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Abstract

Asian countries face huge challenges to achieve the Rio 20+ goals. The Asian Pacific region is additionally confronted by the rise in sea level and the resulting climate change consequences such as related migration. At the same time an “explosion of social innovation”¹ is being reported. Who are the actors behind? The paper aims to identify them and their potential to carry out strategic and operational changes.

Introduction

Economical development is seen as one way to fight poverty. However, business practices often come along with unsustainable exploitation by destruction of natural resources on and off shore as well as lacking social security and fair working conditions. Criticized by Non-Profit-Organizations (NPOs), companies over the last years started developing Corporate Social Responsibility projects and according strategies in order to minimize their reputational risks. While governments and multinational political organizations try to enforce legal solutions to social and environmental problems, most NPOs operate in the field of the former Millennium Development Goals. Figure 1 assembles the mentioned actors and their position in the Three Sector Model.

¹ Shanaz, D. (2009): p. 5.

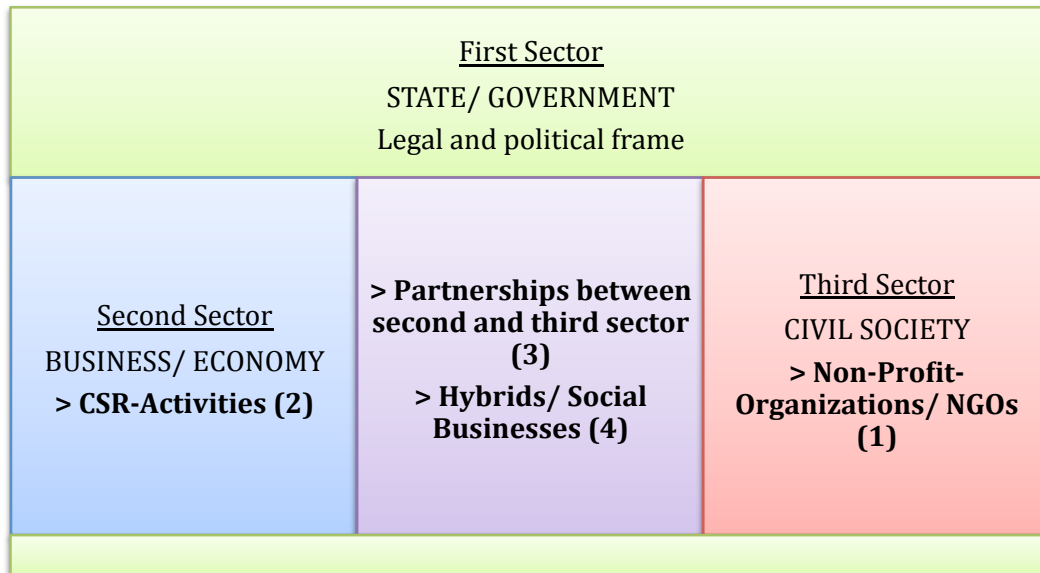


Figure 1: Examined entities in the Three-Sector-Model (Source: Bauer, R. (1992): p. 157, adopted by the author)

Over the last years partnerships between the second and third sector slowly evolved and new models of hybrids, the so called Social Enterprises, have demonstrated their ability to synergize strengths of converse models and thereby opened new perspectives to improve existing problems. The paper aims to outline the characteristics of the four mentioned entities and assess their current status and coverage in the Asian Pacific area. The compiled data includes countries as China, Hongkong, Taiwan, Japan, Indonesia, Malaysia, Philippines and Singapore in East and South East Asia.

1 Non-Profit-Organizations

The blue print of a Non-Governmental-Organization (NGO) is indicated as institutionalized, private - separate from the first sector - and self-governed. In reference to the definition of the International Classification of Nonprofit Organizations (ICNPO) it additionally involves voluntary participation and follows the non-distribution constraint.² The last two features point out the contradiction to the business principle, which are clearly expressed by the other, identical, term “Non-Profit-Organization” (NPO).³ A sharp borderline between the Non-Profit-Sector and the sectors “Government” and “Economy” can not be drawn because the “Third Sector” overlaps and closely interacts with both the others, most of all in regards of funding.

NPOs were created to operate in outstanding circumstances such as war or poverty and other areas where support and help is needed but not or poorly provided by public or private institutions. Their fields of work may be child education, culture or nutrition.⁴ YAZIJI/DOH distinguish between advocacy and service NPOs. In reality hybrid models will be found all over.⁵ Characterizing for NPOs is that their beneficiaries often can't pay either because they are poor or inhuman (e.g. animals, nature, and god). This is the reason why most of the organizations depend on volunteers and money of third origin in forms of subsidies or donations to accomplish projects and pay their staff.⁶ Some offer services or a product for a fee in order to cover (parts) of their expenses.⁷ By monetizing their services NPOs walk a thin line to turn into Social Businesses.

Asian NPOs become aware of their dependency on donations from Northern countries. Pressured by demand, external market same as macroeconomic challenges they tend to transform to hybrids to possibly become a Social Enterprise in the end.⁸ On the other hand donations within Asia are expected to grow in the coming years. Generous

² <http://www.protectiamuncii.ro/ro/incpo.pdf>

³ Since all the discussed actors in this paper do not belong to the first sector and are thereby non governmental, the use of the term “Non-Profit-Organization” to “Non-Governmental-Organization” for Civil Society objects is preferred to clarify the distinction to e.g. Social Business.

⁴ More detailed classified in the mentioned ICNPO

⁵ Yazij, M; Doh, J. (2009): p. 8f.

⁶ Shanaz, D. (2009): p. 8.

⁷ In countries with a strong welfare system as Germany this fee might be covered by the public tax money, which thereby indirectly finances the NGOs.

⁸ Shanaz, D. (2009): p. 9f.

philanthropy of family driven business is a tradition in countries as China, Japan, Indonesia and India, same as altruistic and religious motivated private donations.⁹ Though Philanthropy “commonly understood to be an organized approach to making large financial donations to achieve specific benefits for society.”¹⁰ it is said to be a new concept appearing with growing wealth in Asians. An innovative approach from the western perspective influenced by Asian donor tradition is the concept of micro-charity directly to individuals and not government-affiliated NPOs, mostly realized by an internet platform called Weibo.¹¹

The study “Successful Models on achieving the Millennium Development Goals in South East Asia” surveys best practices of NPOs. Amongst the identified factors are collaborations, profit-making in order to achieve project sustainability and strategic management tools as holistic approach and clear targeting.¹² These approaches are possibly innovative within their branches and countries. The term “Social Innovation” however goes far beyond that. The definition of the European Commission clarifies its broad sense: “Social innovations are new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations.”¹³ From a macro perspective the term adopts to cross-sectoral forms as Social Businesses and (NPO-Private-)Partnerships which will be introduced more detailed later on.

2 CSR-Activities of Companies

As mentioned earlier Corporate Social Responsibility-Activities worldwide are constantly spreading.¹⁴ Its concept derives from the US but also has its tradition in Europe named “responsible tradesman”. Though these countries are affected by Christian values, the idea behind company giving is less altruistic. According to the German studies from pwc and ZENTES pressure of NPOs, consumer interests, a stable

⁹ UBS Philanthropy Services; INSEAD (2011).

¹⁰ Menckhoff, T. (2013): p. 5f.

¹¹ Wang, D. (2013): The lack of control of accountability is being criticized, even though this platform enable to fundraise money aside the Chinas strong restrictions on that. It occurs with real life donations in China donor priorities are often of personal and not rational nature that-see the example of the donations habits of a business man who aims to become worlds philanthropist number one: The Economist (2011): p. 8f.

¹² Youjin, J. (2010): p. 4.

¹³ Heinze, R.G.; Naegele, G. (2012): p. 154.

¹⁴ Boccalandro, B. (2005): p. 5.

environment, satisfied workers and minimized risks are their motivation.¹⁵

The responsibility concepts of companies can be differentiated between **Corporate Citizenship or Corporate Philanthropy**- including **Corporate Giving**- and **strategic Corporate Social Responsibility** as part of the management concept to approach sustainability. Whereas the first emphasizes the image of a trustworthy and humankind player by typically donating money¹⁶, the other part is a more holistic approach and related to the core competencies, value chain and products of the company.¹⁷

As mentioned before Asian donor activities and thereby its CSR is embossed by traditional ways of **philanthropy** and still many companies are being run as family business:¹⁸ “The professionalization and institutionalization of family philanthropy across Asia is relatively recent and this development has not caught up with the rapid pace of wealth creation across the continent.”¹⁹ Cultural differences may be noticed between the Asian countries: While Hong Kong donors prefer anonymity, Malaysia and Indonesia are clearly religious motivated donors, Philippines as well as Indonesia engage as volunteers in a high percentage while Thailand is affected by the combination of royal influence and disaster experience.

Corporate foundations like the 1974 founded Toyota Foundation are of newer date though some example from the 19th century may be found too.²⁰ Tax relief is handled differently from country to country: It is offered as an incentive for donations for example by the Hong Kong government, while Malaysia only rewards religious and educational contributions, Taiwan does not promote it and Japan doesn't offer it at all.²¹

The interest group and consulting firm “CSR Asia” defines a **strategic CSR model** consisting of the core parts: Corporate Governance, Strategy, Stakeholder Engagement, Supply Chain, Workplace, Environment, Community Investment and Marketplace.²² According to Oxfam's survey most companies of the Han Seng Index are not committed to every of all the topics. Least activity was being stated with “Environment” and

¹⁵ Zentes, J. et.al. (2012) 56; pwc (2009) 21f.

¹⁶ Modern approaches include Corporate Volunteering.

¹⁷ Vorbohle, K. (2010): p. 49, Marschall, T. (2010): p. 77f.

¹⁸ UBS Philanthropy Services; INSEAD (2011): p. 48ff.

¹⁹ UBS Philanthropy Services; INSEAD (2011): p. 42.

²⁰ UBS Philanthropy Services; INSEAD (2011): p. 10.

²¹ UBS Philanthropy Services; INSEAD (2011): p. 69.

²² Oxfam (2008): p. 6.

“Supply Chain” even though “risk management code or policy” was the most named motivation for companies to involve in CSR.²³

The CSR Survey of HSI Constituent Companies states that CSR had especially attracted much attention in Hongkong the last years which is underlined by the facts that the Top 5 of the CSR Asia Business Barometer 2008 are all Hong Kong businesses.²⁴

3 Partnerships between NPOs and companies

With the involvement of the UN in the Global Compact it becomes clear that effective collaborations between governments, enterprises and civil society are needed to meet natural, social and economical challenges in the upcoming decades. Historically NPOs as interest groups are opponents of companies, criticizing unethical practices. Parallel to the companies evolving interest in philanthropic actions, NPOs increased fundraising money from corporations that often lead to intraorganizational conflicts: NPOs on one side have to sustain their organization financially but on the other side to keep their independence along with their reputation and trustworthiness. NPOs can be categorized for their willingness to cooperate with companies.²⁵

NPO-Company-Partnerships in practice cover the intersection of all activities of NPOs fundraising and companies CSR in which they collaborate from informal exchange as stakeholder dialogues over co-finance of projects to Social Joint Ventures. Donations and sponsorships are commonly subordinated under that term too though they are characteristic for (corporate) philanthropy.

Substantial Collaborations or alliances require deeper involvement, commitment and coordination from both sides. AUSTIN differentiates between interactive and strategic partnerships.²⁶ **Interaction or transaction** is described as an exchange for each others benefit of e.g. either opposed knowledge or money for advertisement, requirements and changes are of organizational nature only. At that point most NPOs already have or start to build a code of conduct, which outlines required characteristics of a business partner especially concerning ethical issues. The counter draw for companies to this (depending on their authentic interest, experience and size) is the CSR strategy framing their aims

²³ Oxfam (2008): p. 4.

²⁴ Most successful companies from Hong Kong, Malaysia, Singapore and Thailand were surveyed.

²⁵ Zentes, J. et.al. (2012): p. 11ff.

²⁶ Austin, J. (2001).

and thereby defining and segregating potential partners. Organizations are more likely to undergo core changes once they partner in a strategic way, also called **integrative collaboration**. Both actors identify a common goal, which fits their mission or stakeholder's interest in order to create something together. This might be on a frequent project basis or lead to the foundation of a common business or association.

Examples of transactional partnerships -with its most common form sponsorship- evolve on a broad base. As the authors' former conducted research in Germany showed it is difficult to identify qualified examples of integrative collaboration. This intense form of collaboration requires high tolerance and action flexibility as well as matching interest of both partners. Joint Ventures as its most prominent example have a quota of failure from 10 to 70%.²⁷ At least the collaboration between Danone and Grameen as a one of the most well known Social Business is being mentioned here.²⁸

4 Hybrids: Social Businesses

Based on the Grameen Creative Labs Homepage a Social Enterprise²⁹ is "a business that addresses a social need and is financially sustainable."³⁰ They also might be defined as „double or triple bottom line business“³¹ as stated by EMERSON. The concept of Social Business (SB) in Asia in regards of microfinance is more than 30 years old³² though similar concepts can be found in Europe in the 19th century. Christian motivated workshops such as Bodelschwing'sche Werkstätten in Germany still exist today and are mostly managed or owned by welfare organizations.³³

Social Businesses are active in similar fields as NPOs, typically in such as food security, failing health care, poor sanitation, environmental degradation, clean energy and fair trade.³⁴ Some Social Businesses in Asia have the legal status of an NPO they also serve

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[http://www.benefitidentity.de/benefit/lotterbraun/glossar/index.php?script=/benefit/1%20ott](http://www.benefitidentity.de/benefit/lotterbraun/glossar/index.php?script=/benefit/1%20ott%20erbraun/glossar/wScripts/eintrag_anzeigen.php&entryid=325622216&capital=S)

²⁸ <http://www.grameencreativelab.com/live-examples/grameen-danone-foods-ltd.html>

²⁹ The terms Social Enterprise and Social Business are used as synonyms in this paper.

³⁰ <http://www.grameencreativelab.com/node/1258>

³¹ Shanaz, D. (2009): p. 11.

³² Shanaz, D. (2009).

³³ <http://www.bethel.de/aktionen-projekte/werkstaetten-in-bethel.html>

³⁴ Shanaz, D. (2009): p. 10f.

social goals.³⁵ It's why they might be difficult to identify at the first sight. BARRAKET/FURNEAUX present a study in which more than 50% of the surveyed 365 Australian Social Businesses carried the legal status of an "Incorporated Association"³⁶, while "Company limited by guarantee" was named second.

Social Enterprises may be founded as such or develop to become one. The last option often seems to be criticized and a difficult change to manage.³⁷

Though Social Enterprises move on from being a NPO MENKE assigns them to the Third Sector.³⁸

Being a market actor makes them less depended on donations and grants but dependent on their own performance, which might be risky in a market with poor customers. Hybrid organizations need investments that are easily affordable. They thereby belong to a kind of "protected zone" while a Social Enterprise with a sustainable business model may finance itself with conventional loans and investors.³⁹ Though they involve a business model to fund their activity, there might exist side branches, which are not economically self-sufficient.

According to the UBS-INSEAD study on family philanthropy, Philippines and China seem to be the outstanding countries in Asian Pacific Area next to popular South Asian India in regards of a high rate of existing and potential Social Entrepreneurship and Social Business.⁴⁰ Social Enterprises in South and South East Asia have increased chances to build up due to Islamic banking and Sharia compliant funds⁴¹ same as easier access to financial investments via specific Social Enterprise platforms as well as government support and incubators to shape a new sector.⁴² The study on family philanthropy states the majority of 36% of they survey invest in Social Entrepreneurship already.⁴³

³⁵ Shanaz, D. (2009): p. 7f. This fact refers to the initial comment on the blurry definition of NGOs caused by the overlap between the different sectors.

³⁶ By that they must not, as mentioned with the features of NPOs before, distribute a surplus to the owner or shareholders but reinvest in the organization.

³⁷ Shanaz, D. (2009): p. 9.

³⁸ Menkhoff, T. (2013).

³⁹ Shanaz, D. (2009): p. 10.

⁴⁰ UBS Philanthropy Services; INSEAD (2011).

⁴¹ Shanaz, D. (2009): p. 15: Especially relevant in South East Asian countries, those funds exclude certain industries involving e.g. alcohol, pork meat or pornography.

⁴² Shanaz, D. (2009): p. 14.

⁴³ UBS Philanthropy Services; INSEAD (2011): p. 52.

The Asian Social Enterprise Sector „has grown to be vast and diverse as the individual countries and challenges“⁴⁴. Still many small and mid-sized social businesses are struggling financially and can not attract attention of Asian investors nor do they get rewarded for their work.⁴⁵

Conclusion

The paper targeted to find out how the different non-governmental actors impact the socio-environmental challenges of the 21st century. In Asia Pacific numerous regional **NPOs** with **limited resources** exist. They offer important basic services as raising orphans in mostly local communities, often for free. It's why they seek financial support from international development NPOs or national, often religious motivated donors though "grants and donations are infrequent and unpredictable".⁴⁶ Since the number of organizations increased over the past decades it got more difficult to fundraise money.

But Asian philanthropy is a growing market with potential according to the research.⁴⁷ Receiving funds still requires strategic and professional approaches, which are mostly still lacking in the Asian NPO sector. Indonesia is an example of even decreasing philanthropy due to insufficient transparency of the third sector.⁴⁸ Small and regional NPOs do not have the resources to design partnerships with bigger companies. They can at least adopt to network with their accessible environment, participate in events and promote their activities.⁴⁹

Some **social enterprises** as most of the NPOs only achieve **limited impact** and are missing scaling-up effects.⁵⁰

In contrast there to companies' **CSR-Activities** usually include a fixed budget, professional tools, networks and a impact on their competitors. Such an infrastructure clearly enables bigger approaches. But companies interact in unfamiliar areas and lack expertise in the fields. This includes the risk that even project goals are more likely to **meet company interests** than the beneficiaries'.

⁴⁴ Shanaz, D. (2009): p. 7.

⁴⁵ Shanaz, D. (2009): p. 15f.

⁴⁶ Shanaz, D. (2009): p. 9.

⁴⁷ The Economist (2011): p. 3.

⁴⁸ The Economist (2011): p. 13.

⁴⁹ Youjin, J. (2010): p. 5f.

⁵⁰ Shanaz, D. (2009): p. 9.

This might be one of the main reasons why partnerships, alliances or cooperations between NPOs and companies are recently being promoted.⁵¹ **Collaborations** are an opportunity to close mutual gaps and weaknesses, find symbioses, benefit and learn from each other. In general a partnership enlarges the coverage but it also includes opportunity costs. Collaborations outcomes will individually differ from the actors and their (non-)match. Not every NPO wants or can afford the same intensity of partnerships. Networking at least were a good point to start with. A **Social Enterprise** might be the peak of a long-term collaboration between the two sectors but it is very rare. Social Business perfectly fits the description of Social Innovation named by BARRAKET/ FURNEAUX: "new combinations or hybrids of existing elements; cutting across organizational, sectoral, and disciplinary boundaries; and leaving behind compelling new relationships."⁵² On paper it seems the most sustainable way to meet challenges in bigger scale. Still concepts are being proved and the governmental frames of law and text are diverse.

It is important to notice that each of the presented approaches has a different but important reach. All concepts will be needed in order to create bigger awareness for public and donors (companies and NPOs) and supply widespread and local communities (Social Businesses and NPOs). In best case they establish networks and collaboration in common fields of work in order to the most effective outcome. On base of that they should additionally create joint strategical ways for both long-term and acute commitment.

⁵¹ The author refers to the real life situation in Germany

⁵² Barraket, J.; Furneaux, C. (2012).

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Further links (last access 4th June 2013):

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http://www.benefitidentity.de/benefit/lotterbraun/glossar/index.php?script=/benefit/l%20otterbraun/glossar/wScripts/eintrag_anzeigen.php&entryid=325622216&capital=S

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