

# BUSINESS & NGO

*THE RELATIONSHIP BETWEEN THE PROFIT AND NON-PROFIT SECTOR IN SERBIA*



*This is a publication issued by the Smart Kolektiv as a part of its project Business & NGO, the aim of which is to advance cooperation between business and NGO sector in Serbia by drawing attention to the current state of affairs, its weaknesses and potentials.*

## BUSINESS AND NGO

The project **Business and NGO** is designed as an integral part of the program “Responsible Business Initiative – RBI”\*. **Business and NGO** is a pilot project aiming to educate and raise awareness of corporate social responsibility and cross-sector partnerships by building capacities and reinforcing NGO resources for advocacy and forging of partnerships and for communicating with target groups and the broader public. The project also envisages creation of an adequate strategy and action plan in areas of legislative work, sustainable development, promotion of greater role of NGOs in the society, which would provide a theoretical and legal framework for the goals which NGOs and other relevant institutions are supposed to advocate before state and other competent bodies.

By commissioning the survey “Corporate Social Responsibility in Serbia”, conducted by Strategic Marketing during 2005, and by making a strategic document “The Framework for Development of Corporate Social Responsibility in Serbia”, the RBI program has managed to create very relevant grass-root base and make a strategic overview of corporate social responsibility and relations among sectors in Serbia. The said frameworks are both a starting point and an action plan for further promotion of the aforementioned fields.

Non-profit organizations from various towns in Serbia, which are involved in this project and which show a great interest for it, are prepared to make their contribution to the development of this area and they abso-

lutely recognize manifold importance of establishing links with the profit sector both in order to advance and reinforce the civil sector and in order to promote social, economic and sustainable development of their communities. In this process, we have had a successful start by creating local forums gathering together various actors at the national and the local level with whom we jointly create strategies that will enable and initiate tighter systemic and strategic cooperation with the business sector and future engagement of businesses on project for the common good of their local communities. In this regard, the business sector has expressed a readiness to become more involved in the social dialogue and to make a more active contribution to social development by establishing links and engaging in a dialogue primarily with the non-profit and secondarily with the public sector.

A network of partnerships of other renowned organizations and institutions both from Serbia and abroad, brought together on this project also testifies about the importance and relevance of the initiated project.

\*[ Responsible Business Initiative – RBI is a project which strives to instigate and institutionalize the concept of corporate social responsibility (CSR) in Serbia. RBI attempts to get the private sector to confront various complex social issues which our society faces today. The initiative promotes and develops new models of cross-sector cooperation in order to discover new perspectives for sustainable development of communities, civic initiatives and the civil society.

**The RBI Initiative Board** is made up of various partners: **Fund for an Open Society**, Serbia; **Serbian Chamber of Commerce**, Belgrade; **Smart Kolektiv**, Belgrade; **Balkan Trust for Democracy**, Belgrade; **Foreign Investors’ Council**, Belgrade; **FENS, Federation of Serbian NGOs**; **World Bank**, Serbia; Serbian Investment and Export Promotion Agency (**SIEPA**, Belgrade); **UNDP** Belgrade; **BCIF**, Belgrade; **CSR Europe**, Brussels;

**Prince of Wales International Business Leaders Forum**, UK; **B92**, Belgrade; **Media Center**, Belgrade; **Strategic Marketing**, Belgrade; **USAID** (project **MEGA**); **Environmental Ambassadors**, Belgrade; **Integra Partner**, Belgrade; **OECD**, Serbia; **Responsible Business Forum**, Poland; **Pontis Foundation**, Bratislava; **IRI / International Republican Institute**, Belgrade; **British Council**; **Business in the Community**, UK.

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# THE RELATIONSHIP BETWEEN THE BUSINESS AND THE NGO SECTOR IN SERBIA

A healthy, balanced and productive society implies that each sector (public, private and civil) performing their tasks and making their contribution to society should ensure a permanent place and clearly defined role in the building of such society. None of the sectors has answers to all questions, controversies and doubts concerning contemporary society (especially if it is still in transition) or enough power, capabilities or truly varied means, resources, competences, know-how and skills to assume the sole responsibility for the development of a community. Consequently, the need for professional cooperation of all becomes increasingly evident...

In modern societies economy (the profit or the private sector) cannot act entirely in isolation, without some cooperation, mutuality and multilayered and ambiguous interdependence with the other two sectors.

The business sector has merely a vague idea about what non-governmental organizations do. Even though sometimes they recognize the civil sector as an important actor in the development of the society, they are not at all familiar with the work of this "important actor," even in their own communities. The cooperation boils down to sporadic and meager philanthropic contributions and the non-government sector is by no means recognized as a possible partner!

The private sector has not built and does not have systematically formulated (as an integral part of their business mission), permanent (in terms of an open process) and strategic, long-term commitment on social issues and relations with other sectors in society. Considering that the links between private/profit and non-profit

(civil/NGO) sector are very weak, businesses, even when they want to, do not know how to become strategically committed to the forging of links and healthy relations with other sectors or how to effectively assume responsibility for society and the local community.

On the other hand, the non-governmental sector, even though it is aware of potentials for development which this partnership could bring and even though they are generally more ready to engage in this sort of cooperation, does not consider the business sector from a new (and necessary) point of view in which it is no longer a sponsor and a philanthropist and becomes a social partner who will also show initiative and act on a newly-found interest to forge different and long-standing partnerships outside its immediate circle.

Since many foreign donors plan to cut down or fully withdraw their programs of financial assistance in the next period and since the state does not manage to establish a stable procedure of financing of activities of the third sector, NGOs are faced with a grave and crucial obstacle and a serious issue of their ongoing survival and sustainable development. The search for new (and finding new) and varied models of financing and self-financing consequently becomes a crucial issue for the non-profit sector. At the same time, a good deal of NGOs in Serbia today has grown weary and is dispirited (in an unrealistic and dreamy way) because they don't seem to have found true answers to most challenging problems with which they are faced: a predominantly bad public image, small influence they are able to exert, insufficient and unstable source of financing, lack of an adequate legal framework, lack of self-awareness

and self-confidence. Therefore, an ongoing task will be to reinforce the third sector over the long term and in a strategic way by implementing new models of financing and self-financing the success of which would greatly facilitate confrontation with other enumerated obstacles.

The current situation in Serbia is characterized by mutual ignorance (and mutual lack of recognition) between the business sector and the non-profit (civil/NGO) sector and very simplified consideration of one by the other. Summing the results of several various surveys related to the issue of mutual recognition, cooperation and partnership between these two sectors, one can draw a conclusion that the cooperation is established only sporadically, with a scope which is almost negligible. At the same time it is encouraging that both sectors recognize the need to forge tighter links and think that there is a room for permanent, strategic and new alliance. There is an increased awareness among the private/business sector that those who count on a stable and developed environment in the long run as a precondition for long-term successful business activity and growth have to assume responsibility for their surroundings and its sustainable development, for creating stable and enabling conditions for one's own activity, have to take an active part in building of a stable and modern society, also by developing and reinforcing the civil sector.

In most cases, in the historical perspective, the relations between the civil and the business sector have been established due to or "on occasion of" some conflict, crisis or catastrophe. In various areas and on various geographical locations, cooperation of the business and the NGO sector has recently begun to change with the emergence of the formal partnership for sustainable development of these two long-standing adversaries and mutually unrecognized social agents. By forging strategic partnerships, all three sectors can make an essential contribution to the creation of fundamental and

permanent conditions for sustainable development of local communities and the civil society in Serbia.

# SURVEY: COOPERATION BETWEEN THE BUSINESS AND THE NGO SECTOR IN SERBIA

## METHODOLOGY

Source of data:

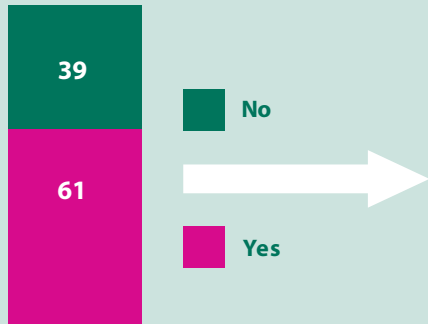
- Interviews with representatives of the business sector (Total: 49, namely: 20 interviews with representatives of local companies and 29 interviews with representatives of international companies) and representatives of the non-profit, NGO sector (15 interviews). (Project: Corporate social responsibility in Serbia, Smart Kolektiv, January – June 2005)
- Interviews with ten representatives of the business sector (Project: Philanthropy in Serbia, BCIF, May 2004)
- Interviews with 516 NGOs (Project: NGO Sector in Serbia, Civic Initiatives, December 2004 - January 2005)

On the whole, the relations between the business and the NGO sectors in Serbia are in their budding stage, both in terms of frequency and in terms of quality. At the existing level, these relations can be defined as a mutual assistance in realization of separate goals rather than as partner cooperation on joint projects. The cooperation between the NGO and the business sector mostly boils down to temporary and unsystematic financial support of the business sector to NGO projects and much less frequently to consulting services provided to NGOs by the business sector. On the other hand, however, the potential for cooperation is manifest and it is considerably greater than the cooperation that currently exists.

## NGO SECTOR ON COOPERATION WITH THE BUSINESS SECTOR

Most active NGOs in Serbia (61% of 516 NGOs interviewed in late 2004) have had some cooperation with the business sector if by cooperation we mean any communication or allocation of very small grants (either financial or in kind). The cooperation mostly implied grants given by the business sector (78%), predominantly small scale and sporadic (72%) or in some rare cases strategically designed and continual (6%).

**Have you so far cooperated with the business sector?**



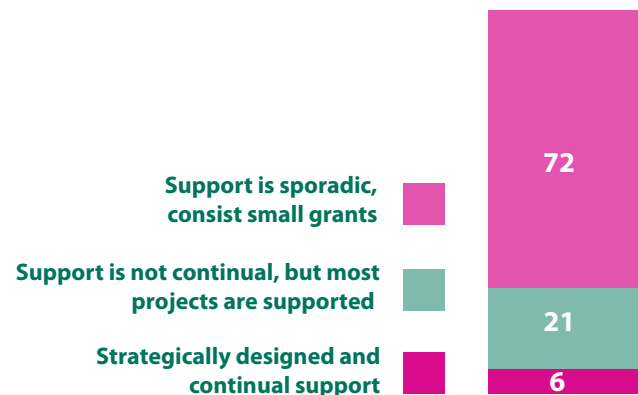
**In which areas have you cooperated so far? -answers of 61% of NGOs which cooperated with the business sector**



**What types of cooperation have you established with the business sector? -Answers of NGOs that have cooperated with the (61% of the initial number)**



**What is the nature of support you are obtaining from the business sector? Answers of NGOs that have been receiving business sector grants (48% of the initial number)**



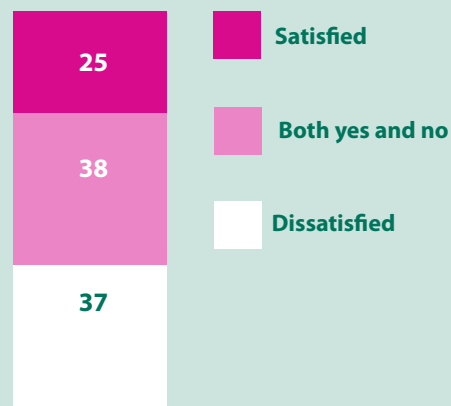
Among NGOs which have cooperated with the business sector, every fourth organization is satisfied with this cooperation, while 37% said that they were utterly dissatisfied.

Despite predominating dissatisfaction, NGOs think that reasons for inadequate cooperation are primarily objective conditions rather than subjective views of business sector representatives. The majority of NGOs have understanding for difficulties with which business sector is faced, which, in the opinion of most NGOs, is the principal reason why cooperation has not been greater or more successful. Most NGOs (over 60%) said that reason why cooperation with the business sector is not greater is financial, namely the fact that there are no tax rebates for businesses supporting the NGO sector, as well as financial difficulties of businesses themselves. Opinions of business leaders, namely lack of interest shown by businesses for the work of NGOs (35% of NGOs confirmed this) or the leaders' negative attitude about NGOs (25% of NGOs give this as a reason) are reasons, although given by smaller number of NGO representatives, why the cooperation with the business sector was insufficient.

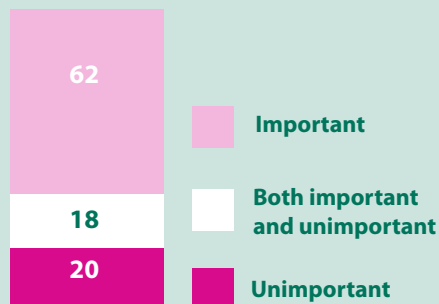
On the other hand, very small number of NGOs said that their own insufficient engagement was also one of the reasons for small-scale cooperation with the business sector. Only 17% of NGOs said that a reason for insufficient cooperation was also their own inexperience in establishing contacts with the business sector.

NGOs which have not cooperated with the business sector so far (39%) said that reasons concerned both sides, even though in their opinion greater responsibility lay with lack of interest and lack of understanding on the part of the business sector. It is interesting that over 30 NGOs said that the reason for non-cooperation was that they felt no need for such cooperation. Even though most NGOs, namely 61%, said that cooperation between the NGO and the business sector was

### **Satisfaction with cooperation -answers of 61% NGOs that have cooperated with the business sector**



### **Assessment of importance of cooperation with the business sector**



important, it is remarkable that nearly 40% of NGOs are not aware of the importance of cooperation with the business sector. There is a striking difference among assessments of importance of cooperation with the business sector between NGOs which have had such cooperation and those which have not. Among the NGOs, which have cooperated with the business sector, 71% said that cooperation with the business sector was important (44% said very important and 28% important), while among NGOs, which have not cooperated in this way, 45% said that this cooperation was important (25% said very important and 20% important). It is obvious that awareness of importance of cooperation with the business sector is also an essential motivator for NGOs to engage in such cooperation.

## BUSINESS SECTOR ON COOPERATION WITH NGO

The business sector is mainly under informed about the role and work of NGOs. Information about the NGO sector comes from the media rather than from direct sources or from one's own experience. On the one hand, in the words of some corporate representatives, negative and often sensationalist media reports have spawned a general skepticism concerning non-governmental organizations and that's why a large number of companies are not aware what it is that NGOs do. The most frequent assumption of ten companies interviewed in 2004 was that NGOs were most active in the field of human rights. Several business representatives said that NGOs had already played their crucial role at the time of Milosevic's regime, which is a clear indication that some business representatives completely misunderstand the role and work of NGOs.

On average, attitude of the business sector toward NGO sector can be defined as „neutral“ or „moderate“ and the lack of information or their own inexperience with NGOs is probably the most important reason for absence of more firmly defined views.

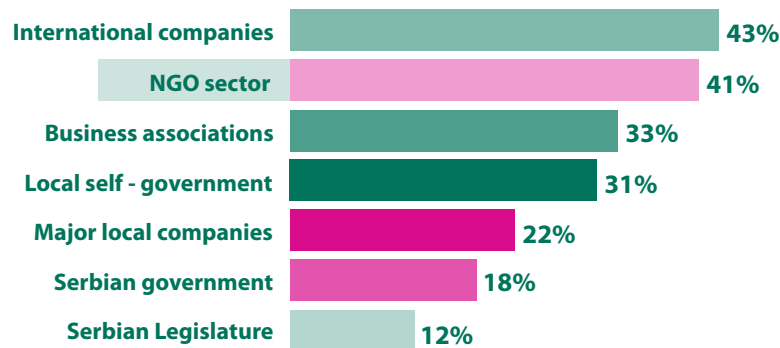
Out of 49 major companies interviewed in the first half of 2005, only 18 said that they had cooperated with NGOs in their communities whenever it had been possible. One half of those companies said that they were not even familiar with the work of the NGO sector in their local communities, even though most of them thought that the work of NGOs was important for society.

### Assessment of cooperation of companies with NGOs

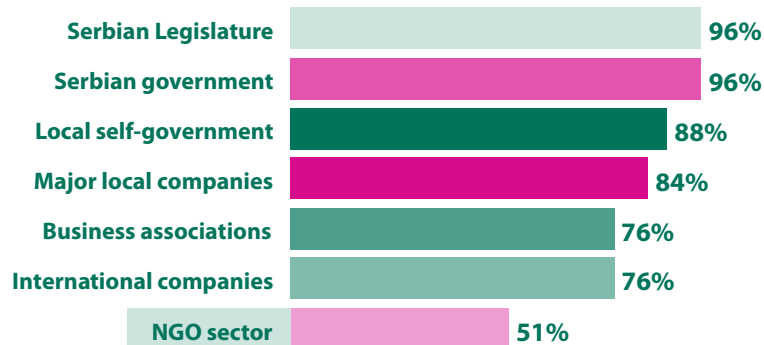


In the light of insufficient information about the work of NGOs and expressed doubts about the goals of their engagement, it is surprising that the NGO sector, together with international companies, was at the top on the list of institutions which, according to corporate opinion, work for the common good of the society. On the other hand, however, this trust was expressed by less than one half of companies (41%). Even though top ranking of NGOs when trust in other institutions is concerned, is encouraging in terms of potentials for future cooperation, it does not change the fact that most companies are distrustful of the NGO sector

***Trust that the following institutions work in the best interest of society***



***Who should be responsible for the common good of the society***



How much businesses trust the NGO sector directly depends on their level of information about the work of NGOs. Similarly to the views of NGOs concerning the importance of cooperation with the business sector, which were more positive if an NGO has already cooperated with a business organization, corporate opinion about the work of NGOs differs widely depending on whether a company has already cooperated with an NGO or not. The companies who did had a much more positive attitude about the work of NGOs and they said they believed that NGOs were working for the common good of the society. This fact emphasizes how important it is for businesses to be well-informed about the work of NGOs if they are to change their attitude about the NGO sector. It also indicates that there is certainly potential for greater cooperation with the NGO sector. Considering the fledgling awareness of the business sector about the importance of cooperation with the NGO sector, as well as greater motivation of NGOs to establish cooperation with the business sector, it is not surprising that businesses expects the initiative for cooperation to come from NGOs themselves.

Corporate expectations about who should be the most responsible for the common good are that non-governmental sector is less expected to be responsible for it than their own sector. Only one half of 49 interviewed companies said that the NGO sector should be responsible for the common good, while 84% think that responsibility should lie on local companies and 76% said that it should rest with international companies. Raising awareness about the responsibility of NGOs, that is, acceptance of majority of businesses that the NGO sector should be among „those responsible“ would also help change their attitudes concerning the importance of the role of NGOs and to their grater readiness for cooperation.

## NGO SECTOR, BUSINESS SECTOR AND CSR

Generally speaking, there is a concurrence between the business sector and the NGO sector both in terms of assessment of the CSR situation in Serbia and in terms of perception of the importance of CSR or a CSR-promoting strategy, for the society.

Both sectors say that CSR situation in Serbia is very bad. At least theoretically, they express their motivation to engage in advancing it. However, there is a noticeable partiality among these two sectors in their assessment of the CSR situation in their own organizations. Both NGOs and companies clearly tend to give a very positive assessment of the situation in their own organization and a very negative assessment of the situation in the entire sector.

The NGO and the business sector differ in their assessment of the importance of certain CSR issues, especially if they consider it in terms of importance for their own companies. The NGO sector has a broader point of view and they consider CSR important for advancing the local community, including the development of the civil society. The business sector on the other hand is more focused on CSR from a market-oriented point of view and a point of view of their own position on the market. It is interesting that the NGO sector said that prohibition of child labor was among the most important CSR issues, while companies said that this issue was less important for their businesses because such a problem did not exist in Serbia.

Both sectors however attach great importance to

certain issues even though in reality they are not committed to them. For example, both sectors recognize the importance of environmental protection as one of the most important CSR issues (both sectors spontaneously cited this issue as a CSR issue), while both sectors are actually very modestly engaged on it: companies rarely cite this activity as important for their companies (4 out of 49 companies interviewed in spring 2005 said the preservation of environment was one of the three most important issues in their own companies) and merely 5% of NGOs (26 out of 512 interviewed organizations in December 2004) said that environmental protection was an area of their work.

Both sectors think that chief CSR stakeholders are the local community, employees and consumers, but the order of their importance is different: NGOs said the local community was the chief stakeholder, while consumers and employees are chief stakeholders in the opinion of companies.


Both sectors recognize themselves as important CSR carriers. The NGO sector however assumes a much broader point of view and considers the stability and advancement of the local community as the chief motive for adopting CSR. The business sector however has a narrower point of view and they consider that their better positioning on the market was the chief motive to introduce CSR. The same difference in the breadth of approach is also noticeable in the way in which these two sectors think about citizens as CSR stakeholders; namely, while companies consider citizens to be CSR stakeholder either as consumers or employees, NGOs take a broader point of view and consider citizens as CSR stakeholders in their capacity (and benefit) of promoters of development of the civil society.

Both businesses and NGOs feel that lack of awareness about the importance of CSR was one of the main obstacles for further advancement. Therefore, they recommend education as one of the basic steps toward developing CSR. The necessity for universal education on this topic is certainly one of the most widely held points of concurrence.

It is important that despite partiality in assessing the CSR situation in one's own company, both sectors are aware that further education within their own sectors was necessary.

On the other hand, the question of responsibility i.e. initiative becomes very confusing both from the point of view of the prevailing opinion and from the point of view of operative action (what should be done, who is responsible for what, who should take initiative). There is a clear tendency to shift the responsibility and expect someone else to take the initiative. The very fact that most organizations give better assessments of themselves than of other organizations or the overall situation suggests that their thinking goes like this: „I do my best, but others don't do enough“. It might be one of the reasons why both sectors concur that CSR should not be ceded to the good will but regulated under a law.

The business sector shows greater readiness to respond to concrete goals and tasks serving the common good than to initiate and set these tasks. Initiative in the sphere of legal regulation is expected to be taken by the state, while initiative for concrete projects in the local community is expected to be taken by the NGO sector. Given that most NGOs are ready to as-



sume their role of initiator of the cooperation with the business sector and are moreover strongly motivated to do so in order to ensure their own sustainability, this concurrence is a good foundation for further development of a strategy.

The NGO sector thinks that its primary role is to establish cross-sectoral links and carry out awareness raising programs.

There is a general agreement that cross-sector links would exert a positive influence on the broader community and stir public engagement. The very fact that previous experiences in cooperation of both sectors have resulted in much greater mutual understanding and trust, suggests that cross-sector cooperation is an important first step toward transformation of existing relations which consist in „the provision of services“ toward a relationship between strategic partners on a joint project. Both sectors, namely the NGO and the business one, attach great importance to media in this regard.

Realization of research



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NGO Sector in Serbia, December 2004/ January 2005.



Philanthropy in Serbia, May 2004.



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