Discussion Paper:

THE RECONCEPTUALIZATION OF BUSINESS
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INTRODUCTION

The task of alleviating the world’s development needs has traditionally fallen on governments and NGOs. While some progress has been made, particularly in recent years\(^1\), communities around the world continue to live in severe poverty (UNDP, 2010). Against this setting, there is now acceptance that scaling the resources of the private sector and linking community development objectives with core business practices can have a significant and sustainable social impact. This awareness has given rise to a range of initiatives in recent years which explore how diverse organizations within the private sector might be engaged more effectively in achieving social development goals\(^2\).

This paper focuses on ‘Social Investment’ and, more particularly, the diverse ways in which business might engage in such activity. ‘Social Investment’ is the term commonly used to describe the practice of making voluntary financial and non-financial contributions that help local communities and broader societies address their development needs. As later sections of this paper show, social investment can take various forms, ranging from traditional philanthropic giving undertaken with little or no expectation of financial return, to more integrated organizational strategies which focus on achieving both community and commercial returns. Such investments may be undertaken by diverse entities of all sizes, regardless of industry sector or geographical location. While the specific organizational models for undertaking such investments may differ, the desire to tackle social challenges is inherent in them all.

The private sector brings a unique capacity to contribute to global development, acting as a key driver for wealth creation — as an employer, investor and/or source of finance. But more than that, private sector organizations can offer critical expertise and capacity in developing innovative solutions to address environmental and social concerns. At the same time, the motivation for organizations within the private sector to engage in such issues is complex. One factor which appears to have hindered greater engagement to now is a relative lack of understanding, both of the range of ways that business might contribute to development, as well as the potential benefits for societies, communities and also for the businesses involved.

The primary objective of the paper is to highlight the conditions and behaviours associated with effective social investment in its various forms. In pursuing this objective, it is hoped to encourage greater understanding and reflection by organizations on their current social investment profile, to enhance existing approaches and/or to inform the consideration of future alternative models. In doing so, the paper seeks to create a greater awareness of the different organizational models through which such investment might take place.

The paper begins by referring to some of the various socio-economic conditions which have given rise to the need for the private sector to become more deeply engaged in addressing broad development objectives. Thereafter, the concept of an ‘organizational continuum’, supported by illustrative case study analysis, is introduced as a mechanism to describe the various ways in which social investment can occur. The paper concludes by suggesting where the discussion about private sector social investment may head next.

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1 There is considerable publically available evidence which documents achievement against a range of social and environmental indicators such as the Millennium Development Goals (MDGs) (e.g. UNDP, 2010).

2 For example, the UNDP’s Growing Sustainable Business (2003) and Business Call to Action (2008) and the Clinton Global Initiative (2005).
Over the past two decades, the gap between the rich and the poor has widened in more than three quarters of OECD countries and in many emerging market economies. Of the 100 largest economies in the world, more than half are companies. Approximately 1.4 billion of the world’s population live on less than $1.25 per day, with a further 1.1 billion relying on less than $2 per day. The poorest 40% of the world’s population account for less than 10% of global income, while the richest 20% account for more than 70%.

In September 2000, the Millennium Development Goals (MDGs) were endorsed by 189 world leaders, to provide an integrated, worldwide framework for the development of sustainable communities. The eight goals focus on ‘...reducing poverty, improving the quality of people’s lives, ensuring environmental sustainability and building partnerships to ensure that globalization becomes a positive force for all of the world’s people’ (UNDP/IBLF 2003). These goals provide a widely-accepted basis for coordinating efforts and for understanding global progress toward addressing such issues. Over the past decade progress has been made internationally in important areas such as primary education, gender equality and infant and maternal health. For many communities though, progress in a number of areas including poverty eradication and the creation of sustainable communities has slowed, and, in some cases, stalled or gone backward (UNDP, 2011a).

Governments, by way of aid development funding, and third-sector agencies, by way of service delivery aimed primarily at poverty alleviation, were traditionally seen as the most likely institutions through which attempts to combat global poverty should be channeled. It is apparent though that this is now no longer exclusively the case. More often it is investment rather than aid which is spoken of when discussing the ways to address development needs. There is growing awareness of the need for the private sector to be involved, and what’s more, rather than being seen as a partial contributor, there is heightening recognition, at least among public policy makers and key advocacy bodies, that business will be the key driver and deliverer of development objectives. This is the quiet revolution that’s underway.

There is growing evidence that many companies are making calculated efforts to align their core business approaches with the needs of the communities and societies in which they are involved. While there are a range of ways in which this might be done, involving complex collaborations and the re-thinking of traditional business approaches, a growing number of companies have successfully negotiated such challenges, creating a range of direct and indirect benefits for social development as well as for economic returns (UNDP/IBLF, 2003). The pursuit of these benefits can motivate organizations to engage in social investment and shape the strategy adopted. The potential benefits can include global certification, enhancing competitive advantage, customer loyalty, reputation and local workforce productivity, as well as informing risk management for the organizations involved (IFC, 2010).

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3 This is based on a comparison and ranking of corporate sales and Country GDP statistics.

Recognising the important contribution that the private sector can make to the development of sustainable communities, the United Nations Global Compact, in collaboration with St James Ethics Centre and Committee Encouraging Corporate Philanthropy, created a set of investment principles (Principles for Social Investment (PSI)) which provide a framework for organizations seeking to pursue and implement social investment practices. In summary, principled social investment is characterized by initiatives and activities that are:

**Purposeful**
Investor is knowledgeable and committed, plays a positive role, does not negate or duplicate other work

**Accountable**
Investor takes responsibility for outcomes, embraces transparency, self-assessment and peer advancement

**Respectful**
Investor has due regard for local customs, traditions, religions and priorities

**Ethical**
Investor engages in reflective and legitimate practices in accordance with laws and international norms\(^5\).

While necessarily high-level and conceptual, the PSI provide the basis for understanding the determinants of effective social investment in its various forms. The remainder of this document explores the diverse organizational models through which such investment may be undertaken.

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5 For further detail on these principles, refer Appendix 1.
For decades, economic gains and social development objectives were seen as separate and distinct, with little or no relevance for each other. Increasingly, this is being seen by public policy makers, key advocates of reform and, to some degree, corporations as a false dichotomy, particularly in the modern environment characterized by relatively open global competition and increasingly knowledgeable stakeholders with a greater interest in the broader environmental and social dimensions of company performance. There is now a widely-held (although not yet universal) view that business does play an important role in social development (UNDP, 2011b).

One of the first attempts to systematically capture the potential ways in which business can contribute to social development was through the UNDP’s Business and the Millennium Development Goals: A Framework for Action (UNDP/IBLF, 2003). According to the UNDP, such contribution can come in three main ways:

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Core business</strong></td>
<td>Harnessing organizational resources and competencies to create wealth and employment and to deliver essential goods and services, while implementing responsible business practices which include the protection of human rights.</td>
</tr>
<tr>
<td><strong>Social investment and philanthropy</strong></td>
<td>Contributing commercial financial and non-financial support, both direct and in kind, to diverse community-based projects and organizations that assist communities and societies to address their development needs.</td>
</tr>
<tr>
<td><strong>Policy dialogue and advocacy</strong></td>
<td>Engaging in advocacy, public policy dialogue and other public efforts to raise awareness and to help create the structural conditions conducive for systematic environmental and social change⁶.</td>
</tr>
</tbody>
</table>

Since then further work has been undertaken to better understand how economic and social development objectives are related and how core business, social investment and philanthropic approaches can all be better utilized to create lasting social impact. The similarities and differences among contributing organizations and the approaches adopted has been most interesting. At the local level, social entrepreneurs and small to medium-sized entities continue to make a significant contribution to the achievement of MDGs (UNDP/IBLF, 2003). While the global reach of the world’s largest multinational companies is significant, smaller scale operators,

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⁶ For further reading on the general spheres of influence through which business can contribute to social development refer Nelson, (2006); UNDP/IBLF (2003).
through their closer ties to employees and customers and local partners are often attributed with having the greatest impact (UNDP/IBLF, 2003).

Corporate activity has contributed significantly to social development in recent years, whether it be through such things as strengthening agricultural supply chains in local communities, creating employment or increasing access to energy supplies. This suggests that it has become increasingly difficult to treat economic and social development objectives as completely separate and distinct. Companies do not function in isolation from the societies and communities in which they operate and their ability to compete and prosper often depends heavily on the circumstances of the locations in which they are involved (Porter and Kramer, 2002). This is not to suggest that corporations should, or could readily pursue the goals of social development and profit with equal vigour. Rather, there is an increasing acceptance that corporations cannot realistically seek to pursue sustainable profits without some consideration of the interests of the communities and the societies in which they are involved.

The acceptance that economic and social development goals are interconnected has given rise to a range of initiatives directed at not only encouraging further private sector engagement but which also explore the diverse models through which such initiatives are occurring. As will be seen in later sections of this paper - businesses are engaging with social development in a range of ways, characterized by diverse behaviours appropriate to particular localized conditions and the social development goal being pursued. As a consequence, the range of methodologies through which business contributes to social development may best be understood not as clearly distinct models, but rather as existing along a continuum, differing in their respective emphasis on the manner in which private sector ‘giving/investment’ might occur. By being able to think of the different organizational models in this way, we can better appreciate the differences (significant or subtle) in the conditions and behaviours associated with each, leading to a deeper understanding of the complex ways in which business contributes to social development. This is done to encourage thinking and reflection by organizations in respect of their current social investment profile, promoting greater understanding of current practices and approaches and informing discussions of possible future social investments that might be considered.
The continuum metaphor is useful as a means to illustrate the ways in which business can contribute to social development, or inversely, as the different ways philanthropic intent can feed into core business approaches and ideals. Core Business and Philanthropy sit at the ends of the continuum. Between these anchor points, an additional five organizational models are identified: (i) Responsible Business; (ii) Inclusive Business; (iii) Shared Value; (iv) Social Business; and (v) Strategic Social Investment.

The continuum is used here for conceptualizing the range of ways business can contribute to social development — comprising models which reflect different degrees of focus on commercial return and community development. Given the anchor points at each end of the continuum described earlier, a notional mid-point is needed to capture settings which reflect neither an overriding emphasis on commercial or community objectives, but where both are evident. It is this mid-point that is referred to in this paper as ‘shared value’. At the same time, it is noted that an alternative usage of ‘shared value’ is also relatively common — which describes the derivation of mutual or common value from investments or initiatives by more than just the investor, but typically also by the communities and societies involved. Those holding this view could argue therefore that ‘shared value’ is not a separate and distinct model on the continuum but is, instead, an overarching theme which captures, to differing degrees, elements of all organizational models. A consequence of this view would be a revised continuum, comprising 6 organizational models (see appendix 3).
The remainder of the paper explores the specific models comprising the continuum to assist understanding and encourage reflection, discussion and debate. Importantly, the models should not be understood as clearly distinct and mutually exclusive, nor is the list necessarily definitive. Rather, the continuum is designed to reflect the range of ways the private sector can contribute to special development. There are also many instances where alternative labels are used to refer to models exhibiting similar behaviours and objectives. There is also considerable subjectivity involved in classifying specific initiatives as examples of the various models. This subjectivity is not however sufficient to prevent the classification from occurring to illustrate the different models. What is important is identifying the types of behaviours and conditions associated with the different models, such that the drivers of effective social investment may be better understood.

Core business

Core Business is the term used to describe an organization’s main or essential activity. For entities located in the private sector, core business was traditionally thought of as referring to commercially-oriented goals such as revenue generation and wealth creation. According to the noted economist Milton Friedman, core business should continue to focus on such goals, and ‘the only social responsibility of business is to increase profits’. According to Friedman, the corporation is an instrument of its stockholders and the manager is contractually obliged to act as an agent for the owners. As such, if charitable contributions are to be made, according to Friedman, they should be done by individual stockholders and employees. Under this view, business contributes to society by making profit, and to suggest that corporate executives have a ‘social responsibility’ is, according to Friedman, tantamount to calling for the manager to act in a way that is not in the owners’ best interest.

It is worthy to note two assumptions that seem to underpin Friedman’s argument. The first assumption is that economic and social goals are separate and distinct and the pursuit of one necessarily denies the simultaneous pursuit of the other. The second assumption is that it is in fact practical for senior management teams of organizations to seek to maximize profits without considering the conditions in societies and communities in which they are involved.

The first assumption has increasingly come under question in recent years, with a rapidly expanding number of companies pursuing conventional core business strategies while creating, almost as a by-product, positive social outcomes. While in such instances it may be argued that social objectives also informed the timing and implementation of decisions made, it appears more likely that conventional business strategies such as the creation of new revenue streams and the reduction of risk were critical.
It is also unlikely that the performance of modern corporations is understood on narrow financial grounds such as profit generation alone, without due regard to the societal impact of their operations. For example, only a small percentage of the market value of publicly-listed companies is typically explained by physical and financial assets disclosed in conventional financial statements — suggesting that sharemarket investors are increasingly looking to other sources of information when making investment decisions. Further, according to the World Bank, multinational companies will typically choose one business partner over another based on its broader social responsibility performance (World Bank 2003), further suggesting that organizational performance is increasingly being understood in its broader environmental and social context.

Three examples follow which seek to illustrate how positive social outcomes are possible through core business strategies. The initiatives are classified as examples of Core Business to the extent that conventional business objectives such as enhancing product distribution channels, expanding revenue streams, reducing staff absenteeism and increasing productivity were driving factors in the projects undertaken. To the extent that the companies identified the under-served as a specific strategy for enhancing its longer term profitability, alternative classification as Inclusive Business may also be considered. It should be noted that classifying the initiative for Siemens is slightly more difficult. To the extent that the vans are sold to customers who bear the running costs for the vans, classification as Core Business is appropriate. Where the vans are donated, and/or the company continues to bear the costs of operating the vans, classification as Strategic Social Investment is justified.

7 For further reading, refer IIRC (2011).
The Coca Cola Company (TCCC)

Using locally owned business

Company website:
http://www.thecoca-colacompany.com/index.html

The company:
TCCC is an U.S. multinational beverage company which manufactures, markets and retails a range of non-alcoholic concentrates and syrups. The company has been operating since 1886, employs nearly 140,000 people worldwide and has more than 3,500 beverages in its portfolio.

The model:
In 2008, the company significantly expanded its network of locally-owned, low-cost micro-distribution centres (MDCs) run by local entrepreneurs - creating jobs and wealth in local communities across Africa. As part of the program, the company conducts research to extract lessons learned and develop best practices to enhance the business and development benefits of future applications of the model.

The objectives/drivers:
Despite high demand for the company’s products the company experienced considerable difficulty delivering products to the many tiny shops that line the streets of East Africa. Through the project, the company hoped to generate $320 million to $520 million in additional revenue each year and by 2010, create 1,200 to 2,000 new MDCs, providing jobs for more than 8,000 people across Africa.

The results:
MDCs generate annual revenues of more than US$550 million - primarily in high-density urban areas throughout East Africa, including Ethiopia, Kenya, Mozambique, Tanzania and Uganda. The company has significantly reduced its distribution costs as a result of considerable reductions in its fleet size. The company also reports improved customer satisfaction through the greater availability of products and better customer service. Up to the end of 2010, this initiative had resulted in the creation of more than 2,800 MDCs, and the employment of over 13,500 people. It has been reported that the MDC owners and employees support an estimated 48,000 dependents in East Africa.

In light of the above, TCCC claims it is addressing Millennium Development Goal 1 to ‘end poverty and hunger’ by providing job opportunities that benefit thousands, as well as also addressing Millennium Development Goal 3 ‘to achieve gender equality’ – since more than 30% of MDC owners are women.

For further information:
http://www.thecoca-colacompany.com/citizenship/community_case_studies.html
Anglo American PLC

Implements HIV/AIDS workplace testing

Company website:
http://www.angloamerican.com/about

The company:
Anglo American PLC is one of the world’s largest mining companies, with a portfolio of mining assets and natural resources spanning iron ore, manganese, metallurgical coal and thermal coal, copper and nickel as well as precious metals and minerals. With a corporate history dating back to 1917, the company employs around 107,000 people, and has operations in Africa, Europe, South and North America, Australia and Asia. The company is a global leader in both platinum and diamonds.

The model:
In 2002 the company made available free antiretroviral treatment (ART) to all employees in what is now widely recognized as the world’s largest HIV/AIDS workplace testing programme. In 2008, the company extended its HIV prevention, care support and treatment programme to dependants of employees.

The objectives/drivers:
About 95% of the company’s operations are in developing countries, where HIV is most widespread. Anglo is South Africa’s largest private-sector employer and HIV affects 12,000 of its employees, or 16% of its 70,000-strong permanent staff. According to the company, not only is it a moral imperative to be proactive in addressing the AIDS problem, it’s also good for business, and the wider South African economy. It is widely estimated that the prevalence of AIDS and HIV costs about 1% of the country’s GDP.

The results:
The company maintains that a healthy workforce is a more loyal and productive one. Free ART has helped morale among Anglo’s workers and enhanced relations with trade unions. The cost of the program, around $10m a year, to provide staff with support and drugs, is viewed by the company as a ‘sound investment’. The cost of treatment is US$126 per HIV-positive employee, but people on ART are able to work. Employee absenteeism has declined by 1.9 days per employee per month, and staff turnover is also down. The take-up of voluntary HIV testing at Anglo clinics or hospitals near its mines is at about 94%, with individuals receiving treatment saving around $219 per month.

For further information:
Company website:
http://www.siemens.com/

The company:
Siemens is a global leader in electronics and electrical engineering, operating in the fields of industry, energy and healthcare as well as providing infrastructure solutions. Employing more than 360,000 worldwide, the company is the world's largest provider of environmental technologies, with around 40 percent of its total revenue stems from green products and solutions.

The model:
The Healthcare sector of Siemens Limited India has developed the Sanjeevan Mobile Clinic, to deliver a sustainable and self-sufficient solution to local Indian populations’ need for healthcare. From the outside, the mobile clinic looks much like any other coach, but inside it’s fitted out with a highly functional doctor’s office, complete with an array of diagnostic aids, including X-ray, ultrasound, mammography and electrocardiogram equipment. Clinics include a second examination room as well as a darkroom for developing X-ray images that doubles up as a viewing room for health education films. To enable the clinics to operate independently, they are also equipped with their own power generator. Siemens builds and fits out the mobile clinic. It is a Siemens Healthcare product and is either sold to a customer (NGO/Hospitals, etc) as a product, or donated, such as the Sanjeevan van which was donated to the Smile Foundation - an NGO. For donated vans, Siemens continues to bear a significant part of the running costs for the first four years of its operations. Where the vans are sold as products, the customer takes care of the running costs.

The objectives/drivers:
In India, the population lacks adequate medical care and many people travel hundreds of kilometers to get quality affordable treatment. The mobile clinic helps address the needs of the Indian rural population. It allows for an advanced medical examination that will improve the lives of many individuals who do not have access to basic healthcare. Part of the mobile health workers’ remit is also to educate people in an effort to prevent certain forms of disease that result from poor nutrition and lack of sanitation. In doing so, Siemens is helping to meet the United Nations’ Millennium Development Goals 4: (reduce child mortality rates); 5: (improving maternal health); and 6: (combating HIV/AIDS, malaria, and other diseases).

The results:
Over the past six years, the mobile clinic that operates in north India’s Uttarakhand province has set up more than 800 medical camps and has treated around 60,000 patients, without a single instance of equipment failure or a vehicle breakdown. Over the past seven years, Siemens has supplied 25 of these mobile clinics, and many people who had never before seen a doctor have been able to receive treatment. Two of the 25 vans are being operated in North and East India as part of the Corporate Citizenship Initiative of Siemens Limited this year.

For further information:
Responsible Business refers to the commitment by an entity to economic, social and environmental sustainability while balancing the interests of diverse stakeholders. Responsible Business constitutes a step away from Core Business ideals, embracing an increasing awareness of the importance of sustainable engagement. This approach is often underpinned by conventional business-related objectives such as managing risk, increasing control or predictability over external drivers of business success, and shaping new markets to gain a competitive advantage (Nelson, 2006). Responsible Business reflects a more socially and/or environmentally conscientious approach to how corporations manage their economic, social and environmental risks. This approach can impact relationships with stakeholders in various ways.

While themes underlying Responsible Business appear to also underpin initiatives described as examples of Core Business in the previous section, there is an important difference. Responsible Business is often identifiable by its explicit and specific signaling of the company’s commitment to broader environmental or social behaviors or objectives across the business. Examples of Responsible Business often relate to notions of Fair Trade, the development of ‘Green Business’ or the creation and maintenance of environmentally and socially sustainable supply chains. Responsible Business is generally characterized by the principle of Do No Harm.

The themes common to Responsible Business are also common to notions of ‘Economic and Social Governance (ESG)’; ‘Triple Bottom Line management and reporting’, Corporate and Social Responsibility and Corporate Sustainability and/or Citizenship. Indeed, these labels are often used interchangeably. Whether such use is appropriate is a subject for future discussion and debate. What is important is that business can create a range of positive social impacts through commitment to the principle of do no harm, and explicit projects, programs or policies which embrace various more specific themes.

Two examples of Responsible Business are provided next. The initiatives are classified as examples of Responsible Business to the extent that the companies explicitly committed to sustainable engagement policies which encompass many aspects of their operations, including their relationships with local farmers, suppliers and the natural environment.

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8 *Do No Harm* generally refers to behaviour that is in line with regulations, as well as with accepted norms and principles to control negative impacts, liabilities and costs that may arise from a company’s economic, social and or environmental impact.
CASE STUDY

Starbucks

Commitment to Fair Trade purchasing

Company website:
http://www.starbucks.com/

The company:
Starbucks is an international coffee company and coffee shop chain, specialising in coffee and espresso-based hot drinks, coffee beans and a range of hot and cold drinks and snacks. The company was founded in 1971, has over 30 coffee blends in its portfolio, and employs more than 17,000 people in 55 countries.

The model:
Starbucks began purchasing Fair Trade Certified™ coffee in 2000, helping grow the market for Fair Trade Certified coffee in the U.S. Fair Trade Certified™ is that which complies with comprehensive social, economic, environmental and quality guidelines developed by industry-relevant bodies. By doing so, the company empowers small-scale farmers organized in cooperatives to invest in their farms and communities, protect the environment, and develop the business skills necessary to compete in the global marketplace.

The objectives/drivers:
An important component of the company’s approach is a pricing model that aims to pay equitable prices for premium coffee while fostering price stability and mutually beneficial relationships with farmers.

The company asserts that the aims of the approach are not only to meet customer needs but also to help protect the environment and farmers’ livelihoods in coffee-growing regions. The company has set the goal that by 2015, all of its coffee will be ethically sourced as indicated by third-party verification or certification, either through Coffee and Farmer Equity (C.A.F.E.) Practices, Fair Trade certification, or another externally-audited system.

The results:
The majority of the company’s coffee is now sourced from tens of thousands of family farms with less than 30 acres. In 2010 nearly 84% of its coffee purchases were ethically sourced – purchased from C.A.F.E. approved suppliers. Fair Trade coffee growers are guaranteed a minimum price per pound for their coffee, which can be as much as 2-3 times the average world market price. Where prices rise above the guaranteed minimum price, growers are paid a premium on top of the market price. Starbucks paid an average price of $1.56 per pound for premium green (unroasted) coffee in 2010, up from $1.47 per pound in 2009.

For further information:
http://www.starbucks.com/responsibility/sourcing/coffee
Unilever

Ethically sourcing products and shaping relationships with suppliers

**Company website:**
http://www.unilever.com/

**The company:**
Unilever is a multinational consumer goods company, with a diverse product range encompassing food, beverages, cleaning products and personal care items. The company was founded in 1930, employs 167,000 people globally and has over 400 brands in health and well-being alone, which are sold in more than 180 countries.

**The model:**
In November 2010, the company launched its Sustainable Living Plan. There are many aspects to the plan, including a commitment to source their products sustainably, and the development of a Supplier Code of behaviour, founded on local laws and customs and which clarifies the company’s expectations of suppliers in the areas such as freedom of association, collective bargaining and corruption.

**The objectives/drivers:**
The company states as the key objectives of the Plan to be achieved by 2020, it will (i) halve its environmental footprint; (ii) help at least 1 billion people to take action to improve their health and well-being; and (iii) source all agricultural products sustainably.

**The results:**
The company depicts a range of positive outcomes from the plan for suppliers, communities and the environment. This includes demonstrable increases in the wealth of local farmers, cutting fungicides by 90% and overall pesticides by 40% and improving the quality of local water sources.

**For further information:**
The company:
The Abraaj Capital group is a leading private equity manager investing in global growth markets headquartered in Dubai. Since its inception in 2002, it has raised over US$7 billion and distributed around US$3 billion to investors throughout the Middle East, North Africa and South Asia (MENASA). Abraaj employs over 170 people and has helped accelerate and facilitate the growth of over 50 companies in 15 countries, in fundamental sectors such as healthcare, education, energy, aviation and logistics.

The model:
In 2008, Abraaj Capital established the “Abraaj Strategic Stakeholder Engagement Track (ASSET)” which encapsulates the corporation’s 5+5+5 model. This represents 5 percent of net management fee revenue that helps finance social investment projects; the five days per year that each employee sets aside for volunteering (3 days of which are paid for by Abraaj Capital) and 5% of each employee’s annual bonus to also go towards social investment projects. To augment the sense of social responsibility felt towards its surrounding communities, Abraaj Capital integrates high level environmental, social and governance (ESG) standards within their own, and their Partner Companies, core operations. Furthermore, Abraaj has also created one of the largest small and medium enterprise (SME) platforms in the world to help support the growth of markets and the creation of jobs. All SMEs invested in by Abraaj are required to follow the same ESG standards that Abraaj Capital holds itself accountable to.

The objectives/drivers:
As the largest private equity firm in the region, Abraaj believes that the firm has a responsibility and duty to engage all of its forces and strengths behind the creation of a vibrant regional economy, primarily through capital flows, investments and by accelerating cultural and developmental linkages across the Arab world. Abraaj’s financial investments work at the base level of creating economic value, returns and employment. To support its work, Abraaj also invests heavily in entrepreneurship and job creation through its social investment program.

The results:
A total of 5,300 hours volunteered towards mentorship, education and other initiatives during 2010 and 2011 and US$60 million contributed to social programs over the last 5 years. Long term partnerships have been created with global international organizations such as Endeavor and Junior Achievement. Abraaj has pioneered promotion of the Arts in the MENASA region by creating the Abraaj Capital Art Prize (ACAP). Abraaj works within the World Economic Forum (WEF), the International Institute for Strategic Studies (IISS), Emerging Markets Private Equity Association (EMPEA) and Hawkamah Institute of Corporate Governance, who all seek new opportunities to engage the regional stakeholder groupings to bring fundamental change to the social and economic landscape. Abraaj Capital complies with 83.4% of the global reporting initiative’s (GRI) environmental and governance standards. Aside from its social investing, Abraaj has investments in over 150 SMEs and large scaled local companies across high growth markets around the world. All of Abraaj’s partner companies are now being encouraged to fulfill and report on their ESG requirements.
Inclusive Business

The defining feature of Inclusive Business initiatives is that organizations explicitly target middle to low income communities, potentially in addition to and/or to the detriment of pursuing more profitable markets, and incorporate these communities into their value chain as suppliers, clients, customers of entrepreneurs — rather than simply as passive beneficiaries and instances. Inclusive Business (IB) models may be contrasted with Responsible Business in that they are more likely to ‘Do Good’ for the under-served rather than simply ‘Do No Harm’. By doing so, IB has significant potential to create jobs and benefit communities.

While the outcomes for the communities and societies in IB models tend to be more direct and observable than for RB, the approaches share the goal of achieving conventional commercial outcomes such as revenue generation and wealth creation. IB models may be considered by companies seeking to drive innovation, build markets and strengthen supply chains in remote areas and communities, thereby enhancing competitive advantage and creating value for owners.

IB models may be directed upstream or downstream in the company’s value chain. Upstream models are those which focus on empowering and integrating suppliers and producer processes, improving efficiency, resource management and reducing environmental degradation. Downstream models focus on creating value in the eyes of the customer, by targeting through strategies of inclusion the populations in which they operate. As a result, the workforce required for localized value chains is educated and empowered, and the business environment simultaneously becomes more enabling and predictable for the corporation.

Two case studies to illustrate IB models are provided next. The initiatives are classified as examples of IB to the extent that the companies specifically incorporated into their value chains, those without sufficient access to healthcare and other goods and services. In doing so, the companies were able to drive innovation, develop their markets and strengthen their supply chains and brands.

9 For further reading, refer http://www.novartisfoundation.org/platform/content/element/124/Summary-Abdul-Rahim%5BE%5D.pdf
CASE STUDY

Mansour Group

Engaging with local business

Company website:
http://mansourgroup.com/

The company:
The Mansour Group is a diversified corporation which operates in automotive, consumer and retail, industrial equipment, and services distribution businesses. This includes importing and selling vehicles and parts, supplying fast moving consumer goods, operating McDonald’s labour-intensive fast-food chains and distributing a range of audiovisual, household, information technology, marine, mining, and construction equipment. The company was founded in 1975, employs 38,000 people globally and has operations in many countries including Egypt, Iraq, Libya, Saudi Arabia, the United Arab Emirates, Angola, Chad, Ghana, Kenya, Nigeria, Sierra Leone, Tanzania, Uganda, Russia and the United Kingdom.

The model:
In 2004, the company began the process of implementing a broader strategy of incorporating the local communities into its supply chain both as consumers and suppliers, diversifying sources of production, retail alternatives, and cutting distribution costs. This initiative required the company to make considerable investments in: (i) training local suppliers (aiming to ensure the local production of quality goods); (ii) training existing local retailers, or new micro-retailers owned by youth groups and women; (iii) financial sponsorships (microfinance) to enable distributors and retailers to buy motorbikes and tricycles for product distribution.

The objectives/drivers:
Limited by the high costs of distribution in rural areas, Mansour Group was unable to extend its market base and bring quality food products to under-served populations in these areas at affordable prices.

The results:
Whilst the overall model is still being built, a pilot project will commence in mid-2012. Mansour anticipates a number of positive results to emerge as a consequence of redefining and redesigning the supply chain process. Expected results include:

• long term profit and business growth due to the opening up of previously under-exploited markets
• greater product tailoring to meet new markets with different demands and necessities
• employment and skills growth, resulting in increased economic self-sufficiency and entrepreneurship within local communities
• greater social capital within Mansour due to the building of stronger local partnerships
• reductions in transportation and warehousing costs as a result of greater collaboration with local wholesalers
• greater price and quality competitiveness for products due the development of multiple suppliers

For further information:
http://www.mansourgroup.com/
CorporateSocialResponsibility
Tetra Pak

Providing food to schools

**Company website:**
http://www.tetrapak.com/

**The company:**
Tetra Pak is one of the world’s leading food processing and packaging solutions company. Formed in 1951, Tetra Pak now operates in more than 170 markets with over 20,000 employees, The Tetra Pak motto stamp can be found on close to 150 billion packs of food and beverages every year.

**The model:**
For nearly 50 years, the company has adopted an integrated strategy which recognizes its broader corporate social responsibility. The strategy is based around the following cornerstones are: (i) Food for Development; (ii) Global Compact; and (iii) Environmental Sustainability.

As an example of one of the many programmes in place, the company participates in school milk and school feeding programmes around the world. The Food for Development Office (FfDO) works in close partnership with governments, development agencies, NGOs, local dairies and farmers to deliver more than six billion packages of milk and other nutritious drinks to almost 50 million children in schools in over 50 countries around the world.

**The Objectives/drivers:**
The FfDO programme is part of the company’s broader commitment to sustainable operations. The company includes as part of its mission, a commitment to ‘... responsible industry leadership, creating profitable growth in harmony with environmental sustainability and good corporate citizenship’.

**Results:**
The programmes run by the company have made a considerable impact on the supply of food and nutrients in developing countries, and particularly to school. As just one example, in the company’s innovative school-based nutritional and educational campaign in Lebanon, milk was provided three times a week to 30,000 children, based on more affluent private schools ‘adopting’ needy public schools. The programme was accompanied by a comprehensive educational effort comprising both environmental and nutritional learning.

**Further information:**
Shared Value

Shared Value is the term used in this paper to classify models situated at the mid-point of the continuum — those which seek to enhance the competitiveness of the company while at the same time, and in equal measure, deliberately and consciously advancing the economic and social conditions in the communities in which it operates. The concept of Shared Value recognizes that both conventional economic needs and social needs, define markets. Such models acknowledge the synergy between company success and societal progress.

Of the models in the continuum, Shared Value may be one of the easiest to conceptualize but among the more difficult to identify in practice. Although not present for every company in every area, a Shared Value lens can be applied to every major company decision. Shared Value initiatives most commonly appear to create value in three main ways: reconceiving products and markets, redefining productivity in the value chain and enabling local cluster development. As these three ways are mutually reinforcing, over time, companies discover more opportunities as this concept is systematically incorporated within a company’s operation.

Shared Value approaches may also be distinguished from other models to the right on the continuum, on the basis they are driven by the need to create value, rather than re-distribute it. According to the founders of the concept, Shared Value is typically about ‘expanding the total pool of economic and social value’. To illustrate, consider the example of Fair Trade in purchasing. Under this ideal, a greater percentage of revenue goes to poorer farmers when higher prices are paid for produce. Shared Value on the other hand, involves utilising technology, and enhancing the efficiency and effectiveness of production processes and distribution channels to increase the total available revenues and profits to benefit both the farmers involved and the companies that transact with them.

Two examples of Shared Value initiatives follow. The potential exists for the projects to deliver both commercial and community benefits. On the one hand, the companies are engaging with local businesses in a sustainable ways, while also visibly and directly improving the productivity of their operations and strengthening their supply chains.

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10 As noted earlier in this paper, an alternative understanding of ‘shared value’ is also possible, which does not necessarily identify with a specific organizational model. Rather, shared value may be argued to capture the activities and initiatives which derive mutual or common value and in this sense it encompasses aspects of all models across the continuum. Consistent with such a view, an alternative continuum may be argued to exist, which is represented at Appendix 3.

11 For further reading and examples, see (Porter and Kramer, 2011).
Nestlé

Working with dairy farmers in Moga, India

Company website:
http://www.nestle.com

The company:
Nestlé is one of the world’s leading nutrition, health and wellness companies, with products in its portfolio covering almost every food and beverage category, from baby foods and bottled water, to cereals, coffee and ice cream. Founded in 1866, the company employs 328,000 people worldwide, and has factories or operations in almost every country in the world.

The model:
Nestlé is the world’s largest milk company, sourcing over 13.4 million tonnes of fresh milk equivalent from more than 30 countries. The majority of Nestlé’s rural factories are within milk districts. Nestlé has established a system of direct and efficient contact with the milk farmers in Moga, Punjab (India). The system employs veterinarians and agronomists to supervise milk routes and provide dairy farmers with advice on various issues, irrespective of whether or not they are Nestlé suppliers. There is no charge for veterinary services, while medicines are provided at wholesale cost. Farmers are also supported in growing their operations, for example they receive assistance with artificial insemination programmes for their cattle, allowances to purchase milking machines as well as training regarding sustainable agricultural practices.

In the past few years, Nestlé has invested approximately USD 11 million in Moga to install cooling tanks and chilling centres, to preserve the quality and nutritional value of milk, provide veterinary aid, promote breed improvement, assist in dairy development projects and other related activities. One of the motivations behind this model is the effective management of the fragmented milk supply chain in India.

The objectives/drivers:
The company recognises that in order to create long-term value for shareholders, it has a responsibility to create value for society. Thus, creating Shared Value underpins a number of the activities undertaken. The system used in Moga enables Nestlé to purchase more and better quality milk directly from hundreds of thousands of farmers.

The Moga factory aims to collect over 1,000 tonnes of milk per day from over 110,000 farmers. This system aims to substantially improve the quality and quantity of the milk available to the company in the region. The simultaneous aim is to increase income for the region’s dairy farming communities.

The results:
Since opening in 1961, the Nestlé milk-processing factory in Moga northern India has grown its supplier base from 180 farmers providing 2,050 tonnes of milk to 110,000 farmers in 3,269 villages producing more than 377,000 tonnes annually. Field camps run by Nestlé Agricultural Services have helped many farmers improve their farming practices and milk quality.

Separately, the Village Women Development Programme has trained 50,000 women dairy farmers. The Moga factory has also: (i) helped set up drinking water facilities in 115 schools benefiting more than 40,000 students and created sustainable water consumption awareness among 20,000 students; (ii) provided nutrition education for 4,000 teenage girls; and (iii) set up sanitation facilities in 16 schools benefitting more than 4,000 students.

For further information:
http://www.nestle.com/csv/CreatingSharedValueCaseStudies/AllCaseStudies/Pages/Womens-Dairy-Programme.aspx
http://www.nestle.com/CSV/CreatingSharedValueCaseStudies/AllCaseStudies/Pages/Water-saving-initiatives-India.aspx
HEINEKEN

Rainwater capture in local communities

Company website:
http://www.heinekeninternational.com/homepage.aspx

The company:
HEINEKEN is an independent global brewer, brewing and selling more than 250 international premium, regional, local and specialty beers and ciders. The brand that bears the founder’s family name - Heineken® - is available in almost every country on the globe. With a corporate history dating back to 1864, the company owns more than 140 breweries in over 70 countries and employs around 70,000 worldwide.

The model:
There is no lack of rain water on the island of St. Lucia – the trick is to catch and harvest it. When Hurricane Tomas struck St. Lucia in October 2010, the continuous downpour of rain for almost 24 hours led to the severe destruction of roads and water infrastructure that even today have not been fully restored. The availability of water in some parts of the island continues to be a major challenge, thereby impacting industry, institutions and homes.

Through its St.Lucia operating company Windward & Leeward Brewery Ltd (WLBL), HEINEKEN engaged the Ministry of Education and other stakeholders and purchased and installed 3,000 gallon (34,000 litre) simple rainwater-harvesting systems at a number of identified primary and secondary schools. Students and families were given training to ensure that they were able to apply and transfer the knowledge to their homes.

The Objectives/drivers:
The main objectives behind the project are to assist the island to become self-sufficient in water, while at the same time, recognising that as a major local brewer, its products depend on the availability of clean water.

The results:
The impact of the project was immediate: there is no longer a water shortage in the south of the island and students in the area no longer have their schooling interrupted. The project will be expanded beyond schools to health centres and policlinics around the island. WLBL employees are also benefitting from this programme. Staff, through a loan system, were afforded the opportunity to purchase smaller-scale harvesting systems to install at their own homes. The project won the ‘Green Award’ 2011 from The St. Lucia Chamber of Commerce and Industry.

For further information:
Social Business describes a non-loss, non-dividend and cause-driven business, which is undertaken to achieve one or more social objectives, generally through the operations of an entity formed specifically for the purpose. Becoming more popular over the past decade, Social Business is the first of the models in the continuum which appear to be more obviously focused on social objectives than economic ones, while still remaining underpinned by commercial imperatives and incentives. Investors in social businesses will seek to gradually recoup the money invested and whenever possible, make a profit, which is reinvested into the business. Thus, financial sustainability is a necessary condition for the ongoing viability of the enterprise. It is in this regard that social business and philanthropy differ most markedly. Whilst profit is not the ultimate goal, without it, the ability of the social business to continually deliver community benefits consistent with its mandate becomes increasingly remote.

Social Business activities are rarely confined to particularly business sectors and typically embrace various basic needs such as employment, housing, finance, or basic services including water, energy and education. Social Business may be enacted in various ways, including one or more of the following:

(i) **Social Entrepreneur** An individual, group or organization/enterprise who adapts business expertise for application in the pursuit of social impact.

(ii) **Social enterprise** A non-loss, non-dividend, and cause-driven organization that applies business strategies to achieving philanthropic goals. Social enterprises can be structured as a for-profit or not-for-profit.

(iii) **Social Franchise** Typically undertaken to enhance the impact of social enterprise. While the overriding objective is not to maximize profits, it is also a business that makes profits, without which it could not survive and grow and pursue its social agenda.

(iv) **Social Venture** A specific type of initiative or project in which the social enterprise or social entrepreneur might engage and might take the form of a new start-up project or, as a new transformed and innovative arm within an existing business.

Two examples of Social Business initiatives follow. The initiatives are classified as examples of Social Business to the extent that the overriding motivation for the projects appears to be socially-oriented, even though each programs remains clearly underpinned by commercial imperatives. On the one hand, the companies are improving access to IT and healthcare, and enhancing business opportunities for low income communities. At the same time, the programs enable the companies to significantly increase the distribution of their products and services.

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12 The UN Global Compact is working in partnership with The Rockefeller Foundation to develop a “framework for action” designed to assist potential impact investors in better understanding how to engage with those social enterprises seeking to generate both financial returns and social and environmental benefits.
SK Telecom

Pursuing sustainable happiness through social enterprise

**Company website:**
http://www.sktelecom.com/eng/index.html

**The company:**
SK Telecom is a leading telecommunications company, headquartered in Seoul, South Korea, offering convergence services in healthcare, education, entertainment, business and finance. The company is part of SK Group which comprises 92 companies, concentrated in the areas of energy and chemicals, information and telecommunications, and marketing, logistics and services. SK Group has more than 51,000 employees. While SK has a large domestic presence, it aims to spread its business throughout China, Latin America, the Middle East and Southeast Asia.

**The model:**
In 2009, SK set up the Social Enterprise Division under its welfare arm called SK Happiness Foundation, and created a KRW 50 billion (US$45 million) fund dedicated to social enterprises. This fund is allocated for three purposes: establishing SK social enterprises, supporting external social enterprises with high potential, and creating an optimum eco-system for social enterprises. Happy ICT is an example of a company established by SK Telecom in July 2011. By leveraging the company’s capabilities to develop PC or smartphone-based applications, Happy ICT provides jobs for the underprivileged and creates IT services for the broader public.

**The objectives/drivers:**
SK recognised that their social contributions needed to be organized more efficiently as they steadily increased their involvement and the number of investments. The company embraced social enterprise as a means of addressing societal problems in in the belief that social enterprises have the capacity to create more than ten times the value created by one-off donations. SK aims to create an additional 4,000 jobs and establish 30 more social enterprises by 2013.

**The results:**
Through the SK Social Enterprise initiative, the company has established 10 companies and provided seed funding for a further 62, creating more than 1,400 jobs by 2011. To create and support an optimum eco-system for social enterprises, SK built a website named “Se-sang” which promotes on- and off-line communication for those interested in social enterprise. Off-line competitions are also conducted to encourage innovation and the development of ideas. Thus far, SK has selected 33 candidates who will receive further support to develop their ideas. SK also offers a quarterly educational course named “Se-Sang School”, which to date has supported 650 future social entrepreneurs.

**For further information:**
Company website:

The company:
BASF is one of the world’s leading chemical companies, with over 110,000 employees and more than 385 production sites worldwide, serving customers and partners in almost every country in the world. Grameen Healthcare Trust is a health delivery network, with diverse operations including healthcare clinics, micro-insurance services and an eye hospital with an integrated network of hospitals and medical schools and a range of other ventures currently under development.

The model:
BASF SE and Grameen Healthcare Trust recently announced the establishment of a joint social business venture called BASF Grameen Ltd., aimed at improving the health and business opportunities of low-income communities in Bangladesh. The initiative is to start by utilizing two products from BASF’s portfolio: dietary supplement sachets containing vitamins and micronutrients, and impregnated mosquito nets that offer protection against insect-borne disease. Short term, the dietary supplement business will focus on large consumers such as schools, and established distribution channels such as pharmacies, while in the medium term, the products will also be sold directly to end users via established Grameen networks. In towns, the mosquito nets will be sold in food stores, clothing stores and pharmacies. In rural areas, agricultural wholesalers will sell the nets in association with the Grameen network and will also instruct purchasers in their use. The Grameen Bank will support the project, offering microcredits to those setting up their own distribution outlets and funding the purchase of mosquito nets.

The objectives/drivers:
According to the World Health Organization World Malaria Report 2008, Bangladesh had an estimated 2.9 million cases of malaria in 2006 and 72 percent of the population remained at risk of the disease. Further, approximately 8 million children in the country under the age of 5 years are malnourished. Thus, a key objective of the project is to provide much needed dietary supplements and mosquito nets to help address such challenges. The idea is for the venture to serve a social purpose, cover its own costs and recoup the partners’ initial investment. Any additional profits are reinvested fully in the company.

Results:
The program has only recently been announced so the results and impacts of the initiative are not yet known. As an indication of the potential impact, aside from an initial investment of EUR 200,000, the initiatives will see the contribution of funds for one million sachets of vitamins and micronutrients and 100,000 mosquito nets. The project will also utilize the partners’ significant knowledge of the market, distribution structures and networks in Bangladesh.

For further information:
Strategic Social Investment describes the giving of financial and non-financial organizational resources to community or social concerns or causes. More observable in its philanthropic intent than other models to the left on the continuum, Strategic Social Investment is not motivated by short-term expectation of economic return, although there is expectation of return in the medium to longer term. Common to most such investments is the desire to lay the foundation for developing present markets and creating the preconditions for future market expansion (Leisinger, 2011). This improves long-term business prospects and also aligns social and economic goals, by allowing the company to leverage its capabilities and relationships in support of charitable causes.

Strategic Social Investment is a term that is often used interchangeably with Strategic Corporate Philanthropy. It is possible to argue that Strategic Social Investment is in fact a component of the broader category of Philanthropy. Notwithstanding, there are at least two reasons for thinking of them as separate models. The first is intent. That Strategic Social Investment and Philanthropy both can have significant desirable social externalities is not at issue. However the primary purpose of such investment is typically strategic — rather than needs-based, as is typically the case with philanthropy in its conventional form12. Second and related, Strategic Social Investment typically involves the organization utilising core organization resources and competencies as a basis for donation. The basis for donation is generally clearly and obviously related to the company’s core business (Leisinger, 2012).

Corporations engaged in Strategic Social Investment are often seen as good corporate citizens, who cultivate a broad view of their own self-interest while instinctively and simultaneously searching for ways to align self-interest with larger good (Kerr, 2003). The investments may be higher profile, seeking to address important social and economic goals while simultaneously targeting areas of competitive context where the company and society both benefit because the firm brings unique assets and expertise (Porter and Kramer, 2002). The investments might also be more specific and context-focused, involving giving to improve the competitive context within particular locales where they operate. In the short term, the business case for Strategic Social Investment is obvious and includes creating greater brand recognition and deeper customer commitment, while also creating potential to attract and retain quality staff. Longer term, potential benefits to the company can eventuate where the result is a more highly qualified workforce and greater stability in political and social structures.

Two examples of Strategic Social Investment initiatives follow. The initiatives are classified as examples of Strategic Social Investment to the extent that the organizations involved are utilising their core equipment and competencies to create and enhance the potential social impact. At the same time, the program has the potential to create greater brand recognition, enhance the commitment to the companies by present and potential customers, while also helping them to attract and retain high quality staff.

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12 It should also be noted that debate exists about the extent to which such investments are truly 'strategic'. See for example, Porter and Kramer (2002)
BBVA and ESADE
Training for social entrepreneurs

Company website:
http://www.esade.edu/web/eng/
http://bbva.com/

The company:
BBVA is a Spanish banking group, the second largest in Spain and among the largest in the world. The company was founded in 1999, and employs around 107,000 people. ESADE is a leading global center for management education, offering a range of MBA and Executive Education style products. The entity was established in 1958 and has more than 40,000 alumni.

The model:
BBVA partnered with ESADE business school to design a learning and mentoring program for social entrepreneurs. As part of the program, selected social entrepreneurs received express training on business administration and creative development. Entrepreneurs were required to develop a plan for their company and present the plan to potential investors. Meanwhile, BBVA developed an investment vehicle in order to finance these initiatives, creating Momentum Social Investment 2011. Through this investment product, BBVA will finance the growth plan of 7 of the 10 participants, investing 3 million euros. The project recently launched its 2012 edition and in the coming months the Project will be also launched in México and Perú.

The Objectives/drivers:
The objective of the program is to promote, support, mentor and help finance the activity of social entrepreneurs, therefore helping them to increase their social impact. Momentum aims at supporting social entrepreneurship already operating sustainably and whose priority is to create social and environmental value, but that also succeed in generating economic value.

The results:
The program has only recently been undertaken, so the results and impacts of the initiative are not yet known. As an indication of the potential impact, the project will support the development of 10 companies that provide effective solutions to social and environmental challenges that can grow and be replicated. Other benefits include creating enhanced awareness of the potential for entrepreneurs in Spain and contributing to an ecosystem of support for social entrepreneurship.

More information:
Microsoft
A commitment to donation

Company website:

The company:
Microsoft is a US-based multinational corporation which manufactures, licences and supports a range of products and services relating to computing. Founded in 1975, the company employs more than 92,000 people and has over 350 products which are sold worldwide.

The model:
The company has an established program of philanthropic giving, comprising cash paid to charities, donated employee time and computer software and equipment. By far, the largest component of the company’s donations are in the form of free software. Since 2005 in the United States, Microsoft employees have given over 1 million hours of their time to charitable causes, and the company has matched each of those hours with a $17 donation to the non-profit chosen by the employee involved.

The objectives/drivers:
While seeking to achieve desirable social outcomes, the company also recognizes the benefits for attracting and retaining high quality staff. In addition to assisting the communities in which the company operates, the company management believes that volunteer opportunities assist in raising staff morale and honing employees’ leadership skills.

The results:
In FY2011 the company donated more than $844 million in software to 46,886 not for profit entities in 113 countries_regions. This included the supply of 417,030 copies of Windows and 184,080 copies of Microsoft Office to partners that offer refurbished computers to nonprofits, schools, and technology access programs. The company reports that the value of software the company donated by the company globally since 1998 is more than $3.9 billion. After Microsoft announced its volunteer program in Egypt, employee satisfaction increased from 61 percent to 91 percent. The company also reports that it worked with Nonprofit Technology Network (NTEN) to train 100 leaders of nonprofits to more effectively manage information technology within their organizations and provided more than 1,200 laptop computers and software to aid workers.

Further information:
http://www.microsoft.com/about/corporatecitizenship/en-us/
The final model in the continuum is Philanthropy — the model which is most closely and obviously associated with altruistic ideals. At the most basic level, Philanthropy describes the voluntary provision of private resources for the purposes of benefitting societies and communities or fulfilling some under-served social need. Such giving is generally undertaken without obvious expectation of economic return and most commonly takes the form of donations to charity.

While related, Philanthropy can be distinguished from Strategic Social Investment in that it primarily is needs-based and can have little or no connection to the core business competencies of the donor. That said, there are variations in the philanthropic models that might be undertaken, and a key means of distinction is based on the degree to which the donor takes an active role in selecting and management the investment, creating and mobilising a broader campaign for change. Those performing such roles are often referred to as Catalytic Philanthropists.

Although Philanthropy is made without expectation of economic return, it should not be assumed that such giving is valueless for the donor companies. After all, corporate managers have a contractual responsibility to protect company assets and generate financial returns for owners and investors. The allocation of resources to causes for which the company generates no benefits at all is not consistent with that responsibility. Rather the benefits to the company are unlikely to be direct and economic, but are more likely to be intrinsic, accruing to diverse stakeholders in the longer term.

Three examples of philanthropic initiatives follow. The initiatives are classified as Philanthropy to the extent that the donations are made without obvious expectation of return and in a manner which is not obviously connected to the core operations of the organization. The case provided for Novartis is unique, in the sense of arguably fitting into both Core Business and Philanthropy - models at opposite ends of the continuum. Classification as Philanthropy is appropriate since the organization is giving the leprosy treatments away for free, with no expectation of return. At the same time, the leprosy program is linked to the Core Business of Novartis — the discovery, development and marketing of innovative drugs.
**Scotiabank**

Program of philanthropy

**Company website:**
http://www.scotiabank.com

**The company:**
Scotiabank is one of North America’s premier financial institutions, and Canada’s most international bank. Founded in 1832, the company has over 75,000 employees. The company’s strategy of diversification underpins its potential for sustainable earnings growth in each of its four business lines; Canadian Banking, International Banking, Global Banking and Markets and Global Wealth Management; over the long term.

**The model:**
Scotiabank, as a member of Imagine Canada, invests one per cent of its pre-tax profits in community programs. Scotiabank Bright Future is the Bank’s global philanthropic program, which brings together the passion of employees, the insight of the Bank’s partners and the spirit of communities. Through the program, the Bank’s charitable efforts are aimed at being relevant and responsive to the needs of local communities at the grassroots level across the six pillars: arts and culture, education, environment, sports, social services and healthcare. In the Caribbean, and Latin America, the program focuses primarily on children’s wellbeing.

**The Objectives/drivers:**
As a multinational bank, Scotiabank supports communities in more than 55 countries where the Bank operates. The Bright Future program is strengthened by the volunteerism and fundraising efforts of Scotiabankers, who support relevant causes in their communities. The Bank is particularly interested in partnering with non-profit and charitable organizations that empower people with the skills, tools and information to help them become better-off.

**Results:**
In fiscal 2011, Scotiabank contributed approximately CDN$50 million in donations, sponsorships and other forms of assistance. Scotiabank employees also contributed more than 360,000 hours of volunteering and fundraising time to local charities.

**For further information:**
http://www.scotiabank.com/csr/community
Novartis

Fighting against leprosy

**Company website:**
http://www.novartis.com/

**The company:**
Novartis is a multinational pharmaceutical company which manufactures a range of leading healthcare products. The company was founded by merger in 1996, employs nearly 120,000 people globally, and occupies a leading position in innovative pharmaceuticals, eye care products, generic products, consumer health products, vaccines and diagnostic tools.

**The model:**
Since 1986, the Novartis Foundation for Sustainable Development (NFSD) has been active in the fight against leprosy and pioneered the use of social marketing to de-stigmatize the disease. By doing so, the Novartis Foundation has played a key role in helping patients reintegrate into society through a range of innovative measures, including disability care and social rehabilitation. Further, in an effort to sustain knowledge about leprosy and to ensure high-quality diagnosis and patient care in all endemic countries, the Foundation has also released medical publications, in particular Leprosy – for medical practitioners and paramedical workers, now in its eighth edition since 1987.

A cornerstone of the successful fight against leprosy has been the free provision of multidrug therapy (MDT) from 2000 onwards by the foundation’s parent company Novartis to all leprosy patients worldwide through the World Health Organization (WHO). The treatment is recommended by the WHO and two of the three drugs in MDT were developed by Novartis.

**The Objectives/drivers:**
Leprosy is an infectious disease which mainly affects the skin and nerves. If untreated, there may be progressive and permanent damage to the skin, nerves, limbs and eyes. Before the development of an effective cure, societies dealt with leprosy and the irreversible deformities it causes by isolating patients in colonies to prevent the disease from spreading. Sufferers were ashamed of their affliction and tried to hide the disease for fear of social repercussions.

**Results:**
Since 2000, due to the uninterrupted free supply of MDT by Novartis, over 5 million leprosy patients have been cured of the disease. The NFSD has been instrumental to this success, through the implementation of social marketing programs aimed at reducing the disease stigma, the development of tools to prevent disabilities, support systems to help patients reintegrate in society, and the management of the drug donation on behalf of Novartis.

**Further information:**
The primary objective in preparing this paper is to highlight the conditions and behaviours associated with effective social investment in order to encourage business to understand and reflect on their current social investment profile. By doing so, it is hoped to provide a basis for organizations to enhance existing approaches and/or to inform the consideration of future alternative models. In pursuing this objective a consideration of various organizational models through which social investment might take place is important and necessary.

The different approaches to private sector social investment have been presented through the concept of an organizational continuum. A number of case studies were provided which spanned varying geographies and industry sectors and which related to a number of social development objectives\(^{13}\). The investments considered over the continuum differ in their respective emphasis on commercial and community intent. The models to the left in the continuum are more obviously focused on shorter term economic goals. For those to the right, the pursuit of diverse social challenges appear to be at the forefront. This is not to suggest that organizational models to the right end of the continuum hold little or no reward for investors, or that those to the left are without consideration for their broader societal responsibilities.

It is, however, apparent that gaps remain with regard to the ways in which business understands and implements social investment. Three areas in particular are evident — social investment and organizational performance; social investment and reporting; and, social investment ‘best practice’ methodology.

i. Social Investment and Organizational Performance

The motivation for organizations undertaking social investment does not necessarily need to be financial. However, business generally is under increasing pressure to demonstrate transparency in resource management and value for money. Thus, understanding how organizational performance and social investment is linked has important governance implications. Furthermore, it may encourage greater social investment participation as a more rigorous evidence base has the potential to debunk traditional associations that portray social investment simply as a ‘cost’ to business. Research in aligned fields suggests that employees, customers and capital markets appear to reward socially responsible organizations in a range of ways (including through stock price, and through greater access to debt, demand for products, customer retention and employee satisfaction). Such benefits presuppose that organizations generally have in place established mechanisms for understanding the costs and benefits of social investments and are able to communicate such activities in meaningful ways to stakeholders. This however is

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\(^{13}\) There were many more case studies of social investment initiatives received during the development of this paper which could not be included due to space constraints. A list of these cases is provided in Appendix 2.
largely not the case (IFC, 2010). Thus, more work is needed to better understand the nature of the association and the ways in which it differs across regions and investment types.

ii. Social Investment and Reporting

There is presently no mandated mechanism for companies to report on social investment activities or initiatives. Company reports are still weighted heavily in favour of reporting ‘performance’ based on revenue and profits. Under current reporting regimes, details of social investments are buried in sustainability reports, directors commentary, or within dense notes to account — potentially perpetuating the belief that economic and social goals are necessarily separate and unrelated. Where this impedes the capacity of organizations to demonstrate the nature and extent of investments, potential capital market benefits are less likely and the implications for corporations that might be considering greater engagement with social investment are obvious (IFC, 2010). This remains a challenge for accounting regulators but also for companies, their shareholders and investors as well as for researchers with an interest in the field. While there is considerable interest in the nature and potential for global initiatives such as Integrated Reporting to overcome such challenges, the framework is presently high-level and conceptual. Little is known about specific approaches to disclosure or measurement that will enable this form of reporting to deliver the benefits expected of it. This provides an ideal setting for further work on the ways in which business is better able to communicate information and report on social investment activities.

iii. Social Investment and ‘Best Practice’ Methodology

Just as corporations rarely invest in capital infrastructure without vigorous analysis and a carefully prepared business case, the same should apply to social investment in its various forms. Alignment to company goals, utilization of core competencies, appropriate research and genuine involvement of the third sector are all common factors which underpin high impact social investment (IFC, 2010; Nelson, 2006). At the micro level, decisions must be made between competing and seemingly equally worthy social investments, as well as the appropriate scale and level of commitment. The relationships with key stakeholders must also be managed carefully over time. Creating a lasting social impact requires companies to do more than give more, but to plan carefully and execute thoroughly in order to leave a positive legacy in the areas in which they engage.

It would however be folly to suggest that careful planning and execution is all that is needed to generate high social impact. After all, while significant potential exists, emerging markets are often high risk. The role of business in supporting sustainable development requires diverse, carefully developed and context-specific solutions (IFC, 2010). Much also depends on the policy environment and the quality and strength of localized political, social and economic institutions
Further, unacceptable ethical, social or environmental performance may undermine significantly a company’s value (Nelson, 2006). For these reasons, transparency in decision making and efficient and effective monitoring and feedback mechanisms are crucial.

The approaches to private sector social investment are many and varied. This is not only to be expected, but encouraged. There is however, a sense that greater documentation and dissemination of proven methodologies and practices which underpin effective social investment initiatives is both needed and sought after. The perceived need for business to start at the beginning when designing and implementing parochial social investment activities can and should be reduced. Wherever they might sit across the organizational continuum, examples of leadership and best practice are abundant. These examples, and the investment methodology which provided the foundation for their success, need to be captured, collated and shared. In turn, the question for business when contemplating social investment shifts from ‘how do we?’ to simply ‘should we?’

Finally, while the foregoing details a range of social investments which carry significant and positive social impacts, like any form of investment, social investment have a time dimension. Where infrastructure is developed, markets penetrated and wealth created for communities, this cannot be assumed to be infinite. Changes in technology, customer preferences, competition and localized social and economic conditions can all limit the nature and extent of benefits. In light of this, it is incumbent on those involved to recognize the evolutionary element to social investment, in selecting and implementing particular models, to ensure the post investment legacy is positive.

The opportunity has never been better for private sector organizations to more actively engage in this form of investment. There remains however, much work to do to explore more fully the nature and consequences of such engagements for the organizations, societies and communities involved. There appears little to lose and the potential upside is significant.
References


Resource List

The resources contained in this list are those which provide additional information and guidance on important themes in the paper. For each theme, resources are typically restricted to those dated later than 2000. It is not intended to provide an exhaustive list, but rather to provide some resources for those with an interest in obtaining further information.

1. Authoritative reports on economic and social development


2. Implementing organizational models in the continuum and results of initiatives undertaken.

   (i) General:


(ii) **Core Business**


(iii) **Responsible Business**


(iv) **Inclusive Business**


(v) **Shared Value**


(vi) **Social Business**


(vii) Strategic Social Investment


(viii) Philanthropy


3. Reporting social investment activities


4. Social investment and organizational performance


Appendix 1  PRINCIPLES FOR SOCIAL INVESTMENT GUIDELINES

1. Purposeful

Definition
Purposeful social investment is grounded in a limited set of priorities about which the funder is knowledgeable and committed, and for which the funder is reasonably assured to play a positive role and does not negate or unnecessarily duplicate the efforts of other contributors.

Operating Guidance
Clearly define your social investment strategy, objectives, and criteria against which all investment and activities will be screened and evaluated.

Create a funding mission and portfolio that reflects your organization’s capacity, and aligns with the resources and strategies of your organization and those of your chosen partners.

Ensure that all partners have well-defined roles and responsibilities, and that they understand your organization’s grant-making mission, practices, and goals.

Apply high standards of due diligence and strategic planning to the funding selection process.

Investigate whether opportunities exist to coordinate efforts with other parties who are linked to your priority funding areas.

2. Accountable

Definition
Accountable social investors take responsibility for the intentional and unintentional effects of their funding, and embrace the concepts of transparency and self-assessment.

Operating Guidance
Throughout the grant lifecycle, monitor progress toward clear and measurable impact goals and objectives, evaluate the effectiveness of initiatives, and develop responsible exit strategies and funding contingencies.

Ensure that partner organizations have the capacity to safeguard and apply contributed resources effectively.

Use an accepted framework for measurement to record contributions completely and accurately; institute controls to protect assets, manage investment risk, and audit accounts.

Regularly communicate information on grant-making intent, practices, and contributions in an accessible and clear manner that sets stakeholder expectations appropriately.

Address misinformation or unintended consequences arising from social investments in a complete and timely manner.

Seek ways to contribute to the ongoing dialogue on best-practice with other funders and partners, and engage in relevant benchmarking exercises.
3. Respectful

**Definition**

Respectful social investment has due regard for the local customs, traditions, religions, and priorities of pertinent individuals and groups.

**Operating Guidance**

Treat program participants and host communities as valued partners and invest in understanding their aspirations, perceptions, and capabilities. Work to ensure that funding goals align with local circumstances and priorities.

Proactively develop trusting and productive relationships with project stakeholders, securing their active interest and willingness to collaborate before embarking on projects that affect them.

Enable partner organizations, host communities, and program participants to take part in the design, goal-setting, implementation, evaluation, and ongoing refinement of social investments.

Social investment efforts should align with and build on existing capacities and initiatives, and be sustainable to the greatest extent possible.

Empower host communities, program participants and partner institutions to carry on the benefits of the investment, recognizing that capacity strengthening is a key component of sustainable social investment.

4. Ethical

**Definition**

Ethical social investment is a reflective practice that employs only legitimate and constructive means in order to achieve its proper ends, in accordance with applicable laws and accepted international norms of behaviour.

**Operating Guidance**

Operate in a manner that is consistent with international frameworks for ethical conduct with a particular emphasis on the Global Compact’s ten principles.

Support, institute, and uphold high standards of governance.

Prevent or resolve conflicts of interest.

Establish mechanisms that facilitate and protect the reporting of unethical behaviour.
Appendix 2  ADDITIONAL CASES RECEIVED IN COMPILING THIS REPORT

During the development of this paper, a significant amount of information was received detailing many social investment projects being undertaken by organizations globally. The following cases and the organizations providing them are acknowledged:

<table>
<thead>
<tr>
<th>Company</th>
<th>Initiative</th>
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<tbody>
<tr>
<td>Alpina</td>
<td>Producing and exporting globally (Core Business)</td>
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<tr>
<td>Andi</td>
<td>Establishing Productive Chains under the Framework of Corporate Social Responsibility (Responsible Business)</td>
</tr>
<tr>
<td>BASF SE</td>
<td>Various social investment initiatives across the continuum</td>
</tr>
<tr>
<td>Corona</td>
<td>Viste tu Casa project — marketing products to low income communities (Social Business)</td>
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<tr>
<td>Deutsche Telekom</td>
<td>Strategic social investment initiatives</td>
</tr>
<tr>
<td>EEB</td>
<td>Paper Mill project - using vegetable fibers in more productive and ecological ways (Inclusive Business)</td>
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<tr>
<td>Endesa</td>
<td>Philanthropic initiatives in Latin America (Philanthropy)</td>
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<tr>
<td>HEINEKEN</td>
<td>Supporting the rebuilding of the Democratic Republic of Congo (Shared Value)</td>
</tr>
<tr>
<td>ISA</td>
<td>Social sustainability initiatives (Social Business)</td>
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<tr>
<td>Nestlé</td>
<td>Various social investment initiatives across the continuum</td>
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<tr>
<td>Novartis</td>
<td>Various social investment initiatives across the continuum</td>
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<td>Osram</td>
<td>Providing solar energy to families in Kenya (Social Business)</td>
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<td>Pacific Rubiales Energy</td>
<td>Various Sustainable Management initiatives (Responsible Business)</td>
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<tr>
<td>Scotiabank</td>
<td>“Mobile Wallet” financial service (Inclusive Business)</td>
</tr>
<tr>
<td>Sakhalin Energy</td>
<td>Various philanthropic initiatives</td>
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<tr>
<td>SK Telecom</td>
<td>Various social investment initiatives being undertaken across the continuum</td>
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Appendix 3  ALTERNATIVE CONTINUUM

Comprising six organizational models and Shared Value as the overriding theme

Acknowledgements

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Shaun Cannon
CEO, Principles for Social Investment Secretariat
ABOUT PRINCIPLES FOR SOCIAL INVESTMENT SECRETARIAT

The United Nations Global Compact established the Principles for Social Investment Secretariat (PSIS) to facilitate and improve the impact of social investment by Global Compact signatories, and thereby contribute to measurable and sustainable improvements in the quality of life for communities in need. Launched in 2011 from its headquarters in Australia, PSIS’s purpose is to champion and communicate the practice and goals of social investment, distribute resources which support companies to hold themselves accountable and to facilitate international collaboration between social investment practitioners. For more information: www.p4si.org

ABOUT THE UNITED NATIONS GLOBAL COMPACT

The United Nations Global Compact is a call to companies everywhere to voluntarily align their operations and strategies with ten universally-accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals, including the Millennium Development Goals. The UN Global Compact is a leadership platform for the development, implementation, and disclosure of responsible corporate policies and practices. Launched in 2000, it is the largest corporate responsibility initiative in the world, with over 8,700 signatories based in 130 countries. For more information: www.unglobalcompact.org