
Chrysalis NGOs and their Evolution into Social Entrepreneurship

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Key words: Social entrepreneurship, non governmental organisations, sustainability, evolution, third sector alternative

Abstract: The endeavours and humanitarian crises from the archives have seen multitude of economic agents striving to balance the incongruity across the globe and bringing them in harmony with the developmental goals of the society. India being a welfare state as well as one of the top ten emerging markets has seen considerable growth and upliftment from the pre-independence state. The second most populous country in the world with the growth rate of 37% encounters the ever increasingly contrasting and distinct requirement of the nation. Mutually inclusive efforts of state and marketplace, however are not sufficient. The exhaustive list requires the participation of third sector alternatives to attain the neglected positive externalities. The government of India has identified the role of society and social organisations in addressing the problems of the deprived segment. Social organizations have taken up many forms comprising non-governmental organisations, non-profit organisations, social activism, social entrepreneurship and the combination of all. The crowding of non-governmental organisations over the years has led several researches in studying the prospects and effectiveness of the same. Non-governmental organisation is an umbrella term for all voluntary and charity ventures-relying on donations, membership fees, subscriptions and various activities for raising funds. Even so, the augmented scope of sustainability and unsatisfactory equilibrium existing in the society is underpinning the need to evolve. The study reviews the research on the non government organisations and its volunteers acknowledging their potential. It demonstrates the potential of NGOs in metamorphosing into different structures, concurrently enlarging the scope of its sustainability and the effectiveness of the value created.

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Page No.: 79-85

Volume: 15, Issue 3, 2021

ISSN: 1993-5250

International Business Management

Copy Right: Medwell Publications

INTRODUCTION

India is a country of 131 billion people. It is the biggest democracy of the world and one of the biggest and cheapest manpower sources to fuel the growth of the economy. The sector outperforming in its GDP contribution is the service sector, forming 60% of GDP. However, in respect to employment it is eclipsed by agriculture, forestry and fishing. The significant reduction in poverty is accompanied with stark inequalities across the population^[1]. The status and demography of its national workforce warrants examination to identify neglected population, issues and gaps. Despite government schemes and programmes, disparity and depravity continue to exist^[2]. As Foucault conjures one of the arts of government is like government of the family by the father, characterised by “plurality and immanence”. This plurality and immanence is seen as going beyond the exercise of sovereign power in order to foster the population’s prosperity. It is recognised the political power is exercised in a number of ways through different agencies, social groups and techniques (Encyclopedia Britannica). The micro economic strategies of NGOs played to the benefit and India’s government sought NGOs assistance at a proletarian level^[3,4].

The history of NGOs goes back to the 18th century, consisting of groups like the International Federation of Trade Unions, the International Olympic committee and the Universal Scientific Alliance. But it was not until the 20th century these groups gained global recognition and were formally named. The term Non Governmental Organisation was popularised by the United Nations at the end of WWII.

In India NGOs can register themselves either as a Trust, Society or Section 8 company. While there is a lack of any legal definition of social enterprise, the word NGO in India refers to a body that remains detached from the Government and profit framework of usual businesses.

The term NGO is used as an umbrella to cover all legal entities that seek philanthropic and charitable funds and utilise them towards the advancement of the society without the motive to originate profit from it or use the profit from the business of the NGO and utilise the same in the implementation of its objects. Borrowing from the World Bank’s Operational Directive we define NGOs as private organisations “characterised primarily by humanitarian or co-operative, rather than commercial, objectives that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services or undertake community development” in developing countries. However, research stipulates its integral facets are languishing the sustainability, driving them to adapt and transform.

Another economic agent which works on the similar magnitude of motivation and grassroots approach are Social Entrepreneurs. In common parlance, social entrepreneurship is a symbiotic relationship of two self explanatory and separate identities of its own words: ‘Social’ and ‘Entrepreneurship’. Entrepreneur has its origin in French language; meaning “adventurer” or “undertaker”, social is ‘Cohesion of Cohorts’. The synergy of these two gives us a ‘triple bottom line’ at its best. Using Elkington’s insight, social entrepreneurship can be defined as undertaking social, economic and environmental dimensions for the purpose of value creation in such a way where the social dimension is a protagonist. The term social entrepreneurship was first coined by Joseph Banks in 1972 in his formative work named ‘The Sociology of Social Movements’. It was described as the need to use managerial skills to address social problems as well as to address business challenges sustainably^[5].

When it comes to the precise and comprehensive description of the field of social entrepreneurship, we have come across the unconscious tautology to speak of social in defining social entrepreneurship as a very subjective theory.

The compendium of ‘A Positive Theory of Social Entrepreneurship’ presents four propositions to further our understanding. The propositions are as follows:

Proposition 1: The distinctive domain of social entrepreneurship addresses problems involving positive externalities.

Proposition 2: The positive externalities are more likely to be localised that benefits a powerless segment of the population.

Proposition 3: Sustainable solutions are more likely to be sought than sustainable advantages.

Proposition 4: Solution is more likely to be developed on the logic of empowerment than on the logic of control.

There are multiple institutional actors in modern capitalist economies: government, business, charity, commercial entrepreneurship, social activism and social entrepreneurship. Each of them has a distinct role in the economic system and has a dominant institutional goal. The objectives of this paper are: to provide a critique of NGOs in phased manner, exemplifying their need to metamorphose. To demonstrate the uninterrupted metamorphosis of NGOs into social entrepreneurship. To measure the effectiveness of NGOs and social entrepreneurship on the parameters of social value creation and social empowerment.

A HOLISTIC PHASE OF METAMORPHOSIS

Evolution has been the concluding truth for not just humankind but for the entire universe. And metamorphosis is the accelerated version occurring in a single lifetime of the entity. It is much required to go through the meltdown to change its form in order to grow wings and fly higher. The perfect metamorphosis is a solution to the intensifying aspiration to achieve sustainability^[6]. In order to achieve sustainability, it is important to have the understanding of the term itself. Although, the need to preserve the “human environment” was the underscoring premise of sustainable development in the 1st UN Conference on the Environment and Sustainable development in 1972, over the years the word has created the macrocosm of its own comprising all the spectrums. Spectrums have been comprehensively discussed and aimed for in the 17 Sustainable Development Goals set forth in the year 2015 General Assembly (United Nations 2015). The snapshot of sustainability entails three dimensions: environmental, social and financial. In the context of a non government organisation, sustainability primarily means being able to survive so that the organisation can continue to serve its constituency and fulfil its commitments to its clients, patrons and the community in which it operates^[7].

From the previous well researched scholarly literatures, it has escalated the acceptance of NGO chrysalis-ing into a social enterprise to survive and concurrently overcome the limitations of NGO. Drawing from the perspective of chrysalis economy and BCG Matrix, Table 1 distinguishes four phases of the progressive organisational metamorphosis on the path of becoming sustainable financially and socially-Genesis, Caterpillar, Chrysalis and Butterfly.

The continued phases of metamorphosis underpin the succeeding phase. One phase metamorphoses into another to make headway on the parameter of social value creation and social empowerment. The two distinct parameters of social value and social empowerment have been taken as the essence of their subsistence.

Social value creation: In the presence of the rich collection of arguments over the definition of social value, we are considering a generic view of the word. Value is measured in terms of increase in the utility of society’s members^[8]. Social value creation by voluntary programmes considers the non financial impact on the well being of individuals and communities and of

the environment. Social value creation is supposed to present the story as composed from the starting to the final point^[9]. For example-providing food, water, shelter, education and medical services to those who are in need.

Social empowerment, according to GSDRC “is understood as the process of developing a sense of autonomy and self-confidence and acting individually and collectively to change social relationships and the institutions and discourses that exclude poor people and keep them in poverty”.

GENESIS

The phase incorporates the inception phase of the NGO. In the first phase of their life cycles, we will see the course of action, struggles, limitations of NGOs and finding its ground to stand and stay put. The quadrant represents low social value creation and low social empowerment in their genesis phase. Over the years India has seen legislations related to NGOs being simplified and given due consideration while policy making. Tax exemptions have been introduced to encourage donation amongst the taxpayer citizens. There are 3.2 millions NGOs in India with one NGO for 400 Indians:

- Objectives for the purpose of formation are determined and distinctly defined
- Like minded people with the spirit of charity and social welfare are selected to be members/board of directors of the organisation
- The NGO in the genesis phase gets registered as a Trust, Society or Section 8 company with the distinctly defined visions
- Gather the funding from different donors who share the vision of the NGO
- Initiates with the welfare services in the local area where their members and head office are situated
- The presence of the head office has been empirically found to be present in urban and semi urban areas, leading to clustering of NGOs in one place
- The patrons play an integral role in determining the area of work in which the funds will be allocated

Small projects are taken up in accordance with the demands of the donor which fulfils their moral sense and fits into the mission of the NGO. The projects are usually a one time thing and cover the beneficiaries, contingent on the size of available funds.

Magnitude of the project and its inconsistency in the field work lead to trivial impact, small difference between the starting and the final point of the beneficiaries; negligible or zero sense of autonomy and self confidence. The vigour of volunteers and members is the sole human capital of NGOs in the genesis phase.

Table 1: Four phases of progressive organizational metamorphosis

	Social empowerment	
	Low	High
Social value creation		
High	Chrysalis	Butterfly
Low	Genesis	Caterpillar

Caterpillar: The swift transition from genesis to caterpillar comes with the knack for professionalism after dedicating sometime in the field. The extensive presence of NGOs at the grass root level in the populous country of India, made Indian government consider NGOs in policy making. The first union budget after independence allocated Rs. 4 crore to the voluntary sector, around 8% of the budget. Ever since the government grants towards NGOs have increased only. Although, smaller NGOs have failed to avail such grants (shodhganga).

Sources of finance: Government grants and philanthropic donations constitute their major proportion of source of funds. While the gradual inclination towards the income generating activities happens, the revenue generated from income generating activities should be used exclusively for charity purposes^[7, 10].

Organisational structure: Caterpillar NGOs are fairly big in their magnitude of projects and presence. They expand their presence by holding branch offices in different districts and states. All the decision making works are supervised from the head office. The presence of head office has been found to be crowded in the urban or semi urban areas, from where it is easy to access the donors and avail the benefits of good infrastructure.

Legal benefits: Once registered in the genesis quadrant, NGOs in India apply for registration under section 12A for availing tax exemption. Section 11 and 12 of the Income Tax Act 1961 defines the taxability for Religious and Charitable trusts. Tax exemptions are given to the donors of NGOs registered under 12A and 80G. The exemption's purpose is to promote charity and donations. NGOs have access to the charity and donations of international donors too, fulfilling the requirement of Foreign Contribution Regulation Act^[11]. The Act is meant to regulate all donations foreign in nature, received in India as donations for religious, charitable, social or environmental causes, whether such donations are received from Foreign Individual, Company, Society, government or organisation.

Quadrant analysis: The caterpillar falls in the quadrant of low social value creation and comparatively higher social empowerment. Inconsistent social value creation has been empirically observed due to the paramount reliance on redistributive approach and the volunteers^[12]. The infusion of funds for the purpose of redistribution with negligible value appropriation is short lived. Value creation happens when the utility of benefactors increase after accounting for the resources used in that activity and opportunities that enhance wealth^[13]. As scholars have suggested the emphasis is on charity and not on change which will last; it is the determination to solve other people's problems for them^[12]. The redistributive

approach of NGOs acts a channel in between the donor and recipients of the benefits, working with the intent of providing relief to the recipients. Although, the reliefs improve the present state of society nevertheless the dependency on the donors for the solution increases. Instead of addressing the reason of disparity and deprivation, a hungry man is given a fish to eat characterising him into a dependant man. There is negligible change in the sense of autonomy and self confidence from the redistributive approach of NGOs^[14] comparably more than the genesis due to their expanded presence and the livelihood upliftment training dispensed.

Chrysalis: The growing threats and inconsistency in traditional grants due to rising competitions amongst NGOs and private enterprises have led to the awareness that the best way to survive and be sustainable in their missions is by accepting the need to metamorphose. Metamorphose into a self reliant entity^[10, 15] conclude NGOs in totality, large or small NGOs rely considerably on membership fees and local fund raising. Moreover, Indian NGOs have seen deterioration in Foreign funding with amendments in FCRA in 2011. The rising threats and need to reduce the dependency on donations has brought the realisation and willingness to become sustainable. Although, the sustainability of NGOs comes at a cost of structural changes^[10]. The chrysalis quadrant brings the best of for-profit entities and not for profit entities to solve social problems.

Source of finance the already existing non government organisation can continue to accept grants, concurrently set up a private business entity for carrying out profit based activities. It establishes that they receive both donations and grants and still be able to have access to social venture funding.

Legal framework: Indian law entails the requirement of setting up two distinct legal structures in the hybrid model of chrysalis. NGO carries out its activities as a trust or society whereas the entity registered as for profit social enterprise works for profit earning and further scaling up the value chain. For Profit social enterprises can get themselves registered as any of the five options in India-Sole proprietorship, partnership, limited liability partnership, private firm and as a co-operative. The key difference between for-profit entity with the motive of social impact and commercial enterprise is that opportunities for value creation is prioritised before value appropriation.

Organisational structure: The entity registered as for-profit relies on efficient management skills of the workforce. The experts in their respective fields are recruited as a part of the team, making the for profit entity rich in human capital. However, for NGOs volunteers

constitute a major part of the team. The two distinct entities separate the profit earning objective and the philanthropy objective of the hybrid model^[16].

Quadrant analysis: It falls in the quadrant of high value creation and low social empowerment. The socially empowered benefactors from the caterpillar quadrant are efficiently utilised in the process of value creation. For example-UTMT (Under The Mango Tree) which practises a hybrid model of having two distinct entities, sends the honey collected from the farmers trained by the NGOs into the distribution network of the for-profit entity, thus, creating value.

Another hybrid model of Fractal foundation and Microspin, aims to first provide the financial assistance and infrastructure for converting raw cotton into yarn through Fractal foundation which acts a trust. Once the assistance provided starts operating, value is created by the for-profit entity. Thus in the process, it creates employment, sustainable income and capacity building of the benefactors.

Butterfly: The butterfly quadrant considers absolute metamorphosis into an entrepreneurship with the social goals as protagonist. In the absence of any legal definition of social entrepreneurship in India, the meaning and ecosystem of social entrepreneurship is created and supported by multiple stakeholders. The befitting legal construct for social enterprises is either of the forms-Private Limited Company, Proprietorship, Trust, Society, Section 8 Company and Partnership^[17]. The goal of social enterprises is to develop solutions to overcome social problems through the adaptation of characteristics of business ventures which are managerial efficiency and innovation with a passion for driving social change^[18]. The overarching goal which qualifies an enterprise to be a form of social entrepreneurship fails to embrace the subjectivity of the word 'social' to multitude of stakeholders. Santos underscored four propositions to cast the domain of social entrepreneurship: proposition distinguishes and emphasises on the sustainable solutions which empower the localised powerless section of the population. Powerless involve the characteristics of small in size, low status, low resources, low ability for collective movement, no influence on public opinion. Many social entrepreneurs operate for the benefit of these populations. An example is the successful emulation of the Grameen Bank model across the microfinance institutions. Grameen bank was recognised as a formal institution in Bangladesh in 1983. Accommodating the financial needs of the poorest of the rural poor on a group liability basis is not the first of its kind, however what made itself sustaining and well favoured is its grass root

level dedicated field workers^[19], effectuating the self reliance and self confidence of the benefactors in its cascading route to become a diverse success.

The existence of organisation as social entrepreneurship strongly impacts the governance, management, human capital decisions While NGOs suffer from ambiguous accountability, numerous missions and nonexistent quantitative evaluations^[20], being driven by government and private patronage incapacitates their mission and ends up becoming just a service provider for the patrons^[21]. The willingness and capacity of NGOs to go through the structural change has not just increased but is being successfully carried out. The HCT group in the UK which started as charity soon realised that in order to be effective and sustainable, their financial dependency needs to be reduced. The successful venture of HCT group into enterprising activity, without losing the essence of their social objective generated profits to continue to execute its social mission.

Source of finance: The legal identity of the entity acts as the determining factor for the sources of capital. Impact funds and investors engage with social enterprises at multiple stage of seed funding, early stage funding, growth stage funding by passing the opportunities to access government grants which are meant for non-profit organisations^[17, 22]. Direct financial support to social enterprises in the form of grant equity and debt is making headway^[23].

Organisational structure: The prelude to metamorphose into a self reliant entity requires mission and vision of the organisation to be redefined. The risk willingness of the stakeholders determines the scope of work. The regional location of the enterprise plays a role in determining the objectives. The most commonly stated objective is creating employment, without departing from the core of positive externalities^[23].

Quadrant analysis: The butterfly lies in the quadrant of high value creation and high social empowerment. Overplaying the significance of self reliance shall not be the sole reason to be a social entrepreneur. The importance of social empowerment while creating value cannot be undermined. The active engagement with the powerless segments has ensured them an increased standard of living, awareness about skill upgradation to secure their future, riding up on the hierarchy of Maslow's theory of needs. The collaboration of multilateral agencies with incubation programmes, capacity building workshops and impact investors to promote social enterprise is contributing

positively^[23]. The successful execution of social entrepreneurship harnesses the altruist entrepreneurial drive to further diverse and expands in the required field^[19, 24].

CONCLUSION

NGOs and social entrepreneurship play an important role in providing social services. The common thread between them is the passion to address the pressing problems of the dynamic society. The need to be effective, self sustaining and sustainable in their approach has agitated the current approach and structures of the non-governmental organisations. The acknowledgement by NGOs to overcome their drawbacks by evolving into different structures, keeping the premises intact has led to fragmented research on the topic. Therefore, the need to understand the phases in which the structural changes can be brought; it has been demonstrated in four phases of genesis, caterpillar, chrysalis and butterfly. The continued phases of metamorphosis underpin the succeeding phase. One phase metamorphoses into another to make headway on the parameter of social value creation and social empowerment. The two distinct parameters of social value and social empowerment have been taken as the essence of their subsistence. The rising number of non-governmental organisations in India and still evolving domain of social entrepreneurship in Indian Law urges to focus the need to have a well defined domain of social organisations. Since, defining the sector is the inception of smooth transition and growth of the field.

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