

Civil society and the market: how to find your way through the minefield

Should you turn your NGO into a social enterprise in order to reduce its dependence on unreliable donors? Focus on micro-entrepreneurs at the 'bottom of the pyramid' in order to support self-sustaining wealth creation instead of reproducing the paternalism of foreign aid? Forge creative partnerships with corporations in order to raise labour standards and inject more money into poor communities instead of just criticising them for their failings?

Increasingly common questions

Questions like these are increasingly common in the NGO community, and they generate a great deal of excitement and confusion. It's true that lots of innovations lie at the intersection of civil society and the market, but it's not true that they are easy to exploit or come without problems of their own. Get the balance right and you can generate more impact and more resources for your NGO; get it wrong and you can easily drift away from your mission for social transformation and limit your options in dealing with the most difficult issues of injustice and exploitation.

That's because the choice to engage with business and the market always carries costs as well as benefits. The benefits come from the market's ability to reach large numbers of people with useful goods and services and sustain this process over time by making and reinvesting profits, driving resources to their most efficient use through competition. The costs come from the fact that many elements of social change don't generate quick results or returns on investment, so they are ill-suited to market-based activity; and they rely on cooperation, participation and solidarity which are 'inefficient' in market terms. So the move to the market can actually push resources away from community organising, advocacy and other work that is crucial to long-term development, and it can

exclude those who have less purchasing power or who are more expensive to reach with essential services and other forms of support. That's why this debate is so important.

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If that's the case, what's the best way to find your way through the minefield of civil society and the market? In answering that question it may help to think of this relationship as a continuum instead of as two separate sectors. At one end of the continuum are civil society activities which have little or no link to the marketplace, like caring for one another and connecting underserved constituencies to local politics; at the other end are commercial activities which don't pretend to advance civil society or social change, like drilling for oil in Alaska.

In between we find a range of activities which seek to blend elements of civil society and the market in different ways and to different degrees, including commercial revenue generation by NGOs, social enterprise and social entrepreneurs, venture philanthropy and social investment, corporate social responsibility and new business models that change the ways in which firms are governed and held accountable for their actions.

Combination of costs and benefits

Each of these blends will generate a different combination of costs and benefits as the balance between civil society and the market changes and the influence of one or the other becomes more dominant. That's an important point, because although NGOs may see themselves as drivers of change in the business community or in the economy more broadly, those who are inspired by

market principles may see change flowing in the opposite direction, from business to civil society in order to make NGOs 'more efficient' and privatise more social services.

It's vital that NGOs understand these different motivations and take a systematic and sophisticated view of the interactions between civil society and the market so that they can assess the most effective course of action in each set of circumstances. What does that mean in practice?

First, be very clear what you want to achieve, and what you are prepared to sacrifice in order to achieve it. Then decide what mixtures of civil society and market-based activities are most likely to generate the change you want to see.

For example, if you want to strengthen democracy and bring marginalised voices into the decision-making process in local politics, or hold businesses accountable for their use of natural resources in fragile ecosystems, it makes little sense to privilege the market in your strategies and tactics. On the other hand, if you want to expand the use of fuel-efficient cooking stoves or low-cost computers then social enterprise or partnerships with established companies in these sectors make good sense.

Second, think carefully about the potential costs and benefits of these strategies and put in place a system to monitor how they play out in practice. If you find that market-based activities take you too far away from your mission or impose compromises that make you feel uncomfortable, then you can pull back and re-adapt. Systems like this will help to build a knowledge base in this crucial area to replace the limited information and experience we have to work with today.

Finally, since social entrepreneurs and venture philanthropists are fond of using

business language in relation to NGOs and their work, what's the 'bottom line' in this conversation? How about this: "explore new opportunities but don't buy into the hype that surrounds them?" NGOs should stay loyal to their civil society origins even as they experiment with the market. If they can do that, exciting times lie ahead.

Michael Edwards is a Distinguished Senior Fellow at Demos in New York and the author of *Small Change: Why Business Won't Save the World*, which explores these issues in more detail.
edwarmi@hotmail.com

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