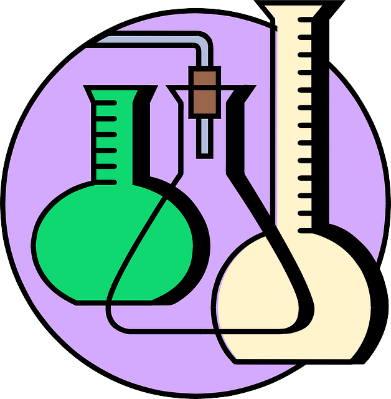


**Research Proposal**





**Write Company Name here**

Address Here / Phone: 000-000-000 www.abc@gmail.com

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**Table of Contents**

[1. Types of NGO 3](#_Toc104921740)

[2. Objectives 4](#_Toc104921741)

[(1) Financial sustainability 4](#_Toc104921742)

[(2) Independence and creativity 4](#_Toc104921743)

[(3) Job and income generation 4](#_Toc104921744)

[(4) Demonstration effect of excellence 4](#_Toc104921745)

[(5) Taking advantage of market and globalism 4](#_Toc104921746)

[3. The source of development entrepreneurship 4](#_Toc104921747)

[4. Ingredients of success 5](#_Toc104921748)

[5. Issues 6](#_Toc104921749)

[(1) Commercialism in disguise 6](#_Toc104921750)

[(2) Business incompetence 6](#_Toc104921751)

[(3) Continuity 6](#_Toc104921752)

[(4) Dissemination 6](#_Toc104921753)

[(5) Social recognition 7](#_Toc104921754)

[6. Actions for greater impact 7](#_Toc104921755)

[Appendix 8](#_Toc104921756)

**<Issue Paper for Possible Future Research>**

**Linking Business with Development**

**Aims and Issues of Business-oriented NGOs in Vietnam**

August 6, 2022

Kenichi Ohno (GRIPS)[[1]](#footnote-1)\*

According to popular perception, business and development do not mix easily as profit motive is considered incompatible with a warm heart. All over the world and in any age, there are countless cases of greed destroying life, family, community, and environment. However, with proper leadership, vision, and professionalism, we firmly believe that the two can be combined successfully to achieve greater development outcome than when just one is employed.

NGOs[[2]](#footnote-2) are often regarded simply as non-official vehicle for social service delivery. While this role is undoubtedly very important, alternative and broader roles of NGOs are also possible and even desirable, including business incubation and job creation. Business-oriented NGOs can offer a new model of community-based development which does not aspire to self-sufficiency or anti-globalism. In Vietnam, there are already some business-oriented NGOs helping the poor and the underprivileged to attain pride, security, and independence. But the scope of business activity and the degrees of success vary among them.

We are interested in studying development NGOs that support their social programs with internally generated business revenues rather than a constant quest for donor funding. (In this research, we are not concerned with firms primarily set up for profit benefiting the poor, either through excellent business performance or sponsorship of charity and social functions.) In what follows, the key contents of the proposed research paper are described and needed future actions are outlined.

# 1. Types of NGO

NGO activities range widely. Some NGOs are highly suitable for business orientation while others are not. Projects that aim at empowering the disadvantaged – the poor, people with disabilities, street children, and so on – through the provision of education, training, and job opportunities are prime candidates for business orientation. Some environmental projects may also benefit greatly if local interests are properly guided by carefully designed commercial incentives. On the other hand, direct delivery of social services such as disaster relief and primary health care may not be easily merged with business incentives. As each NGO has a different purpose and scope of operation, application of business principles to development must be selective and spontaneous, rather than uniform and forced.

# 2. Objectives

Development NGOs may wish to internalize business entrepreneurship for various reasons which are not mutually exclusive.

# (1) Financial sustainability

If internal funds with no end points are available, social programs supported by them can grow and expand as needed instead of facing termination after a limited number of years. Constant fund raising is no longer necessary and long-term planning becomes possible.

# (**2) Independence and creativity**

Furthermore, internal resource generation empowers NGOs by liberating them from cumbersome procedures imposed by a multitude of donors. With financial independence, bolder and more flexible approaches can be launched through NGOs’ own initiative and responsibility.

# (3) Job and income generation

The biggest problem for NGOs engaged in education and training is the scarcity of gainful employment after graduation. By becoming agents of job creation, NGOs themselves can contribute to national income and productivity rather than adding more people chasing after a slice of the pie that does not grow.

# (4) Demonstration effect of excellence

People are inspired and propelled by brilliant success of neighbors, not by externally imposed rules and procedures. By showing concretely how business and development can be combined in the Vietnamese context, NGOs can offer a role model for the general population, especially those with latent entrepreneurship.

# (5) Taking advantage of market and globalism

A considerable number of NGOs take the stance of anti-market and anti-globalism, which is regrettable since the poor can join – and even win – the global trade game if good advice and support are available. Business-oriented NGOs help to ensure that market and globalization work to the advantage of the poor. Local self-sufficiency and import protectionism are anachronistic and should not be promoted as the way to development.

# 3. The source of development entrepreneurship

While Vietnam is endowed with a large number of diligent workers, family shops, and shuttle traders, these are not enough to sustain robust economic growth under AFTA and WTO with strong competition from more developed countries. To break out from the underdeveloped market economy and the legacy of planning, modern and well-organized commerce which links individual producers with national and global markets is essential. Here, the term *commerce* is broadly interpreted to include not only wholesale and retail trade but also assistance in product design, production management, quality control, marketing, insurance, account settlement, finance, introduction of new technology, and so on.

The emergence of such productive merchants – as opposed to those that only exploit producers and consumers – is the key to sound economic development. Without them, there is no promoter of rapid change and adaptation required under international integration and, as a consequence, economic activities will forever remain unorganized and low quality. Historically, the Mediterranean traders linked the economies of Europe and the Middle East. In East Asia, Japan has a long tradition of *sago shosha* (trading houses) while overseas Chinese merchants with extensive business networks have played a significant role in the development of the ASEAN countries.

However, Vietnam does not have such a commercial tradition (in this regard, Vietnam is not alone in the developing world). The history of prolonged wars and economic planning left the country with no modern commerce. The question is: who should provide the functions of development entrepreneurs? Normally the private sector should, but Vietnam’s private sector is also underdeveloped at present. A wise state can fill the gap, although the record so far is not very encouraging. FDI and ODA can also contribute. But business-oriented NGOs can – and should – play its part in modernizing Vietnam’s commerce and overcoming underdeveloped markets.

To support community-based development, *micro credit schemes[[3]](#footnote-3)* and *endogenous growth strategy[[4]](#footnote-4)* are often advocated. While the value of these methods is undeniable in certain cases, their weaknesses have by now become apparent, including (i) inability to grow beyond a certain scale, and (ii) the lack of international competitiveness and the resultant tendency toward protectionism and anti-globalism. By contrast, business-oriented NGOs reach out to the world and outsource the best skills available. It tries to empower the local society by helping it to become proficient rather than insulating it from external influences.

# 4. Ingredients of success

To succeed as a business and not just as a development organization, the following ingredients are called for.

*Leadership*: Running a development NGO is a demanding task. Managing a business with international quality is equally tough. To do both well often requires a rare personality who combines heart, talent and devotion. Successful business-oriented NGOs in Vietnam are invariably led by superb leaders without whom their good work is hardly possible.

*Vision*: To avoid degeneration into a regular profit-maximizing business or, worse, gross exploitation of cheap labor, a clear vision and the sense of mission must be shared by the leader and the staff of the NGO in question. Development is the goal and business are the means, and not vice versa. Each NGO has a unique way to realize this goal which should be backed by its own development philosophy.

*Professionalism*: Good intention without proper skill may do more harm than good. Market competition is hard and only the efficient and the innovative can survive. Business operation should not be run by amateurism or curiosity. Top knowledge and experience should be outsourced at due cost if internally unavailable.

# 5. Issues

If any of the three ingredients above is missing, business-oriented NGOs will face difficulties and may even be criticized for hypocrisy. Mixing business with development is a double-edged sword with possibilities of great success as well as miserable failure. Because of this, business-oriented NGOs should be well aware of and ready to cope with potential problems.

# (1) Commercialism in disguise

If the development vision slips or is overtaken by private greed, business-oriented NGOs can become a façade for exploitation of the poor and the underprivileged. This situation must be avoided by any means. The terms of eligibility for business-oriented NGOs should be clearly stipulated and a proper monitoring mechanism must be installed.

# (2) Business incompetence

The opposite problem may occur when an NGO starts a business without required skills and knowledge, leading to slow sales or even losses. Unprofessional business undertaking should be avoided.

# (3) Continuity

Since the success often depends on the existence of a gifted and charismatic leader, his or her retirement will cause a decline in aspiration and capability unless preventive measures are taken in advance. This typically involves appointing the next leader, delegation of authority, and localization (in the case of international NGOs). However, it is difficult to transfer true leadership by training or decentralization alone.

# (4) Dissemination

Another problem arising from the short supply of leadership is limited social impact in the absence of followers. In order to encourage the society-side copying of good practice, the visions, skills, and methods developed by a good NGO should be documented and publicized to stimulate potential development entrepreneurs.

# (5) Social recognition

The social bias against launching a business for the purpose of development is deep. Some NGOs also feel that development should be free of business calculation. We believe these ideas are misguided. Business-oriented NGOs should be proud of their activities, provided that certain conditions are met. Public relations effort should be enhanced to dispel the stigma and to clarify and promote the crucial social role of business-oriented NGOs.

# 6. Actions for greater impact

The following actions are recommended to mainstream business-oriented NGOs and encourage their mutual exchange and cooperation. The GRIPS Development Forum intends to contribute initially and partly to this movement while involvement of other parties, especially the business-oriented NGOs themselves, is highly encouraged.

*Research*: Up to now, very few studies have focused on business-oriented NGOs per se. This research proposal is an attempt to break away from this sad tradition. It is hoped that other studies on various aspects of business-oriented NGOs will follow, including fact-finding and documentation, typology, analysis of critical issues, and policy advice.

*Workshops and symposiums*: To improve social image and promote mutual exchange of information and experience, workshops and symposiums on business-oriented NGOs should be organized regularly. In addition to interested NGOs, concerned official bodies, experts, and international organizations should also be invited to such meetings.

*Dissemination and public relations*: The output of such research and meetings should be published in readily accessible forms including websites, reports, discussion papers, meeting minutes, etc. Access to mass media should be strengthened.

*Setting the code of conduct*: There should be explicit criteria for an organization to be properly called a business-oriented NGO. Establishment of such criteria will enable NGOs to stay on course between too much development and too much business. It also helps to exclude dishonorable groups who pretend to be such NGOs.

# Appendix

Examples of NGOs with Different Degrees of Business Orientation in Vietnam

|  |  |  |  |
| --- | --- | --- | --- |
| **Organization** | **Led by** | **Activities and features** | **Business- generated revenue** |
| Craft Link | Ms. Tran Tuyet Lan | Helps craft producer groups, especially the poor, through provision of superior design, production and marketing. Also helps to revive and promote traditional culture and skills in collaboration with the Vietnamese Museum of Ethnology. Has separate development and business wings. Cooperates with INGOs but financially independent. Established in 1996 and based in Hanoi.  http://www.craftlink-vietnam.com/ | 100% (surplus) |
| Hoa Sua [Milk Flower] | Ms. Song Thu Bideaux Nguyen; Ms. Pham Thi Vy | Provides vocational training in cooking, baking, patisserie, embroidery, and food service for disadvantaged youth. Runs restaurants, bakeries and catering service. Additionally receives assistance from international donors. Headquartered in Hanoi and a branch in Sapa. Established in 1995.  http://www.hoasuaschool.com/ | 65% |
| KOTO (No One Teach One) | Mr. Jimmy Pham | Offers 18-month training course in hospitality (cooking, serving) to poor and street youth for work in top-rank hotels. Run with a philosophy of holistic support. Operates a restaurant and a training center in Hanoi with a plan to expand in Hue and Can tho. Established by a Vietnamese Australian in 2000.  http://www.streetvoices.com.au/ | ??? |
| Xa Me [Away from Mother] | Mr. Vu Tien | Established 15 years ago by a retired soldier to support street children in Hanoi. Offers shelter, food, education opportunities, and scholarship in rural poor. Operates travel agency and local restaurant to supplement its budget. | 40%  (Target for 2010: 80%) |
| JASS (Japanese Association of Supporting Street children’s House in Vietnam | Mr. Michio Koyama | Established in 1994 by a Japanese schoolteacher to help street children in Hue. Also offers scholarship, vocational training, flood relief and assistance to disabled children in nearby provinces. Most funds raised in Japan through individual membership fees while aiming to build local business base in the future.  http://www001.upp.so-net.ne.jp/jass/eng/index.html | 4%  (Membership fee 75%) |
| Tuong Lai [Future] Project & Green Bamboo Warm Shelter | Mr. Tran Minh Hai | Under the HCM City Child Welfare Foundation, operates a boys’ shelter, education and protection of street children, job training and placement, English classes, and health and sex education. Hitherto relied heavily on foreign donation, now trying to raise internal funds by postcard sales, English classes, charity golf and fashion show, etc. Established in 1993 by overtaking the activities of an INGO. | ???? |

1. [↑](#footnote-ref-1)
2. [↑](#footnote-ref-2)
3. Micro credit schemes offer modest loans to the poor with no collaterals to start small businesses. The system of group responsibility is often used to ensure repayment. [↑](#footnote-ref-3)
4. Endogenous development strategy aims at autonomous growth of the local society without dependence on or mere copying of the Western society. It promotes community leadership, domestic capital accumulation, and industrialization and rural development initiated by the local society. [↑](#footnote-ref-4)