

POLICY BRIEF

ENHANCE THE COOPERATION BETWEEN ROMANIAN SMES AND YOUTH ORGANIZATIONS



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NATIONAL & LOCAL CONTEXT

ON PUBLIC POLICIES & INITIATIVES FOR ENHANCING THE COOPERATION BETWEEN SMES AND YOUTH ORGANIZATIONS

Romanian Small and medium-sized enterprises are constantly involved in community projects, as it resulted from CoOp Research (Romania National Report) and from CoOp Best Practices Guide. 62% of the youth organizations included in our study mentioned SMEs as one of their income sources, supporting their youth projects. However, from the approximately 445,000 SMEs existing in Romania in 2015 (SBA, 2016), we do not know exactly how many of them get involved in community activities. And their potential is impressive, as the SMEs represent 99.8% of the total number of businesses from Romania (SBA, 2016).

A study from 2016 (*Trends in philanthropic behavior and fundraising practice*), prepared by Asociația pentru Relații Comunitare, offers an overall picture of the companies' involvement in community projects. This research's results can also be applied to SMEs, because the report includes public data about all active Romanian enterprises, and because from 529 interviews conducted with companies, 71% were with enterprises with 10-49 employees, while only 7% of the interviewed companies had more than 250 employees. However, no criteria related to the companies' turnover was used in the selection of the sample, in order to understand how many SMEs were actually included in the study. Still, we can estimate that most of the companies that took part in this research were medium enterprises, taking into consideration the number of employees they have. Finally, the study shows that:

- From the 137,000 companies, which were allowed by law to get involved in social or community or humanitarian cases, 21% of them supported community programs or social causes in 2014. In total, these companies gave away EUR 110 million. 22% of the value of this support represented in-kind support, and the rest of 88% was financial support; then, 33% of this support was given to NGOs, and the rest of it to individual cases, churches, schools, hospitals, etc.
- The average support provided by one company was approximately EUR 3,400/year, but most of the companies gave EUR 1,800/year.
- The most supported sectors of activity – which received most of the money or in-kind support from companies – were health, education, sport, social, religion and culture.

The only active public policy on SMEs involvement in CSR activity in Romania is the one developed by the European Commission, respectively the renewed EU strategy for corporate social responsibility. The strategy comes to support the Europe 2020 Strategy, and aims to align EU countries to the global approaches to CSR, such as the guidelines established by the OECD, the principles of the United Nations Global Compact, and the UN 2030 Sustainable Development Agenda. However, the EU CSR Strategy is not constantly or consistently promoted by the national government agencies or through any of the government's branches.

At the national level, currently, there is no CSR public policy or strategy for enhancing SMEs' involvement in CSR activities. In 2011, there was one initiative, supported through the European Social Fund and run by Romanian Chamber of Commerce and Industry, which developed and proposed a National CSR Strategy for the Romanian Enterprises, for 2011-2016. The strategy was adopted by the government, and it was promoted through offices established within the Chambers of Commerce and Industry, from county level, all over Romania. Through our desk research we managed to identify the web platform used for this initiative, but the strategy could not be found on the respective website. Also, we tried to find out if the offices in charge with the promotion of the CSR activities among SMEs are still running, but looking to several websites of the county-level Chambers of Commerce and Industry, these services are not promoted anymore.

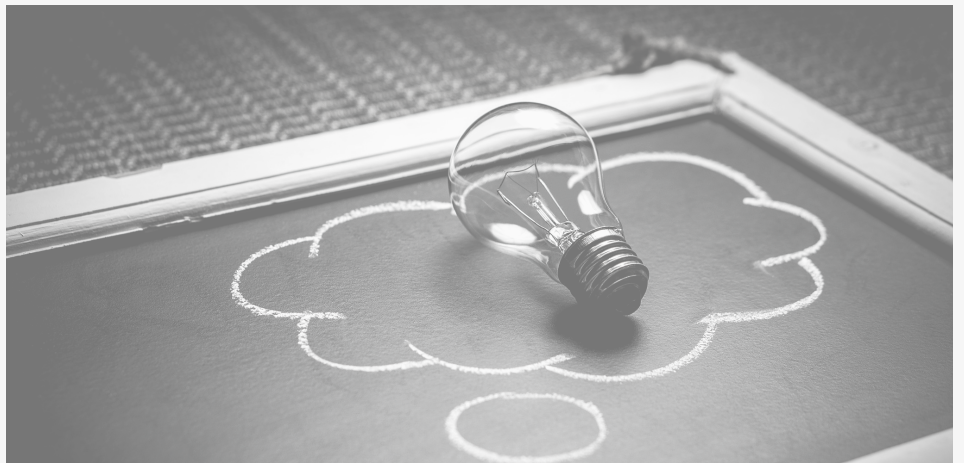
Finally, the only public policy that at the moment directly encourages Romanian enterprises to be involved in community projects is the Fiscal Code. This allows enterprises that provide sponsorships (money or in-kind) to get 20% tax exemption in the limit of 0.5% of company's turnover. However, in the last two years, the Fiscal Code was changed several times making harder and harder for SMEs to support the causes they will really like to be involved in. For instance, companies with a turnover less than EUR 1 million can benefit from the tax exemption only for sponsorships made to NGOs that are state-authorized as providers of social services. The majority of the youth organizations do not provide social services, so they cannot be selected as partners by the Romanian small companies. Then, starting April 2019, all the Romanian enterprises can benefit from the tax exemption only if they sponsor NGOs that subscribed to a new special national register of the entities that can receive sponsorship. This new piece of legislation increases the sponsorship bureaucracy and makes companies more skeptical to provide sponsorships to non-governmental organizations. On the other side, the majority of the Romanian NGOs, which are not social services providers, feel discriminated by the legislation, trying to understand how their services could be perceived as less valuable for society; and, at the same time, the NGOs have to register now in at least three national registers to function and to be able to receive sponsorship from the private sector.

At local level, there are big cities, such as Cluj-Napoca that promotes the local companies' involvement in community projects. The promotion activities are done through concrete projects in which the municipality cooperates with the business sector to solve specific community problems, such as hiring people from marginalized neighbourhoods, maintaining the city green areas; but also through facilitation services provided by the municipality for companies and NGOs, bringing them together in different events or endorsing their common projects at the city level. At the same time, there are a couple of initiatives run by local business groups that aim at bringing together the private sector and NGOs in public debates, workshops and fairs.

In conclusion, the Romanian national public policy environment is not a supportive environment for enhancing SMEs' involvement in community projects. At the same time, observing the trends from the last two years, the national government expresses more interest in keeping the tax money, coming from businesses, available for the national budget and for public expenses, and much less interest to encourage the companies to give back to their communities. At local level, there might be more openness from the local authorities, such as municipalities, to enhance and support SMEs' involvement in community projects.

PROBLEMS IDENTIFIED

IN PUBLIC POLICIES & INITIATIVES FOR ENHANCING THE COOPERATION BETWEEN SMES AND YOUTH ORGANIZATIONS



Although there are proven interest and community involvement from the SMEs' side, the **Romanian national public policies** do not support consistently and constantly the current level of involvement, and seem to have less interest in enhancing the SMEs' support for the community in the next few years. There are no active national strategy on CSR for SMEs and no concrete working plans for getting more of the SMEs' support in solving community problems. Moreover, the recent changes in the fiscal legislation are more discouraging than encouraging for companies to give back to their communities.

At local level, in the big cities from Romania, there have already been some initiatives of supporting and facilitating companies' involvement in solving community problems. However, these initiatives are not clearly shaped or planned, and they are not constantly and consistently supported by the municipalities. Moreover, these initiatives are more the exception than the rule in encouraging companies to get involved in community projects, or in supporting NGOs to cooperate more with the local business sector. Few cities from Romania are that active in this field.

In conclusion, the current national and local policies do not respond adequately to the companies' potential to be involved in supporting community projects, and to the cooperation needs that both SMEs and NGOs expressed during the CoOp Research, and which were also present in other studies, such as Trends in philanthropic behavior and fundraising practice (ARC, 2016).

Companies' needs & expectations

According to ARC's study (2016), when they decide to get involved in solving community problems, companies are interested in supporting the following sectors of activity, in this specific order: health, education, sport, social, religion and culture. The same study shows that among the main reasons for giving, companies' representatives mentioned that they had a moral duty to support such causes (66% of the respondents), or that CEOs or managers were impressed by some causes or individual humanitarian cases (60% of the respondents), or that the companies felt responsible to take care of the community (58%). CoOp Research results support ARC's findings: when asked about their motivation for giving, the SMEs' representatives mentioned the importance of giving back to the community, the nice feeling of being satisfied that company's money was spent on something valuable, with clear results, and the interest in expanding their business network and in gaining visibility in the community.

ARC study also reveals the main reasons for accepting a solicitation from an NGO: over 90% of the companies said that they accept solicitations of support from NGOs that are trustable; then, they also mentioned the right timing for solicitation (over 75% of the companies) and the fact that the company's turnover or profit increased (over 70% of the companies). Other reasons for accepting a solicitation, mentioned by many respondents (over 40% of them) were: the projects should support the people from the city/locality where the company is active, and the projects or the organizations that receive the support should contribute to the company's good image in the community.

According to CoOp Research findings, the SMEs decide to get involved in community projects based on the needs presented by the organizations, and based on how clearly NGOs communicate and convey their message (about themselves, about their mission and initiatives, about the beneficiaries of the support, etc.). The more visible and trustworthy an organization is, the more likely that the requested support will be granted. Also, the SMEs are to some extent inclined to support the type of activities or events that help them gain community recognition and appreciation, and networking with potential business clients. Finally, there is a clear tendency among SMEs to support projects that have an immediate and palpable impact.

The research results also indicated that local businesses reach out to the NGOs by delivering them mostly in-kind support consisting of products, services, expertise, and even the involvement of employees in various community projects and initiatives on a voluntary basis. Giving money as sponsorship, it is less preferred and used by the SMEs we interviewed.

When asked what is the "perfect NGO partner" and what recommendations they would make to youth organizations, businesses responded that they value organizations that communicate promptly and on a constant basis, that are transparent and accountable for their actions, and have a strong positive reputation in the community. Other recommendations mentioned are: to address directly the company; explain clearly, transparently and professionally the cause, the project or the event; express clearly what kind of support is needed and what expectations are there from SMEs in terms of involvement; and be clear about the expected results and also about the benefits for the company. Besides these, a recurrent recommendation coming from the SMEs, aimed at ensuring better partnerships between NGOs and the business sector, referred to the aspect of trust - the NGOs and their initiatives should be trustworthy, in order to be granted by the SMEs.

According to the survey we conducted with youth organizations within the CoOp research framework, 62% of NGOs mentioned SMEs as income sources, and the support received from the companies, represents 11% to 30% of the organizational annual budget. In terms of needs from the SMEs, 100% of the youth organizations mentioned they need money; 67% - they need companies' networks of professionals and business partners; and 57% - companies' facilities, offices and expertise.

In the next few years, the youth organizations would like to cooperate with SMEs on concrete projects, in the following areas:

- General activities for youth (youth centers, youth clubs in rural area, personal development workshops);
- Environmental projects (Ride2Work, Food Waste Combat, volunteering in the field);
- Internships, working opportunities for young people;
- Distance learning centers;
- Entrepreneurship education for young leaders and entrepreneurs;
- Student festivals (arts & culture);
- Integration of young migrants;
- Capacity building or administrative activities.

Then, the majority of the youth organizations prefer to work with bigger companies, which have a designated person or department in charge with the collaboration with NGOs, charities or CSR activities. When they were asked to describe the "perfect SME partner", the organizations expressed clearly their expectations, which we summarized in the following categories:

- Receptive, communicative, responsive, open to collaboration;
- "In love" with the cause, the mission, the values of the NGO;
- Nonprofit/CSR oriented;
- Strategic, long-term oriented, searching for real impact;
- Flexible, adaptable, asking for less reports;
- Trustable, transparent, honest.

NGOs' needs & expectations

In conclusion, any public policy should take into consideration the less favorable national context for encouraging the companies' involvement in community projects, but the more favorable local context for enhancing the cooperation with the business sector for solving community projects. Also, any proposal for public policy should be able to respond to both companies and NGOs' expectations and needs.

THE PROPOSED POLICY

FOR ENHANCING THE COOPERATION BETWEEN SMES AND YOUTH ORGANIZATIONS

The public policy, respectively the solution we propose for enhancing the cooperation between SMEs and NGOs/youth organizations, and for increasing the business sector's involvement in solving community problems takes into consideration the following aspects:

The solution should be found at the local level, using three favoring factors:

- municipalities of more developed cities are more open to, and some of them already promote companies' involvement in solving community problems;
- most of the SMEs are interested in being involved and supporting projects/ideas from their own community;
- most of the NGOs, and especially youth organizations work at local level.

The solution should be built on the positive feelings and attitudes the SMEs have when they decide to get involved in community projects:

- they feel they have a moral duty or they need to give back to their own community;
- they like the feeling of helping, and they are impressed by the community problems;
- they feel responsible towards their community;
- they love to connect with other organizations, and other potential business partners;
- they like to be part of the solution, and to be visible and have a good reputation in the community.

The solution should provide the companies the followings:

- local projects with clear needs and clear expected results and impact;
- trustable initiatives, projects and organizations;
- full transparency in the cooperation process from the partners;
- good reputation in the community, appreciation, recognition.

The solution should provide the NGOs/youth organizations the followings:

- Strategic partners to support the community solutions/projects they bring;
- Financial support, along with in-kind support coming from the business sector;
- Trustable, ethical and responsive business partners;
- Relevant community values that all the partners share, promote and use in partnerships;
- A structure in which to meet, talk and work with the business sector, in order to develop long-term and sustainable partnerships.

THE PROPOSED POLICY (CONT.)

FOR ENHANCING THE COOPERATION BETWEEN SMES AND YOUTH ORGANIZATIONS



The solution we envision should be initiated by the municipality, acting as the facilitator of valuable, strong and sustainable community partnerships. Also, when such an initiative is started and fully supported by the municipality, it gives the initiative exactly what companies and NGOs are searching for: trustworthy, visible and strategic partnerships. The municipality could endorse and guarantee for the partners that are brought together, in the process of “match-making” between SMEs and NGOs/youth organizations. At the same time, being part of a community level initiative will put positive pressure on all the partners involved to be ethical, transparent, responsive and provide high quality cooperation.

The municipality should establish a general framework for activities, projects, events, etc., aimed at enhancing the cooperation between the local businesses and NGOs active in the community. To establish such a framework, the municipality should first get the support of a working group/task force in which both NGOs and companies or business associations would be involved. Then, together with the working group:

- ❶ Map the companies' needs, interests, motivation and capacity for cooperation;
- ❷ Map the NGOs' needs, interests and capacity for cooperation;
- ❸ Map the municipality's interests, needs, but also the resources/facilities it could involve in order to enhance the cooperation between the SMEs and NGOs/youth organizations;
- ❹ Establish a set of values, maybe even some ethical guidelines that all the partners agree upon for establishing valuable partnerships;

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Identify and decide together on a set of activities/projects to be piloted in the first two years of implementing the general framework for community cooperation;
These activities would include:

Community awards for best business-NGOs cooperation models/practices;

This will provide community visibility for the general framework of cooperation and for the new community values promoted both in the business and NGO sector; but also it will bring the reputation and the community recognition that companies are interested in.

Business-NGOs fairs, networking events, debates, workshops, information campaigns;

These will help NGOs and companies to learn about each other, about their needs, interests, motivation, but also it will help to build the trust that both sectors are looking for in such cooperation. Also, during these events, the NGOs can present their projects and good practices from the sector. Moreover, the events could be organized as a “marketplace” where companies can “buy” specific projects they could be interested to support. These events can be facilitated by the municipality and/or by the local universities.

Learning experiences/workshops for both NGOs and companies, to improve their cooperation and the impact of their projects;

Through these learning experiences, the two sectors could learn more about each other, but also about how to define clearly community problems they want to solve, their theory of change and the impact they search for, together as partners. Also, the learning moments could be about sharing expertise and transfer of knowledge between the two sectors.

Online platforms/apps to bring the sectors together

An online platform could be developed for matchmaking between the two sectors for specific projects, but also for promoting the existing partnerships as models of good practices for other SMEs and NGOs.

Promotion campaigns of the existing partnerships

Filming and promoting the existing partnerships will provide both companies and NGOs good reputation in the community. It will help to make the companies more committed to the cause, and attract other companies in such partnerships.

Sharing resources moments or structures, such as pitching sessions, crowdsourcing events or platforms, so that all partners - the municipality, companies and NGOs - can develop and grow together.

Bilateral partnerships are limited in terms of resources the partners can bring to the table, but if each of the partners opens its network and pool of resources (human resources, technological, expertise, partners, etc.), the partnerships become more valuable to all the partners involved.

Community competitions/challenges for companies

Using gamification models, companies could be challenged by the city hall to respond to some problems from the community. Also, companies themselves, already involved in some community projects, could challenge their business partners, suppliers, clients to take part in similar projects.

Promoting and supporting community volunteer programs for companies' employees

The city hall could provide specific facilities/support for the companies that involve their employees in volunteering activities. For example, one year before retirement, the senior employees could be encouraged to work half of their time in NGO projects, while being paid full time by their employers.

Community ambassadors

Very well known people from the community, like the mayor of the city, could become ambassadors for volunteering activities or for specific community projects. These models will inspire and put positive pressure on SMEs to be more involved in community projects.

Meetings between NGOs and university alumni

Universities could facilitate the meeting between SMEs and the NGO sector, by organizing networking meetings between their alumni (the majority already working in the business sector) and the NGOs from the community.

- 6 Select one or two ideas to start with, for piloting how the general framework could work, gaining feedback and improving the other set of ideas based on the lessons learned from the implementation of the first activities.

Such a local initiative can also have a regional or national impact. Once the model works, it can be exported and replicated in other cities from Romania, smaller or bigger. Things that were tried out and proved they worked, and which come with specific guidelines, best practices, lessons learned, are easier to accept, adopt and adapt by more skeptical municipalities. Finally, once that the model gets to a critical mass level, it can be transferred into a national policy, shaped and implemented through a bottom-up process.

Resources:

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