Why Develop Strategic Partnerships!?

-By Anuj Srivastava

With the advent of globalization and liberalization, the concept of Corporate Social Responsibility (CSR) has come to the forefront in the Indian subcontinent. In recent years, the concept of CSR has been the new buzzword of both the global and local business market. The dynamic concept of CSR is based on the theoretical acceptance that the practice of ethical business should not be limited to earning profits for the organization. It should extend to sharing a part of the profits with the employees who have toiled hard to earn them and with the society from which the profits have been earned. The same sentiment finds ethos and pathos in Mahatma Gandhi's trusteeship principle that legitimate profit earning cannot be devoid of social responsibility.

If we look at the historical precedent, then we find that many big Indian business houses have traditionally been involved in the practice of profit sharing with the society as their moral contribution. Social initiatives such as philanthropy, charity and donation have established their foundation in the profit business sector through the renowned names of Birla's and Tata's. The initiatives, in return, have helped the business houses in building their corporate reputation, keep up a motivated work force, generate positive marketing and build a strong and loyal community relationship. However, the concept of formalized CSR is relatively new amongst Indian companies.

It is well founded in the social sector that social norms are not enough to implement change. Norms have to be supported by laws and government regulations in order to see effective work. Under section 135 of The Companies Act, 2013 (enacted: 12.09.2013; Notified: 27.02.2014; In effect: Financial year 2014-2015), companies having net worth of rupees five hundred crores of more; turnover of rupees one thousand crores or more; net profit of rupees five crores or more in a financial year are required to spend at least 2% of the average net profits of the last 3 years towards the company's CSR policy. In case of noncompliance, the reason for the same has to be disclosed in the Board's report. India is the first country in the world to introduce and implement such legislation.

Schedule VII of the Act further includes the exhaustive list of activities that can be included in CSR initiatives. In recent developments, as new as July 2019, Union Finance Minister Nirmala Sitaraman has warned that the companies that do not meet the CSR requirements, may face penal action. Since the enactment of the CSR Act, a lot of brainstorming has gone into finding the most sustainable model of CSR spending. The two major available options are-

1. The company directly involves itself into the ground level fieldwork. This mode of operation poses a huge challenge to the company as it has to hire a separate large scaled human resource to ensure direct implementation of its policies.
2. The company may involve itself into subletting of its CSR grants. This is usually the grant method. Under this method, the company first identifies key NGOs, social entrepreneurs and organizations of repute, operating in its area of CSR interest. The CSR funds are then awarded to these organizations based on the predefined quality parameters of the company and company monitors the progress of the projects.

> Thus, the funded organization takes care of the entire human resource requirement and other concerns through its dedicated team which is directly responsible for on-field operations of projects. The advantage of this mode of operations is that the company doesn't require keeping a large field level human resource to implement its policy. Additionally, the company gets the flexibility to play at the strength of its partnered ground-level organization, which has known precedence in the successful execution of the projects of such nature, thereby leading to maximum impact and output.

Considering the second model mentioned above, Grant management comes out to be one of the most sustainable methods of CSR investment by the companies to ensure a stable and value driven CSR investment. Under this scheme of operations, corporate players set up a grant management team which in turn screens, filters, steers and awards the grant to local NGOs and professional foundations/institutions to invest in their CSR funds in the areas of their choice and appraise them about the output of their investments by regular reporting, periodic due diligence and inspections of the field site and presentations of deliverables.

Therefore, developing strategic partnerships is of utmost importance in the grant dispersal method of operations. It is extremely important that there is mutual trust and transparency between the company and its partner agency for an effective and successful implementation of the CSR policies. The development of such a partnership is not an overnight process and is rather a culmination of number of successful project executions, timely payment of dues, quality marketing initiatives and in-depth understanding of the need of the clients. It is a difficult and time-taking process. However, an absence of the same will leave the projects in jeopardy and hamper the brand image of the company and its partners alike.

Hence, it is advisable that the corporate and their Grant management team should spend a lot of quality time, resources and related efforts into developing strategic partnerships with its partner agencies. The same will lead to the successful implementation of the company's CSR policy and help the longer legal and social objective of the company for unforeseeable times.