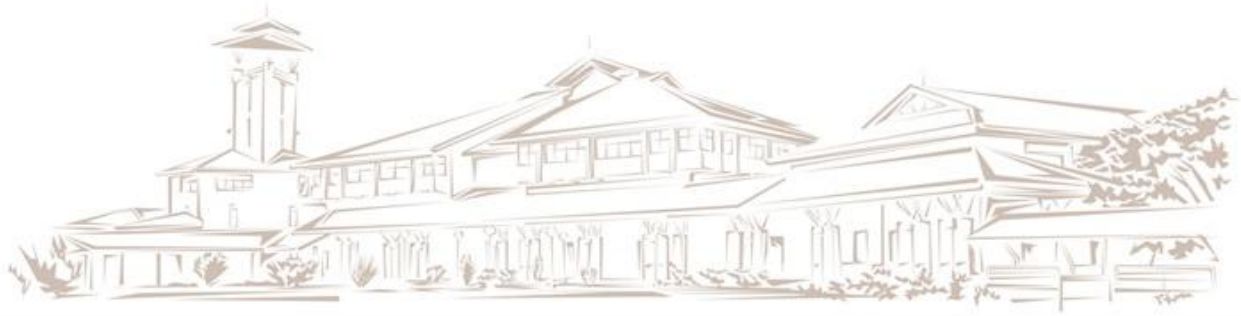


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**THE DIFFICULTIES IN DOING GOOD: NGO PREPAREDNESS FOR
IMPLEMENTING MANDATORY CORPORATE SOCIAL
RESPONSIBILITY PROJECTS IN INDIA**

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IIMK WORKING PAPER

The difficulties in doing good: NGO preparedness for implementing mandatory Corporate Social Responsibility projects in India

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Abstract

This paper documents the results of a survey of 100 NGOs with respect to their preparedness to implement CSR projects planned by eligible companies in order to comply with the CSR legislation outlined in Section 135 of the Companies Act of India (2013). Our results provide some reasons to conclude that NGOs are displaying many elements of preparedness, such as having a mission and vision statement, elements of a governance and processes to measure impact. However a major limitation is the availability of talented employees and their retention.

Key words: Mandatory CSR, Section 135, NGOs, Survey

Introduction

Although the concept of corporate social responsibility (CSR) is not new, the attention paid to CSR by governments, corporations, regulators and academics has grown exponentially over the past three decades (TICGPSIA 1994; Holme & Watts 2000; Hillman & Keim 2001; Warhurst 2005; Kowalski 2016). For example Indonesia, in 2007, was the first country to mandate CSR but the scope of this requirement was restricted to "... companies which have an impact on natural resources" (Waagstein 2011, p. 460). According to a report published by the Hauser Institute (2015) a number of countries mandate companies to disclose information regarding their activities/efforts affecting a broader set of stakeholders including employees, the environment and society.

The recent introduction of Section 135 in the Companies Act (2013), mandating CSR, marked a landmark decision by the Government of India with respect to the relationship between business and the broad stakeholder group termed 'society' and takes the focus on CSR to a different level. Through such a directive corporations have been co-opted into investing funds and resources into developmental projects, and overseeing their implementation. The provision has resulted in 460 companies spending ₹6,338 crores¹ (approximately U.S. \$980.65 million based on the exchange rate on April 19, 2017²) on 1,790 CSR projects in the fiscal year 2014-15 (Agnihotri 2016).

Section 135 allows companies to implement their CSR projects either through their own foundations or trusts or in partnership with non-governmental organizations (NGOs). Recent studies suggest that corporate-NGO partnerships are becoming more common and also more effective in implementing CSR projects (Skagerlind, Westman, & Berglund 2015; Davidsdottir 2016). There is no dearth of NGOs in India; however capability, capacity and reputation are important factors that corporations will likely consider when selecting a partner NGO. Section 135 poses several challenges that both corporations and NGOs must address in order to comply with its provisions. Although there is a general awareness of the challenges through anecdotal evidence and the popular press, we are not aware of any empirical study in this regard; our paper attempts to partially fill this gap. The purpose of this study was to examine, using a sample of 100 NGOs, the 'lay of the land' in terms of their level of preparedness in implementing Section 135.

¹ ₹ is the symbol of the Indian Rupee; one crore is equal to 10 million.

² Source: <http://www.bankofcanada.ca>

A significant majority of the NGOs in our sample indicated that they have a robust governance mechanism in place to ensure smooth operational functioning and effective financial management, and to avoid fraudulent activities. Majority also had an impact assessment process in place to gauge project effectiveness. The potential difficulties in doing good are on account of talent acquisition and retention issues.

NGO challenges in implementing Section 135

The modern day concept of CSR has evolved from corporate philanthropy which has existed for a long time and was "... aimed at the welfare of the immediate members of the enterprise like staff and employees and their families" (Gupta 2014, p. 20). Sivakumar (2008) documents how Jamsetji Nusserwanji Tata, founder of the Tata group of businesses, focused on a broader group of "... stakeholder constituents as early as the 19th century, even before law mandated them" (p. 355). For Jamsetji the broad group of stakeholders included employees, consumers, society, competition, owners and the environment, and a focus on the 'common good' as well as 'practical patriotism'; he truly believed that such an attitude towards business will result in a win-win situation (Sivakumar 2008).

According to Cappelli *et al.* (2010) the focus on a broader mission (than just financial returns) is a uniquely 'Indian way' of conducting business. The introduction of Section 135 may be interpreted as a reminder to businesses, both old and new, of the importance of contributing to society and encouraging more companies to be involved in CSR. Although some may question whether mandating CSR is the right approach to reminding companies of their responsibilities, it is now law and therefore must be complied with.

The section mandates companies that meet at least *one* of three financial criteria to contribute at least 2% of their pre-tax income towards CSR activities: (1) minimum net worth of ₹500 crores (approximately U.S. \$77.36 million), (2) minimum turnover (sales revenue) of ₹1,000 crores (approximately U.S. \$154.73 million), and (3) minimum net before-tax profit of ₹5 crores (approximately U.S. \$773,630). Other requirements as specified in the section and relevant to this study are as follows. First, companies must constitute a CSR committee consisting of three Board members of which at least one must be an independent member. It is this committee's responsibility to formulate a CSR policy (including recommending the activities that the company should undertake), recommend the amount of expenditure that the company should incur, and periodically monitor the CSR policy. The CSR activities must fall within one of ten broad categories as specified in Schedule VII of the section (please see Appendix 1 for a list). Second, companies may implement these projects through their own registered foundations or trusts, or partner with established NGOs. Finally, companies are required to disclose the CSR policy implemented

during the year. If the company fails to implement CSR projects (meaning spend the required amount) this must be disclosed along with reasons for not spending the amount (Government of India 2013).

Despite the fact that “CSR is not a new concept in India” (Gupta 2014, p. 21), Section 135 poses several challenges to companies because as many as 16,000 companies are likely to be affected by this mandate and many of them are likely to have no previous experience of CSR (Dadrawala 2015; Rajeev & Kalagnanam XXXX). Companies must spend their monies, assess the impact of their investment and report the spending on an annual basis. With little experience and often limited interest in the social sector, several of them are now realizing that strategically investing money in CSR activities is just as testing as earning it (Kaur 2014). Section 135 has, however, brought cheer to many of the NGOs, a majority of which are relatively small players in the social sector and look upon this as a welcome source of much needed funds.

The first challenge is that although the concept of corporate-NGO partnerships are not new (Gupta 2014; Skagerlind *et al.* 2015; Davidsottir 2016), building new partnerships can be quite challenging given the existence of between two and three million of NGOs in India (Shukla 2010; Kilby 2011; Mahapatra 2014). Moreover an NGO rating system, vital for making an informed choice, has not been available until recently. Give India, an NGO in the online donations space, attempted to streamline the process of funding and donations. After scrutinizing over 3,000 NGOs from across the country, Give India could finally enlist only 200 that met its stringent screening process which ensured that donations reach the right people and are utilized appropriately. In 2014 CRISIL, a global analytical company providing ratings, research and policy advisory services, announced an evaluation process that grades NGOs based on their performance and financial proficiency. The grading of NGOs has proven to be a herculean task due to the staggering number of NGOs and the fact that many do not file audited reports with the authorities (Kably 2014). Besides, NGOs have had reputational disadvantages due to their lack of efficiency, transparency, and accountability as well as corruption issues reported in the past (Mehrotra & Verma 2015; Davidsottir 2016). All of these reasons have led to low donor confidence.

What emerges is the need for a bridge mechanism to bring together interested companies with capable NGOs that are well experienced in the social sector, and the necessity of building a meaningful partnership based on mutual trust. Apparently this coming together has not been easy because of a ‘trust deficit’ between companies and NGOs, according to Manas Ratha, director of Dasra, a Mumbai-based philanthropic advisory group (Kaur 2014). This is despite the fact that, through their years of experience on the field, NGOs have acquired knowledge and are well versed with grass root level issues and implementation challenges. Such a collaborative effort is vital if investments are to be made strategically and for benefits to reach the needy. The apprehensions that companies harbor about NGOs being untrained and unprofessional perpetuate the trust deficit. Vimlendu K Jha, executive director of Delhi-based NGO Swechha, refutes this charge. “People in the corporate sector see those working in the social sector as

unprofessional and inefficient. It becomes difficult for them (corporate officers) to trust us with their money. Just because we speak and wear clothes differently does not mean we are bad people” (Kaur 2014). The few instances of reported fraud by certain NGOs has only fueled such suspicions (Sirothia 2015).

The second challenge pertains to the process of assessing the impact of projects implemented by NGOs. Companies, especially the new entrants under the ambit of Section 135, lack the wherewithal to monitor and assess the outcome of NGO efforts. To make matters worse, as the Act requires companies to report and showcase the impact of their yearly CSR investments, they tend to expect unrealistic outcomes. For example, Amitabh Behar, director of the Delhi-based National Foundation for India, says that companies would prefer to invest in a school building, rather than in developing an inclusive curriculum or teacher training program. “Visibility is important for them,” he adds (Kaur, 2014). The trend among companies since the amendment has been to aim at the low hanging fruit, like building toilets and holding medical camps, projects that do not require sustained effort and can show visible results soon.

The third challenge lies in companies’ expectations of ROI from CSR; they tend to calculate results in quantitative terms, which is inappropriate given the nature of investments and that social projects have a long gestation period before outcomes can be visible, and this requires a change in mindset (Kaur 2014).

The fourth challenge is a structural impediment due to the scale and size of operations. Most NGOs are set up by individuals with good intentions but not necessarily the skills to build an organization, with funding coming from donations and personal sources. Several operate with part time volunteers and have few paid employees. Currently India has only around 100,000 CSR-ready NGOs with an average annual absorptive capacity of about ₹20 lakhs or approximately U.S. \$30,945 (Mukherji 2015); it is therefore not surprising that several big companies have chosen to implement CSR projects themselves. An analysis of the top 300 Indian companies investing in CSR reveals that approximately 34% of them operate through their own foundations or trusts (Rai & Bansal 2014). However, on a positive note, several top companies also fund well established NGOs. Another interesting fact is that large corporate houses, like the Aditya Birla Group, collaborate with like-minded bilateral and unilateral agencies to share ideas, draw from each other's experiences, and ensure that CSR efforts are not duplicated. NGOs can make a difference by serving as an enabling mechanism for the pooling of corporate resources, thereby avoiding duplication of effort and the dilution of impact.

One consequence resulting from the challenges noted above is a strong apprehension that only the larger NGOs may get access to corporate CSR budgets. Smaller ones may have to augment their project execution capability and professionalize in order to present themselves as credible partners that can deliver results. This, however, presents a chicken and egg situation because NGOs do not (or rather cannot) augment their experience and capability in the absence of a major project coming their way. Nor can they professionalize because funds are required to put appropriate mechanisms in place even to professionalize.

With the introduction of Section 135 companies, as prospective clients, have become significant actors in the functioning of NGOs. How the two partners can complement each other's skills remains to be seen.

The prospect of NGO involvement in CSR activity requires the NGOs to prepare themselves to fulfill their role, beginning with building capacity for design, implementation and impact assessment of substantial CSR investments. The United Nations Development Programme (UNDP) defines capacity building as the process by which individuals, groups, organizations, institutions, and societies increase their abilities to perform core functions, solve problems, define and achieve objectives, and enhance their understanding and ability to deal with their development needs in a broad context and in a sustainable manner (as quoted in Skagerlind *et al.* 2015). Drawing on the definition, we examined how NGOs have enhanced their capacity, the alignment of CSR projects with their mission and values, as well as the governance and management control mechanisms implemented to ensure efficient utilization of CSR monies. The overarching objective of this study is therefore to gauge NGO preparedness in coping with the responsibilities of being a reliable and effective implementation partner.

Research Methodology

We administered a survey to a sample of 100 small and large NGOs spread across the country. The survey questions sought information pertaining to: (1) CSR implementation experience in partnership with corporations, (2) important challenges that NGOs must consider while taking up corporate CSR projects for implementation, and (3) governance and management control mechanisms.

We pretested the survey with three NGOs, six PhD-equivalent students at the institution of one of the authors, and two academics. An independent (third-party) research services provider collected the data through phone interviews with respondents from 100 NGOs which were among the 339 NGOs contacted for participation (approximately 29.5% response rate). Our intent in this study was to explore the 'lay of the land' with respect to NGO preparedness for CSR implementation rather than any kind of hypotheses testing. Consequently, we believe that a survey methodology is most appropriate.

Findings and Discussion

Our sample consisted of small and large NGOs that were spread across 17 states in India. We captured size using three different measures: (1) number of employees, (2) annual budget and (3) the number of locations; we found high correlations among the three measures, all of them significant at the 0.01 level (please see Table 1). Respondents to the survey included individuals in executive roles (founder, CEO, president, executive director, chairman – 44), managerial roles (operations, regional, finance, resource generation – 19) and other roles (secretary, coordinator – 31). We present our findings as they pertain to some of the challenges identified above.

Partnership

We asked all respondents if their NGO had partnered with any company in implementing their Section 135 CSR projects; 57 (57%) responded yes and the remaining 43 (43%) said no; we refer to these 57 NGOs as ‘CSR NGOs’ and the remaining 43 as ‘non-CSR NGOs’ in the rest of the paper. This suggests that over half of the NGOs have some experience with partnering with companies in implementing their CSR projects. Not surprisingly a majority of the 57 NGOs were generally larger than the remaining 43 NGOs, and this finding was consistent and statistically significant across all three measures of size (please see Table 2).

Recent literature (Skagerlind *et al.* 2015; Davidsdottir, 2016) discusses the importance of cross-sector partnerships to implement CSR projects, and Section 135 encourages such collaborative arrangements. Such partnerships are beneficial both to NGOs in terms of capacity building and to companies, especially those that are new to CSR. Anecdotal evidence obtained from conversations with NGOs and small businesses, as well as workshops organized by local management associations, suggests that many companies have limited understanding of the needs of the community or society in general. Besides, they do not have the expertise to implement CSR activities. This is confirmed by Gupta (2014) who observes as follows:

Many CSR initiatives are executed by companies in partnership with Non-governmental organizations (NGOs) who, as mentioned earlier, have both the knowledge and experience of local conditions. They are well versed in working with local communities and are experts in tackling specific social problems (p. 23).

Our survey results confirm these observations – 84% of the CSR NGOs agreed that many companies lack an understanding of the needs in the community or society; similarly, 72% of the CSR NGOs agreed that many companies lack the capability to implement CSR projects by themselves.

With respect to capacity building, a significant majority of the 57 CSR NGOs agreed that they have the:

1. Capability to work independently without much guidance from the partnering company’s CSR committee (91.2%),
2. Human capacity required to execute projects in a timely manner (98.2%),
3. Tools and/or capacity required to monitor progress (93%), and
4. Tools and/or capacity required to monitor cost information (93%).

Although our findings suggest that NGOs have the capacity to work independently, they do not necessarily diminish the importance of partnerships, nor do they discount what both parties can offer to one another.

According to Davidsottir (2016, p. 71), “cross-sector partnerships, particularly NGO-business partnerships, are becoming more powerful tools for CSR implementation, and will continue to gain importance moving forward.”

The guidelines of Section 135 specify that companies may choose to partner with qualified NGOs to implement their CSR projects. Given the large number of registered NGOs operating all across the country, finding a qualified NGO can prove to be a difficult task. Generally the larger NGOs are more visible and more information is available regarding them; however, this is not the case with smaller NGOs that may be known only within their communities. Eighty six (86%) out of the 100 NGOs strongly or somewhat agreed that there is an acute need for accrediting NGOs that will be the implementation partners for many businesses that have not established their own foundation or trust.

A related issue is one of branding and visibility of NGOs among companies seeking NGO partners. Eighty-four percent (84%) of the CSR NGOs strongly or somewhat agreed that marketing and branding exercises are essential for creating visibility among companies, and current and prospective employees.

Alignment of projects with NGO Mission/Values

We asked all 100 NGOs whether they have a mission and vision to guide their development and growth; 93% of the NGOs somewhat agreed or strongly agreed to the statement ‘Our NGO has a clear mission and vision to guide our development and growth’; only 3% disagreed or somewhat disagreed. We also asked whether their ‘NGO undertakes externally funded CSR projects regardless of their alignment with its mission’. Although 52% of the NGOs did not agree or somewhat disagreed with the statement, 27% strongly agreed or somewhat agreed and the remaining 21% neither agreed nor disagreed. This suggests that our sample is split in terms of accepting projects that align with their respective mission and vision *despite the fact that 93% of these NGOs stated that they had a clear mission and vision*. This finding may raise the question ‘why’ and one response may be that many NGOs see a new source of funding that they would like to tap into. Additionally our findings did not vary based on size and also did not differ between the CSR and non-CSR NGO subsets.

One implication of accepting assorted projects regardless of alignment with mission and vision is that it potentially encourages companies to push marginal CSR projects for implementation by NGOs. For example Reliance Industries, one of India’s large corporate giants, implements its CSR activities through both its own foundation as well as in partnership with NGOs. Typically the projects with NGOs are smaller regional programs designed to reach out to local communities where the company does business. These are mostly stand-alone one-time programs, such as a ‘vision camp’, which benefits the company in terms of brand visibility rather than providing any sustained long-term benefits to the community.

Similar to the above finding, 81% of the NGOs strongly or somewhat agreed to the statement ‘Our NGO accepts only those CSR projects that are in line with our organizational values’; 11% at least somewhat disagreed and the remaining 8% neither agreed nor disagreed. We further found that a greater proportion of the CSR NGOs agreed or somewhat agreed compared to the proportion of non-CSR NGOs, this difference was marginally statistically significant ($\chi^2 = 8.95$; $p \leq 0.06$). Additionally, we found a positive and marginally statistically significant relationship between ‘alignment of CSR projects with NGO mission’ and ‘alignment of CSR projects with NGO values’ ($\rho = 0.18$; $p \leq 0.07$).

Governance

A significant majority of the NGOs surveyed indicated that their NGOs had established a strong governance mechanism to ensure smooth operational functioning (94% strongly or somewhat agreeing), ensure effective financial management (91% strongly or somewhat agreeing) and avoid fraudulent activities (95% strongly or somewhat agreeing). In addition, there is a strong correlation across these three elements of governance (please see Table 4). We invited respondents to elaborate on their governance mechanisms; transparency, the existence of policy manuals, monitoring/oversight mechanisms and financial controls were the most commonly reported elements. With respect to financial controls one single-location NGO, with 25-99 employees and an annual budget of ₹100 lakhs or more, mentioned that it does not accept any donations over ₹10,000 in cash. Among the NGOs which indicated that they lacked strong governance, two stated lack of funds and good monitoring systems/technology as reasons.

Impact Measurement

An important outcome of Section 135 is that the projects undertaken create a meaningful and lasting impact in terms of social development. This means that impact measurement will likely become a critical element in the foreseeable future. We asked our survey participants whether their NGO had a sound process for assessing the impact of their projects on the target community; 92 NGOs (92%) strongly or somewhat agreed that such a process existed within their respective organizations. We also asked them whether it is important to have third party institutions to assess the impact of CSR projects on the target community; 82 NGOs (82%) strongly or somewhat agreed to this statement. Additionally, we found that responses to the two statements were at least marginally significantly correlated ($\rho = 0.19$; $p \leq 0.06$).

Managing Growth

The introduction of Section 135 has the potential for significant growth in CSR activity across the country. We asked our respondent NGOs to share their thoughts on certain variables that are important to manage the anticipated growth.

Structure

Thirty one NGOs (31%) indicated that their organization's structure was significantly altered after the introduction of Section 135, whereas the remaining 69% mentioned that they did not significantly alter their structure. We cannot say whether the 69 NGOs did not feel the need to or did not have the resources and/or expertise to make changes. We further found that a greater proportion of the NGOs with multiple locations stated that they significantly revised their structure, compared to those NGOs that did not (see Table 3); this difference in proportions based on the number of locations was statistically significant ($\chi^2 = 10.81; p \leq 0.013$). We gave respondents the opportunity to further elaborate on the changes. Responses included the following types of changes: (1) increase in field work, (2) increasingly working with professionals (this may include consultants or members of the sponsoring company's CSR committee), (3) establishing a project level committee for each CSR project (4) professional style of working, with greater coordination, timely and regular communication with stakeholders, timely reporting to the partnering organization, (5) and transparency in work and finance related information, as well as in hiring practices.

Capabilities

Managing significant growth in CSR activity requires NGOs to develop the capabilities required to manage this growth. Eight-one NGOs (81%) strongly or somewhat agreed to the following statement: 'In the current context (of Section 135) it is imperative to have leadership development programs to identify and groom future leaders for our NGO.' Such recognition is the first step towards action to be taken! .

Forty four (44%) of the NGOs strongly or somewhat agreed to the statement that their NGO is facing the challenge of retaining talented employees, with 47% disagreeing or somewhat disagreeing, and the remaining 9% neither agreeing nor disagreeing. Similarly 40 NGOs (40%) strongly or somewhat agreed to the statement that their NGO is facing the challenge of developing the right strategies to manage significant growth in a short time-frame, with 42% disagreeing or somewhat disagreeing, and the remaining 18% neither agreeing nor disagreeing. The findings with respect to employee retention and developing strategies being important challenges were significantly correlated with one another ($\rho = 0.37; p \leq 0.000$). One potential implication of this correlation is that turnover causes disruptions in strategy formulation which is a critical managerial task when faced with growth. Neither of the findings correlated with any of the three measures of size, nor did they differ between the two subsets (CSR NGOs and non-CSR NGOs). The finding with respect to strategy development is somewhat surprising considering that 94% of the NGOs indicated that they have established policies, strategies and guidelines to guide their development and growth.

The finding regarding employee retention may not be very surprising because 30 NGOs (30%) strongly or somewhat agreed that the availability of qualified and competent personnel is the main challenge they are facing, with 58% disagreeing or somewhat disagreeing and the remaining 12% neither agreeing

nor disagreeing. The findings regarding the availability and retention of talented employees were significantly correlated to one another ($\rho = 0.39$; $p \leq 0.000$). We followed up with a question to explore whether the lack of a professional work culture may contribute to the problem of attracting talented people; 21 NGOs (21%) strongly or somewhat agreed to this statement, with 63% disagreeing or somewhat disagreeing and the remaining 16% neither agreed nor disagreed. As expected, this finding is significantly correlated with the previous findings regarding retention and availability of talented employees ($\rho = 0.47$ and 0.41 respectively; $p \leq 0.000$ for both correlations).

Going forward, one of the implications of growth in CSR activity is that NGOs may have to actively look for and recruit talented employees. In addition to offering competitive compensation packages, NGOs must be able to offer a professional work culture (as mentioned above) and a positive work environment. We explored these aspects via a number of questions; our findings are presented in Table 5. As can be seen from Table 5, the number of NGOs that strongly or somewhat agreed to each of the human resource (HR) management practices presented in the table ranged between 71 and 90. Moreover, a number of these elements are significantly correlated with retention and professional work culture (see Table 6). An important implication of this finding is that a significant majority of the NGOs are at least aware of the importance of the different elements of a positive work culture.

Discussion and Conclusions

Our study set out to explore the preparedness of NGOs in undertaking CSR projects initiated by companies within the scope of Section 135. Our findings that speak positively in terms of preparedness are as follows:

1. Ninety-three percent (93%) of the NGOs stated that they have a clear mission and vision to guide their development and growth,
2. Ninety-four percent (94%) of the NGOs stated that they have established policies, strategies and guidelines to guide their development and growth,
3. Eighty-one percent (81%) of the NGOs recognized the importance of leadership development,
4. Over 90% of the NGOs have established governance mechanisms to ensure smooth operational functioning, ensure effective financial management and avoid fraudulent activities,
5. Over 70% of the NGOs recognize the importance of HR practices to attract employees and help them build a career,
6. Eighty-six percent (86%) of the NGOs recognize the need of NGO accreditation,
7. Ninety-two percent (92%) of the NGOs stated that they have a sound process to assess the impact of their projects on the target community, and
8. Eighty-two percent (82%) of the NGOs recognized the importance of third-party assessments of the impact of CSR projects on target communities.

Our chosen methodology did not provide an opportunity to collect detailed information from respondents and therefore although the above findings paint a positive picture, it is difficult to say to what extent recognition of certain aspects such as leadership development has also resulted in an action (i.e. organizing or attending a leadership development workshop). Consequently, we urge our readers to exercise caution when interpreting our findings.

Our findings that speak negatively regarding NGO preparedness focus around the availability and retention of talented employees, a critical resource. A significant portion of our sample recognize the importance of HR practices to attract and retain talented employees, the challenge now is to implement these practices. Rapid growth in the social sector resulting from Section 135 also means that several NGOs will consider "... scaling up their operations to benefit from the tide of opportunities that are now hitting their shores (Francis, 2014). This, in a way, will worsen the problem of staff retention because greater number of opportunities does mean more movement of personnel across NGOs, at least in the foreseeable future" (Rajeev & Kalagnanam XXXX). Anecdotal evidence obtained through casual conversations with NGOs also revealed that experienced senior managers at large NGOs have the potential to lead their CSR operations, thereby creating a vacuum at the senior management level within the NGO sector.

The nature of our survey questions, as well as our small sample size, do not allow to compute a 'preparedness score' – neither was this our intent. However, our study's findings are more encouraging compared to what we learned from anecdotal evidence. Purely from a 'responsibility' point of view, we may be able to conclude that most NGOs in our sample are displaying positivity.

Limitations and Future Directions

Our study has a number of limitations, the first of which is sample size. Clearly a sample of 100 NGOs is not representative of the population of NGOs in India. Additionally, our sample is biased because 38 of the 100 NGOs are from just two states (Delhi and Maharashtra). However, time and resource constraints restricted us from expanding our sample size. Our second limitation pertains to the survey methodology which allows the researcher to capture data at a certain point in time. Besides the researcher has to balance the types of questions to ensure that it does not consume too much of the respondent's time. Additionally our data was collected by a third party and therefore reliability may be questionable regardless of the fact that both authors participated in a SKYPE discussion with three members of the third party to explain the significance of each question. Subsequently one coauthor constantly interacted with the third party on various matters requiring clarification as well as a pilot study.

With respect to future directions longitudinal case studies with a few NGOs will provide useful details regarding challenges and coping mechanisms. It would also be useful to repeat a similar survey about five years down the road to assess the progress made by NGOs.

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Appendix 1

Schedule VII of Section 135

Activities which may be included by companies in their Corporate Social Responsibility Policies

Activities relating to:

- (i) eradicating extreme hunger and poverty;,
- (ii) promotion of education;
- (iii) promoting gender equality and empowering women;
- (iv) reducing child mortality and improving maternal health;
- (v) combating human immunodeficiency virus; acquired immune deficiency syndrome, malaria and other diseases;
- (vi) ensuring environmental sustainability;
- (vii) employment enhancing vocational skills;
- (viii) social business projects;
- (ix) contribution to the Prime Minister's National relief Fund or any other fund set up by the Central Government or the State Governments for social-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and
- (x) Such other matters as may be prescribed.

Source: Government of India (2013, p. 294).

Table 1**Correlations among the different measures of size**

Spearman's Correlation (Rho) [n = 100]			
	Size - Employees	Size - Budget	Size - Locations
Size - Employees	1.00	0.54	0.46
Size - Budget		1.00	0.37
Size - Locations			1.00
All three correlations are significant at the 0.01 level (2-tailed)			

Table 2**Breakdown of NGOs that have partnered with companies in implementing CSR projects**

Employees	Full Sample		Sub-set 1 - CSR Yes		Sub-set 2 - CSR No	
Less than 25	39	39.0%	12	21.1%	27	62.8%
25 - 99	29	29.0%	17	29.8%	12	27.9%
100 - 249	23	23.0%	20	35.1%	3	7.0%
250 or more	9	9.0%	8	14.0%	1	2.3%
Total	100	100.0%	57	100.0%	43	100.0%
Pearson chi-square = 23.134; $p \leq 0.000$						
Annual Budget	Full Sample		Sub-set 1 - CSR Yes		Sub-set 2 - CSR No	
Less than ₹20 lakhs	10	10.0%	1	1.8%	9	20.9%
₹20 - ₹49.9 lakhs	15	15.0%	4	7.0%	11	25.6%
₹50 - ₹99.9 lakhs	21	21.0%	11	19.3%	10	23.3%
₹100 lakhs or more	54	54.0%	41	71.9%	13	30.2%
Total	100	100.0%	57	100.0%	43	100.0%
Pearson chi-square = 22.718; $p \leq 0.000$						
Number of locations	Full Sample		Sub-set 1 - CSR Yes		Sub-set 2 - CSR No	
Single location	27	27.0%	11	19.3%	16	37.2%
2 to 4	38	38.0%	20	35.1%	18	41.9%
5 to 10	16	16.0%	12	21.1%	4	9.3%
More than 10	19	19.0%	14	24.6%	5	11.6%
Total	100	100.0%	57	100.0%	43	100.0%
Pearson chi-square = 7.48; $p \leq 0.06$						

Note: 1 lakh = 100,000.

Table 3**Proportion of NGOs that revised their organization structure post Section 135**

OS changed	Full Sample		Single location		2 to 4 locations		5 to 10 locations		Over 10 locations	
Yes	31	31.0%	4	14.8%	11	28.9%	10	62.5%	6	31.6%
No	69	69.0%	23	85.2%	27	71.1%	6	37.5%	13	68.4%
Total	100	100.0%	27	100.0%	38	100.0%	16	100.0%	19	100.0%
Pearson chi-square = 10.81; $p \leq 0.013$										

Table 4**Spearman's correlations across the elements of governance mechanism**

	Operational functioning	Financial management	Fraud avoidance
Operational functioning	1.00	0.61	0.64
Financial management		1.00	0.59
Fraud avoidance			1.00
All three correlations are significant at the 0.000 level (2-tailed), $n = 100$			

Table 5

Importance of various elements of a professional and/or positive work culture

	Teamwork	Fairness in assessment	Merit-based assessment	Career path	Disciplined work ethic	Performance management system	Delegation and empowerment	Freedom
Do not agree	1	1	1	4	10	9	13	5
Somewhat disagree	2	2	4	5	1	1	5	4
Neither agree nor disagree	9	7	10	5	9	9	11	11
Somewhat agree	31	28	34	45	35	40	34	42
Strongly agree	<u>57</u>	<u>62</u>	<u>51</u>	<u>41</u>	<u>45</u>	<u>41</u>	<u>37</u>	<u>38</u>
Total	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Table 6

Spearman’s correlation between employee retention, professional work culture and various elements of a professional and/or positive work culture

	Retention of employees	Professional work culture	Career path	Work ethic	Perf. management system	Empowerment	Freedom
Retention of employees	1.00	0.412*	0.24*	0.21**	0.34*	0.18	0.09
Professional work culture		1.00	0.27*	0.31*	0.29*	0.20**	0.15
Career path			1.00	0.54*	0.51*	0.53*	0.41*
Work ethic				1.00	0.72*	0.60*	0.53*
Perf. management system					1.00	0.59*	0.62*
Empowerment						1.00	0.60*
Freedom							1.00

* $p \leq 0.01$; ** $p \leq 0.05$; $n = 100$

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