triggered by

"Strengthening transparency should be a priority in rebuilding social credibility. Only clean public power can guarantee a clean society." Global Times

the online Guo Meimei scandal, which spiralled out of control on China's microblogging platforms resulting in the public's questioning of the proper use of funds by big foundations, and this has had a knock-on adverse impact on the entire philanthropy sector.

Around the same time as this, other similar incidents occurred and statistics from the Ministry of Civil Affairs showed an 86.6 percent drop in charitable giving from June to August. This was despite a number of tragedies including the high speed rail crash, so showed a distinct lack of trust in the foundations sector.

This type of issue has led to the Chinese public demanding more transparency regarding how large foundations actually use funds raised in public. This has provided an opportunity for both the Chinese public and

corporations to shift from their traditional social giving model to make plans for diversifying investment in charity and CSR activities. We are starting to see examples of small donations and resources going directly from the corporate sector to grassroots NGOs. Baidu is a great example of such diversification:

"We recognised that government organisations do not need as much money to complete projects as NGOs, so have set up a new program that we hope will help us to meet and help more grassroots organisations doing good things across China" Bei Xiaochao, formally Baidu CSR Manager

Grassroots NGOs face many growth hurdles.   The semi legal status of at least one third of this group, their lack of a sound infrastructure, and the continued dominance of GONGOs (government sponsored NGOs) has left grassroots organizations across China often struggling to get resources, qualify for funding for essential projects, and recruit new members and volunteers. In addition, unlike much of the rest of the world, large scale public fundraising for these grassroots is not possible both online and offline. With foundation and government funding equally difficult to secure, grassroots NGOs must learn how to build partnerships with the corporate sector in order to sustain their work. In response, a handful of organizations have sprung up to help connect the two sectors and to create opportunities for collaboration by playing matchmaker.

The most vital role that these organisations play is as a 'facilitator' for mitigating the issues around working with larger corporations, when processes can sometimes overwhelm small organisations who have inexperienced or compact teams. NPI is one such organisation that has worked with corporates such as Baidu, Lenovo and China Merchants bank

"We wanted a partner who could help us vet smaller NGOs so that we could give our money to those who needed it most. We found that it was hard for the smaller NGOs to work with us as such a large organisation so this middle man was the best solution for us all." Bei Xiaochao, Formally Baidu CSR Manager

Aside from the crisis of confidence in foundations from the public this year, on the whole charitable giving is generally on the rise in China. Additionally, recent income tax breaks (11-12%) are being allocated by government for companies investing in CSR programs, which is resulting in more revenue reaching causes across China. The drawback to this for the majority of NGOs is that it only applies to   a list of approved organisations (mainly GONGOs), which is a disincentive for organisations to diversify and support small grassroots NGOs not on

"Hu Jin Tao emphasized the need for social innovations and third sector participation to tackle issues within social society. Where this is not so successful is within the government financial departments, as they are looking to maximise their funds so encouraging tax free incentives is not an attractive thing for them. But on the whole more government departments are supportive and see the need for this." Li Ding, Deputy Director, NPI

this list. Although the policy appears to be there, many small organisations are still unable to benefit from what is viewed by many as simply a piece of paper and so have to find other ways to ensure revenue gets to their projects.

The Research
Through quantitative and qualitative research, OgilvyEarth teamed up with Millward Brown and set out to explore how partnerships are currently being initiated, developed and maintained between NGOs and

corporations in China. We conducted research with over 100 NGOs and 44 Corporations through quantitative research, alongside some valuable qualitative interviews with key players in this sector.

Partnership trending

Not surprisingly, we found that NGOs are very willing to work with corporations and believe that partnerships could better help them achieve their goals. Both NGO's and the corporations believe that CSR partnerships can truly have an impact on environmental, social, cultural and economic issues. Of the NGOs surveyed, 84% had previous experience of corporate partnerships, and 82% of those in current partnerships rated them as partly or highly successful.

We also sought to gain an understanding of the perception of where the opportunity of CSR activities begins.

When we surveyed corporations and NGO's about their views and experiences we found that NGO's largely believe that corporations are pressured to undertake CSR initiatives (88% agree) compared

> The majority of our NGO respondents (89%) agreed that "with corporate partnerships projects could be better accomplished (47% strongly agree, 42% slightly agree).

to the corporations, where a lesser majority of 65% agree. But one thing was clear from our research - these partnerships were evolving off-line and mainly through networking and cold call approaches. As we had predicted, there were currently few interactions that evolved through corporations searching online for a suitable project and reaching out directly to the NGOs.

Supply vs Demand

While many of the NGO partners we interviewed have a diverse range of focus areas, our findings show that social-/community development and

"There are very limited channels where companies can find reputable NGOs easily" Bei Xiaochao, Formally Baidu CSR Manager

education are two key, current trending areas for corporations to partner with NGO's. Though these are the more prolific areas that NGO's in China operate in, we can see that there is currently a key focus on environmental protection with 95% interest from corporates (see figure 1) – this is an indication of how current affairs and media can affect the direction a brand takes its CSR projects. A growing number of corporations are building more structured and diverse range of projects more closely connected to their business agenda.

This shift from charitable giving to co-driven sustainability programs means that NGOs have the potential to play a more integrated and critical role in this positive change and bring more to the table in terms of knowledge, ideas and experience particularly in concentrated niche areas. 18% of the corporations we polled strongly agreed that with "NGO partnerships some of our corporate objectives could be better achieved", while 64% agreed that NGOs are part of their success in achieving corporate success.

Our in-depth interviews revealed that there is currently no tangible and consistent place for NGOs and corporations to find out what each other is doing, either offline or online. In addition NGOs often commented that they don't know what other NGOs are doing and would like the opportunity to find out about projects relevant to their own domains for potential partnerships, and some were even interested in finding out projects outside of their own domains for opportunities of collaboration.
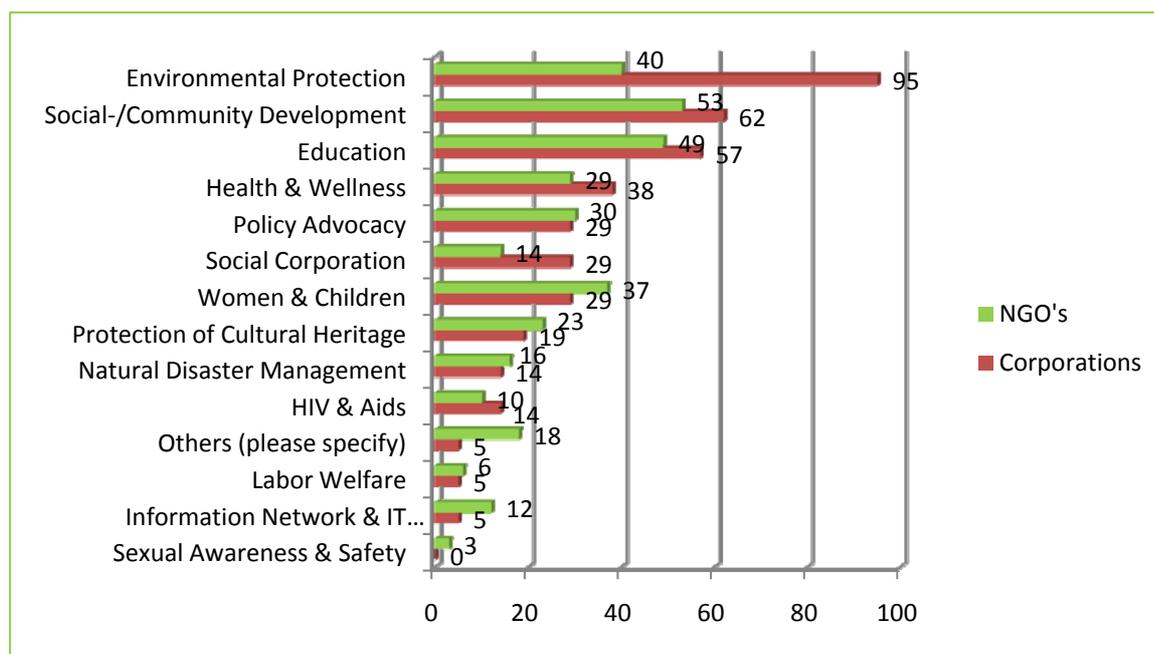
Figure 1- Desired areas of partnership for corporations vs. areas NGO's operate in China

At the same time, many corporations are looking to find best CSR practices done by other corporations and to easily find out what is going on in the NGO realm. Both Baidu and Lenovo commented that they did not have the capacity to get to know the space well, so they have chosen to work with third party partner NPI to help them to make a recommendation in order to get through this tricky stage of identification. For example - who are the NGOs working on environmental protection and where are they? This kind of information is missing and there is no systematic way for them to find it.

Our data indicates that other grass roots NGOs may also be finding it more difficult to survive as trends change, such as the current focus on environmental protection affect focus from business, and there may be a greater need for a platform that can provide a better visibility of projects and provide the connection between corporations and the projects most in need.

"Due to a lack of self advertising, a lot of companies do not know about us or do not trust us. That makes setting up a partnership difficult." –Fu Qiang, Hu Nan NGO Alliance executive

Addressing the challenges of collaboration

Understanding where there are mutual and conflicting needs from corporations and NGOs is key to assessing the current success of partnerships, and here we saw some differences in our research.

When asked for their preference of mutual partnerships, both corporations and NGOs prefer to foster long-term, integrative partnerships with each other. Secondary to this, a simple exchange of resources is the next most preferred partnership

"We have faced many problems when cooperating with enterprises. The enterprises hope the NGO can provide a more complete project planning of a partner project, and negotiate cooperation based on it. But this will raise the cost of the operating NGO" – Fu Qiang, Hu Nan NGO Alliance

option, including an exchange of grants, in-kind donations, pro-bono services, volunteers, etc.
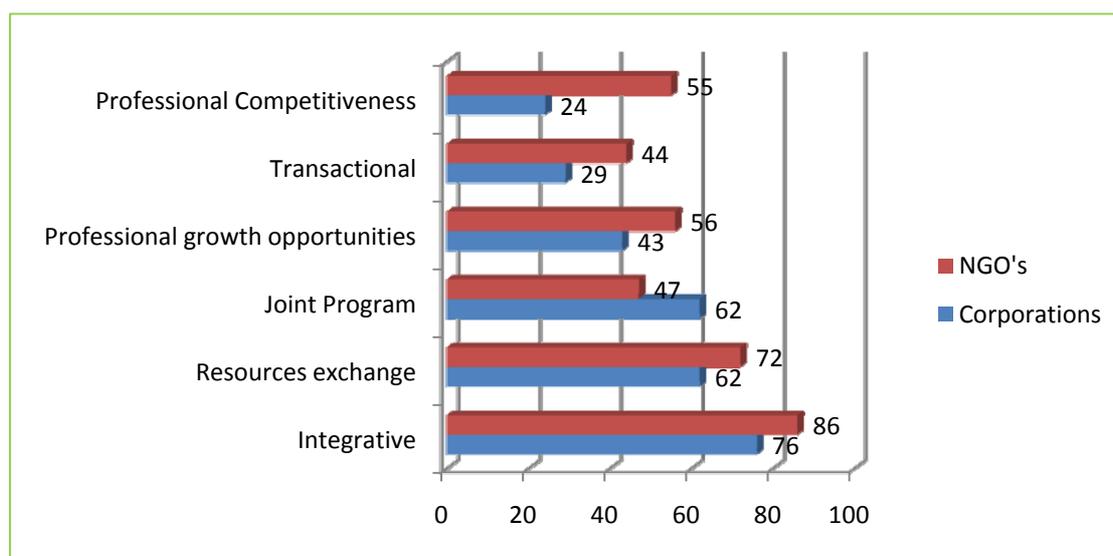

Figure 2 – Partnership types sought by corporations and NGO's in China

In terms of maintaining the partnership, the larger the corporation, the bigger and more complex the accounting and admin processes that require many layers of paperwork to be submitted and thorough assessment of the credibility and suitability of a new partner.

One thing we found is that NGOs often feel overwhelmed by these processes and cannot match the army of executives that are needed, and in addition often corporations have the view that the administrative costs associated with a project is not desirable, they want maximum funds to go towards the cause.

"The truth is donors sometimes need as much training as small NGOs, for example some don't understand that admin costs are essential, they ask for no overheads and can't understand that this will not be a sustainable NGO if no one is paid a salary and its relying on volunteers." Li Ding, Deputy Director NPI

In terms of resources exchange, there are other ways in which corporations can help public welfare beyond simple donations. Take Lenovo for example, they have an 'army' of volunteers. Overall, we found that capital (67%) is equal to volunteers (67%) in terms of corporate contribution.

"Screening our partners is one of the most important parts of setting up a new relationship. Charitable money must be handled very carefully-This is money of the heart. Donated money always needs to be treated carefully" *Linda Fu, Lenovo Senior CSR Manager*

In order to foster integrative partnerships with grassroots NGO's, corporations believe that the reputation of the NGO, a shared vision and strong management commitment are key elements to foster a successful, long-term relationship. 37% of the interviewed NGO's agreed that corporations are highly engaged in the relationship. According to our survey and contrary to conventional wisdom, the legal status of a grassroots NGO is not in fact the most important criterion for partnership.

However reputation and track record did score as very important. In our in-depth interviews with NGO's, several of them expressed that corporations occasionally had "resistance or misgiving about the NGO", due to a lack of

publicly available information, which was also reflected in the study with 57% of corporations stating reputation as the most important factor when determining a partnership.(see fig. 3) Shared vision (52%) and management commitment (48%) come in second and third with corporate. A common vision scores the highest important determinant for success in a partnership in the opinion of the NGO's.
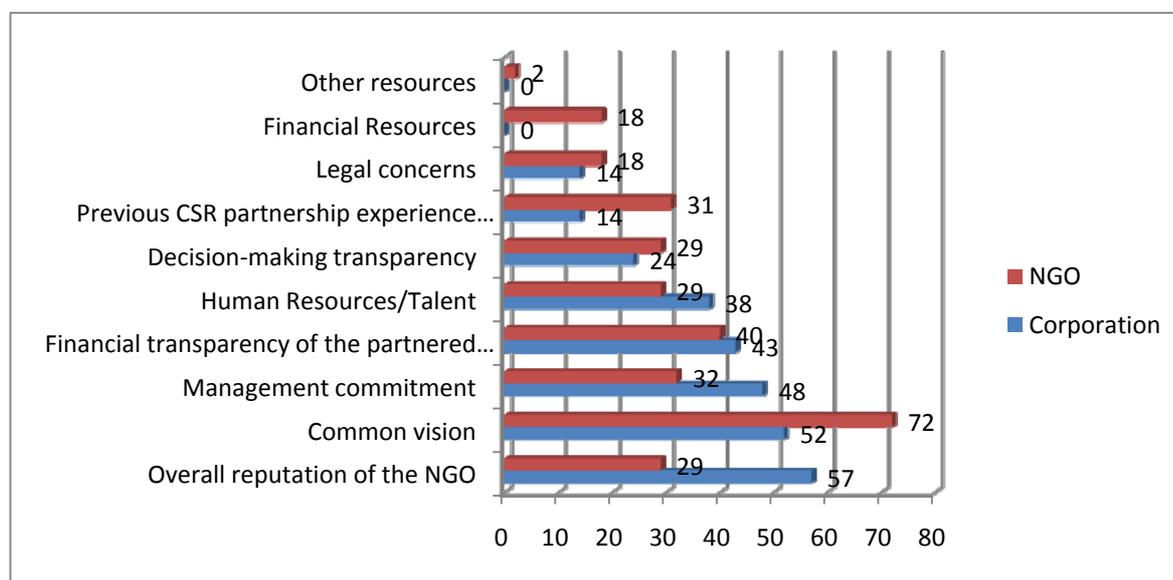

Figure 3 – Most important criteria that determine a successful partnership

Filling a Gap in information

There are currently a selection of organisations providing online platforms for information sharing in China, such as CSRChina, and China Development Brief, with the former focusing on aggregating CSR information and the latter specializing in NGO information respectively. However, their approach still leaves a gap to be filled. Earlier, we mentioned that there are also a few organisations predominantly working off line that have begun to emerge in order to give grassroots NGOs the chance to be in the running for corporate CSR support. Not only are these organisations the key to helping create opportunities for lesser known nonprofit organisations to benefit from larger corporate support but they play a big part in managing the expectations of *both parties* and ensuring a level of understanding from the point of view of *both sectors*.NPI is one such mediating NPO.

Another intermediary organization is NGO2.0 (http://www.ngo20.org/?lang=en), an organisation focused on improving social media literacy among grassroots NGOs and driving social innovation. One of   its long-term goals is to enable their members to connect to the corporate sector for resources.   NGO2.0 have developed a digital, crowdsourced map (built on the Ushahidi open-sourced platform and financed by CreditEase) with the purpose of further filling in the information gap of both sectors so as to drive a more structured approach to partnership identification.

Currently, NGO2.0 map (www.ngo20map.com) fulfils the function of information bridging. It visualizes the geographical spread of NGOs and their project distribution on one hand, and corporate CSR investment themes on the other hand.

Jing Wang, the founder of NGO2.0 Project and a MIT professor of new media studies, recognizes that a simple online map alone would not be sufficient to drive corporates onto this site for sourcing new partnerships. To enable NGO-CSR partnerships to take place, Wang and her team are undertaking two other complementary tasks: the first is building an infrastructure of a trust system by promoting more transparency and therefore better partnership development.

To this end, they designed a three-tiered NGO ranking system which will serve as a reference for corporations to identify NGOs they wish to work with.   Wang's team recognize that bringing partnership to fruition is an activity that needs to take place on the ground. Therefore, NGO2.0 is currently collaborating with BSR China (a global CSR network) to hold annual partnership forums in select provinces, which brings together selected NGOs and selected CSR programs in a face-to-face setting for the matching purpose. The first such forum will take place in Chengdu this July. And Wang points out, BSR and her team have used the 2.0 map to identify Sichuan based CSR projects.

"Small NGOs are often more nimble and able to implement locally based CSR projects more easily and effectively. Why? Their solid networks and knowledge of how to best mobilize local people and resources to accomplish those projects is something that most transnational NGOs in China lack, and why some corporations began to see the possibilities of collaborating with smaller NGOs" - Jing Wang

Reporting back: creating transparency and easy information sharing among stakeholders

Throughout our in-depth interviews we found that many corporations make choices for NGO partnerships are influenced by the need to create PR angles.   As established NGOs are perceived to give more brand recognition, this means often smaller and more specialized NGOs are overlooked. That also links with our research findings that 91% of the surveyed corporations agree that they currently undertake CSR in order to enhance their corporate reputation rather than integrating social responsibility more fully into an overall corporate strategy.

We have seen a trend of a rise of CSR reporting in China, with a growing number of corporations developing annual reports to communicate their initiatives. However, what is mostly communicated is a retrospective look at projects that have already been completed and there is rarely available information on new projects for which they are seeking NGO collaboration.

Our research also showed that the majority of companies currently use a growing variety of media for CSR publicity, but informing actively interested parties and communicating the status of CSR projects is mainly done through their company website (76%), word of mouth (67%), e-paper publications (57%) and e-mail (52%).
For NGO's, e-mail is the primary communication channel to inform interested parties about projects and communicate their on-going status.
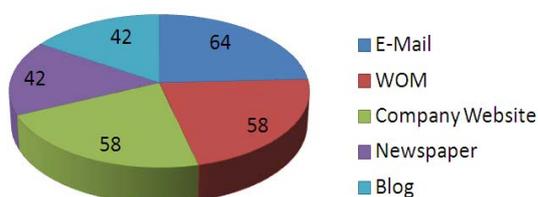

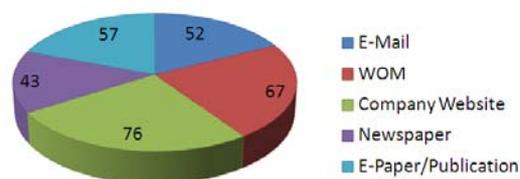*Fig 4 The Top 5 communication channels for NGOs to report on projects*

Fig 5 The Top 5 communications channels for Corporations and their CSR initiatives

Our data shows that the information distributed is generally restricted to the current networks of each involved party and there is a time delay in publishing the information.

"We hope that both NGOs and corporations can use our map to publish NEW projects. This is very important for NGOs and for the making of partnerships between CSR and NGO sectors." Jing Wang, NGO2.0

With this in mind their map will also act as an additional channel for driving awareness of CSR projects. With the rapid development of digital platforms, the norms of more rigid reporting are changing and such platforms will become the essential place to get a wide lens view of the sector and active projects.

"Our new mapping platform collects best practices of NGO-CSR partnerships. We will focus on best practices for project collaboration or activity co-sponsorship. Our main focus is to provide corporations with a destination to explore and establish best suited projects and that these grassroots organizations have a platform through which to communicate needs and gain more visibility. Partnership best practices are also published on the map providing material for those and other organizations to learn and design best strategies for approaching corporations." Jing Wang, NGO2.0

The three step ranking system will add validity to the NGOs who are part of this network and provide corporations with the trust to initiate discussions with new partners knowing that a level of independent assesment has already been completed.

NGO2.0 say they often hear their NGO partners complaining they are not able to easily find out what their peers are doing or if there are projects relevant to their own domains, which mirrors the findings from our research. Some NGOs are even interested in finding out projects outside of their own domains. At the same time, many corporations may want to find on the 2.0 map best CSR practice projects conducted by their peers and gain a greater insights of where NGOs are active and what is being achieved. As this type of resource is currently missing, the NGO2.0 map serves as a bridge to fill this gap.

The *Blue Book 2010*, an annual review of corporate citizenship in China, states that more than two-thirds of the top 100 Chinese companies are still lacking in CSR awareness and ineffective in responsibility management and responsibility information disclosure.

However, there is no doubt that there is a shift occurring in the CSR landscape in China, and as partnership models evolve, this open platform should help to create more transparency and a reputable source of information for all. It has the potential in the future to become the gateway to deeper networks and partnerships, creating greater opportunity for smaller organizations to collaborate with each other.

Wang states "*We wanted to create this resource now as the digital landscape is fast developing and there is a growing need for this. We recognise it may be a while before the platform will fully take off but hope it will become THE trusted source of information for corporates.*"

While in development, the map is currently functional and collecting momentum both in terms of visitors and users. NGO2.0 are now in the first stage of auditing for its NGO partners and encouraging them to map their projects across China.   As the map further develops, a B2C framework will also be added to enable the participatory evaluation of volunteers and the general public.

The increasing "co-dependence" of NGOs and Corporations is becoming more and more evident. Corporations increasingly need to demonstrate the "impact" of CSR activities and its value to the society, not only by the means of providing funding, but by making a meaningful and impactful difference and ultimately by transforming peoples' life in a shifting environment in China. Meanwhile, smaller and less established grassroot NGOs need to continue their professional growth and enhance their organizational infrastructure in order to provide more transparency, as demanded by the public. Through continuous and mutual efforts of fostering an environment of confidence, trust and the development of strong partnerships with smaller grassroot NGOs that help where it matters most – the evolution of the rapidly changing landscape of NGOs is ? inevitable.

More information on the map can be found at www.ngo20map.com or by contact Jing Wang, jing@mit.edu