United Nations Global Compact

How Corporations Are Using a Shift to Strategic Philanthropy to Promote Human Rights While Improving Their Business Environment[1]

A *Good Practice Note endorsed by the United Nations Global Compact Human Rights Working Group on 3 September 2012*

Prepared by Priyanka Dahiya, Milu Hoppenbrouwer, Chuki Obiyo, and Christine Evans

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. In June 2006, the Global Compact Board established a Human Rights Working Group. The goal of the working group, whose inaugural chair was Mary Robinson, former UN High Commissioner for Human Rights and President of Ireland and currently is chaired by Mr. Pierre Sane, is to provide strategic input to the Global Compact's human rights work. The following is one of an ongoing series of notes on good business practices on human rights endorsed by the working group. Rather than highlighting specific practices of individual companies, Good Practice Notes seek to identify general approaches that have been recognized by a number of companies and stakeholders as being good for business and good for human rights.

Outline Summary

[1] Grateful acknowledgement is given to all those who were interviewed for and commented on this note, as well as Professors David Scheffer and Caroline Kaeb of Northwestern University School of Law and UN Global Compact Advisor and Good Practice Project Leader Professor Chip Pitts of Stanford Law School.

Executive Summary

Corporations, including multinational corporations, increasingly are embracing the dual challenges of maximizing profits while also promoting the protection of human rights. The latter is at the core of corporate social responsibility and it holds the promise of being good for business. Corporate strategic philanthropy plays a central role in this dual mission of profitability and responsibility**.** Strategic forms of philanthropy leverage unique corporate capabilities to promote human rights. More specifically, strategic philanthropy seeks to combine a corporation's core competencies with its charitable efforts in order to improve the corporation's business environment while meeting social needs that promote human rights or other social, environmental, or governance goals. How does a corporation promote human rights through philanthropy in a way that produces a benefit to its business? The four elements of strategic philanthropy relating to human rights are to identify core competencies, evaluate charitable efforts, improve the business environment, and meet social needs to promote human rights. The Note provides the context for and offers recommendations relating to each of these elements while demonstrating how corporations are using the shift from traditional philanthropy to strategic philanthropy in the most valuable and measurable way.

I. Background[2]

Since 2008, the United Nations human rights framework[3] and more recently the Guiding Principles on Business and Human Rights[4] set the baseline standard for what is expected of all business enterprises in all situations respecting human rights. This responsibility requires corporations to avoid infringing on rights and to address negative impacts that do occur. Beyond this baseline standard, the UN framework encourages business enterprises to undertake other commitments or activities to support and promote human rights, which may contribute to the overall enjoyment of those rights. This additional commitment is expected of any participants in the UN Global Compact. They have agreed not only to respect human rights but also to support them.[5]

---

[2] This Good Practice Note only records footnotes considered necessary and appropriate for this document.

[3] *See UN Framework at* http://www.unglobalcompact.org/Issues/human_rights/The_UN_SRSG_and_the_UN_Global_Compact.html.

[4] Report of the Special Representative of the Secretary-General on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises, John Ruggie, *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework,* March 21, 2011, *available at* http://www.ohchr.org/documents/issues/business/A.HRC.17.31.pdf.

[5] "Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights…." UN Global Compact, *The Ten Principles*, *available at* http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html.

In recent years, all corporations, whether they are Global Compact participants or not, have increasingly found themselves caught between critics demanding ever higher levels of corporate social responsibility and investors who apply pressure to maximize profits. As a response, a growing number of corporations have begun to shift from traditional forms of philanthropy involving charitable contributions towards more strategic forms of philanthropy that leverage unique corporate capabilities to promote human rights.[6] Strategic philanthropy promises a number of benefits for businesses and for people.[7]

The challenge faced by many corporations in making this shift is how to best identify and use their core competencies to promote human rights in the locations in which they have a business presence, while at the same time aligning philanthropic initiatives with their long-term business prospects. This challenge depicts an evolution from a "do no harm" model to a "do better" model. Unlike a "do no harm" model, which seeks to meet the baseline standard of respecting human rights by emphasizing an avoidance of human rights abuses (a negative responsibility),[8] the "do better" model is consistent with pursuing the next level encouraged by the UN framework – the promotion of human rights (a positive responsibility). To that end, the primary solution for dealing with the challenge of strategic philanthropy is found in answering the following question: How does a corporation promote human rights in a way that produces a benefit to its business?

This Good Practice Note provides useful insights on this question by describing *How Corporations Are Using a Shift to Strategic Philanthropy to Promote Human Rights While Improving Their Business Environment*. The goal in addressing this question is to encourage more businesses to see strategic philanthropy as an opportunity to support human rights, while also advancing and improving their business.

The Note was developed from interviews conducted by the authors from early to mid 2011. The authors conducted the interviews with executives and professionals drawn from a range of industry sectors. The interviewees discussed good practices in strategic philanthropy that can be applied in multiple sectors. The Note also draws on academic research and reports from leading

---

[6] David Campbell and Richard Slack, *Corporate "Philanthropy Strategy" and "Strategic Philanthropy": Some Insights from Voluntary Disclosures in Annual Reports*, Business and Society, June 2008, at 187, 188..

[7] Although this Good Practice Note focuses on strategic philanthropy, it should be noted that this approach is only one method corporations can use to support human rights. The other approaches that companies can utilize are core business contributions, advocacy and public policy engagement, and partnerships and collective action. For more information on these methods, see United Nations Global Compact, *Blueprint for Sustainability Leadership* (2010), *available at* http://unglobalcompact.org/docs/issues_doc/lead/BluePrint_EN.pdf.

[8] *See* Report of the Special Representative of the Secretary-General on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises, John Ruggie, *Protect, Respect and Remedy: a Framework for Business and Human Rights*, April 7, 2008, A/HRC/8/5, at para. 24, *available at* http://daccess-dds-ny.un.org/doc/UNDOC/GEN/G08/128/61/PDF/G0812861.pdf?OpenElement.

scholars and various stakeholder groups about strategic philanthropy and its connection to human rights.

Section II of this Note defines the concept of strategic philanthropy and its four elements: 1) identifying core competencies; 2) evaluating charitable efforts; 3) improving the business environment; and 4) meeting social needs to promote human rights. The Note continues with four sections (III – VI) corresponding to these four elements of strategic philanthropy, which provide the context and tips for how corporations are using the shift from traditional philanthropy to strategic philanthropy in the most valuable and measurable way.

I. Strategic Philanthropy Defined

- ***Traditional corporate philanthropy or Version 1.0***

Corporate philanthropy has gone through major phases of development. In its incipient stage, it was characterized by a corporation making specific cash donations to local programs, charities, and/or other non-profit institutions in order to generate goodwill among members of the community in which the corporation had a business presence. Beyond generating goodwill, the corporation did not generally measure the impact of its donations on other elements of its business environment, such as employees, customers, corporate culture, and business development.[9]

- ***Social investment or Version 2.0***

A significant shift took place when corporate philanthropy became less focused on purely monetary contributions. This second stage was characterized by a corporation making particular social investments that, while not necessarily tied to its core competencies, could generate goodwill among constituencies that were important to its business development, e.g., potential customers or new suppliers.

- ***Strategic philanthropy or Version 3.0***

A new shift is now taking place as corporations are beginning to focus on the sustainability and scalability of their philanthropic efforts. This new phase – strategic philanthropy – is defined as the combination of a corporation's *core competencies* with its *charitable efforts* in order to *improve the corporation's business environment* while *meeting social needs* that promote human rights or other social, environmental or governance goals.

[9] *See* David Campbell and Richard Slack, *Corporate "Philanthropy Strategy" and "Strategic Philanthropy": Some Insights from Voluntary Disclosures in Annual Reports,* Business and Society, June 2008, at 187, 188..

Strategic philanthropy is about more than the corporation's reputation; rather, it makes philanthropic initiatives a part of the corporation's competitive position.[10] In this sense, strategic philanthropy is distinguishable from other strategy-based business activities such as branding and social innovation because it produces indirect but measurable business benefits by positively impacting a corporation's business environment beyond its bottom line. In doing so, an opportunity arises for philanthropic contributions to be more sustainable and impactful through their closer link to the company's core business interests and expertise.

Good practices in strategic philanthropy are important because corporations depend increasingly on establishing local partnerships through collaboration, outsourcing to local suppliers, and working more closely with customers.[11] Strategic philanthropy therefore includes participation by the corporation's employees and a deep understanding of its core skills and organizational expertise in terms of knowledge, human capital, and financial resources.

- ***Criticisms of Strategic Philanthropy***

Strategic philanthropy is not without its critics. At its broadest, criticism of corporate social responsibility (CSR) initiatives asks whether CSR constitutes a legitimate activity in which a corporation should engage at all, with one commentator even arguing that engagement in CSR could undermine the market economy.[12]

More focused critiques include the perception that some strategic philanthropic initiatives are merely "public relations," allowing companies to make minimal adjustments while changing little, if any, actual corporate.[13] Another major criticism of strategic philanthropy relates to "institutional capture" – the notion that the participation of corporations in the provision of public goods through partnerships with governments and civil organizations unduly increases the influence these corporations have on the public policy process.[14]

- ***Support for the Shift to Strategic Philanthropy***

Properly conceived and implemented, strategic philanthropy promotes human rights in a range of ways, such as helping to realize human rights, to raise awareness of these rights, or to build government capacity to meet its obligations to rights-holders. Private sector support through strategic philanthropy enables both society and business to do better – advancing civil and political rights as well as economic and social rights.

---

[10] Michael E. Porter and Mark R. Kramer, *Creating Shared Value*, HARVARD BUSINESS REVIEW, Jan.-Feb. 2011.

[11] Michael E. Porter and Mark R. Kramer, *The Competitive Advantage of Corporate Philanthropy*, HARVARD BUSINESS REVIEW, Dec. 2002, at 60.

[12] Ray Broomhill, *Corporate Social Responsibility: Key Issues and Debates,* Dunstan Paper No. 1/2007, 11 (2007) (citing David Henderson, MISGUIDED VIRTUE: FALSE NOTIONS OF CORPORATE RESPONSIBILITY (2001)), http://www.som.cranfield.ac.uk/som/dinamic-content/research/doughty/Dunstan1.pdf.

[13] *Id.* at 26.

[14] *Id.*

A word of caution must be noted, however. When corporations take on responsibilities for which a government has a duty to meet, a risk arises that these duties towards rights-holders may be undermined, allowing the State to avoid the responsibilities required by international human rights instruments. As indicated by international standards such as the Guiding Principles on Business and Human Rights, corporations must therefore exercise due diligence in undertaking its philanthropic initiatives, ensuring that its activities harmonize with, rather than replace, the State's duties to its rights-holders.

II. Core Competencies

- ***Identify Core Competencies***

To do better, a corporation must first identify its core competencies by taking a strategic view of its role in society. Core competencies are a corporation's unique abilities and areas of expertise in relation to its core business purpose.

To illustrate how a corporation can identify its core competencies, consider how one large beverage company approached this challenge in making the shift to strategic philanthropy. By taking a strategic view of its role in society, the company was able to identify its core competencies within the framework of a key stakeholder issue – access to clean water. Due to its relevant expertise in water quality, water conservation, and waste reduction, the company chose to promote the right to clean water[15] and to focus specifically on increasing access to water.[16]

- ***Use Core Competencies***

Strategic philanthropy initiatives allow for a more synergistic use of core competencies. "We believe in philanthropy 3.0, the idea of moving beyond purely monetary contributions and taking a holistic approach that includes the involvement of our partners and the donation of our services and technology expertise to provide one comprehensive solution," says the vice president of global social innovation for a large IT company in describing her company's industry-leading role in implementing Version 3.0.

This large information technology (IT) company uses its core competency of innovation to find seamless technological solutions that promote human rights. For example, the company partnered with the Clinton Health Access Initiative and the Kenya Ministry of Public Health to develop a new system that accelerates diagnosis of HIV in infants. The system uses the company's technology to capture, manage, and return early test results. For the company,

---

[15] *UN General Assembly Declare Access to Clean Water a Basic Human Right*, UN News Centre, http://www.un.org/apps/news/story.asp?NewsID=35456&Cr=SANITATION (last visited April 13, 2011).
[16] The Coca-Cola Company, *The Water Stewardship and Replenish Report*, Jan. 2011, *available at* http://www.thecoca-colacompany.com/citizenship/pdf/replenish_2011.pdf.

the idea behind this initiative is to promote the right to health[17] through improving the health conditions of Kenyans while developing relationships with local stakeholders and government constituencies. Furthermore, since the system targets a global disease such as HIV/AIDS, it can potentially be duplicated in other parts of the world, thus enabling the company to capitalize on its initial investment.

Steps for Identifying and Using the Corporation's Core Competencies in Strategic Philanthropy:

1. List the corporation's unique, skills-based capabilities, keeping in mind the internal and external resources available. (When looking at the line of business, think of human resources, assets, relationships, and competitive advantages.)
2. Determine the actual and potential relationships within the corporation [by specific departments and roles] and the actual and potential relationships outside the corporation (through partnerships that can link the corporation's unique capabilities and resources to the promotion of human rights.)
3. Brainstorm with thought leaders in the corporation about how the corporation's unique capabilities and resources can be leveraged to meet social needs while expanding services, products, and/or business locations.
4. Begin a dialogue with local external stakeholders, as well as the corporation's executives and employees. Discuss whether the current philanthropic portfolio enables the corporation to leverage its unique capabilities. Also, identify any obstacles.

III. Charitable Efforts

- ***Consider Human Right Issues at Each Stage of the Corporation's Value Chain***

Reflecting on the human rights issues that are present at each stage of the value chain is a good basis for considering how to maximize the impact of charitable efforts. For example, one large apparel company noted that, in the manufacturing phase of its product's lifecycle, the most pressing human rights matters it comes across involve the right to gainful employment and the right to safe and healthy working conditions.[18] So the company molds its charitable efforts around enhancing the labor conditions of its employees and the employees of its suppliers beyond the minimum required by law and international standards.

---

[17] The right of everyone to "the enjoyment of the highest attainable standard of physical and mental health." International Covenant on Economic, Social, and Cultural Rights (ICESCR), Art. 12.1.
[18] *Id.* at Art. 7(b).

Another company noted that in the research and development phase for its software applications, human rights issues like the right to privacy and freedom of expression[19] demand careful consideration. As a result, the company directs its efforts at initiatives that can provide it with the necessary support system to stay abreast of how technology impacts these rights.

Considering societal needs at each stage of a corporation's value chain will evolve as technology changes, economies develop, and societal priorities and needs shift.[20] As global business becomes more competitive and action is shifted to emerging and frontier markets, it is necessary for corporations to be even more sensitive to how and where they operate, creating more opportunities for strategic philanthropy.

- ***Determine the Gaps between Human Rights Needs and the Corporation's Human Rights Efforts***

Companies need to look at the context in which they operate and identify any gaps in the surrounding environment between human rights needs and the company's ongoing charitable efforts. Interviewees shared their belief that a dedicated focus on such gaps can help a corporation pinpoint the areas it is best equipped to influence and affect.

→ Take a long-term view of connection with local communities

Corporations are greatly affected by various local issues: natural resources, environmental degradation, water use and quality, health, safety, and other such externalities that can hit the bottom line. For instance, efforts to minimize pollution and environmental degradation from poor air quality were thought to increase business costs, but today there is a growing recognition, especially in the oil and gas sector, that improved environmental performance can often be achieved with better technology at nominal incremental costs or even net cost savings due to enhanced resource utilization, process efficiency, and quality.[21]

One executive from a large beverage company emphasized the need to tailor the corporation's strategic philanthropy initiatives to trigger a large-scale and long-term effect in the communities in which it has a presence. For example, the company invests in specific areas through microfinance loans for the building of small water treatment plants. These loans enable the communities to create a long-term solution to the lack of access to clean water.

→ Seek areas for collective action to fill the gaps

All of the interviewees noted the power of collective action. A corporation can maximize the impact of its charitable efforts by finding the right partners within the private sector, multi-stakeholder initiatives, NGOs, or government agencies. A majority of the interviewees stated that they benefit from collective action

---

[19] International Covenant on Civil and Political Rights (ICCPR), Art. 19.
[20] Michael E. Porter and Mark R. Kramer, *Creating Shared Value, supra* note 10.
[21] *Id.*

through local partnerships in order to better navigate local rules, laws, and customs. Local governments can help identify local needs, while NGOs are often best suited to help design and implement philanthropic programs. Additionally, business partnerships with NGOs can help these organizations use their own resources more effectively.

Some philanthropic activities will involve giving money to other organizations that deliver social benefits, but it is increasingly seen that even such donations may be executed in a strategic way that goes beyond searching for goodwill from the local community, as with traditional philanthropy, or Version 1.0. The impact a donor achieves through strategic philanthropy is partly determined by the effectiveness of the donation to the recipient.[22] For this reason, it is important to understand stakeholder expectations and their willingness to collaborate. "Feedback from stakeholders, such as nongovernmental organizations and our Trusted Advisory Network, which we created in 2009 to deepen dialogue, help us to gather recommendations for our charitable efforts," says the global citizenship program manager at a large IT company.

- ***Link Select Human Rights Efforts Directly to Corporation's Core Business Interests***

Another essential component of charitable efforts in light of strategic philanthropy involves linking human rights efforts directly to the corporation's resources in order to achieve the proposed scale of impact. If a corporation wants to have real impact through its charitable efforts, good practices suggest that it should choose partners and build relationships carefully. The more human rights issues a corporation seeks to solve, the more it dilutes its efforts. To maintain a strategic focus on the most effective partnerships, one large oil and gas company manages partnership requests through a dedicated Sustainability Committee. The committee examines each partnership venture based on how well the venture aligns with the company's goals to promote the right to education and improve the labor force in the communities in which it has a business presence.

→ Be open to both a tried-and-true approach and a novel approach

There are challenges in matching up a corporation's efforts directly to resources that the corporation would have dedicated to other business operations. Sometimes, a corporation is better off to stick with a tried-and-true approach to human rights solutions in which a government entity has previously committed or plans to commit public funds and resources. Other times, a novel approach to a human rights solution, even where there has been a commitment of public funds, can give a corporation more flexibility to align societal and business interests. Good practices in this area indicate that a corporation should be open to both tried-and-true approaches and novel approaches.

[22] Michael E. Porter and Mark R. Kramer, *The Competitive Advantage of Corporate Philanthropy*, *supra* note 11.

→ Decide how to manage the interaction between efforts and resources

Finally, a corporation must decide for itself how best to manage its charitable efforts: through an independent foundation, through a hybrid enterprise, or in-house. Some corporations opt for a foundation that is an independent charity but still uses the branding, resources, employees, and skills of the core corporation. This arrangement may open doors to secure local financing for projects and help in partnership building, as well as provide the necessary know-how for a range of initiatives. Good practices in the area of foundations show that the most effective foundations leverage the core corporation's employee's skills and interests with projects that add value to the corporation by exploring markets with revenue potential. Furthermore, these foundations run better with an enterprise-based approach that seeks a sustainable and scalable strategy.

Other corporations may opt for a hybrid enterprise. For example, one large IT company set up a hybrid organization with the flexibility to make direct grants and invest in for-profit companies that might yield returns. The enterprise can also lobby public officials in favor of policies supporting the core corporation's goals. This arrangement may offer the best path forward for a company that is interested in shifting from Version 1.0 straight into 3.0 because the enterprise can replace the core corporation's often more ad-hoc financial contributions with contributions that produce shared outcomes. Moreover, the core corporation can make the shift without dedicating the same amount of the resources it would take to integrate its entire philanthropic activities in-house.

Some corporations may be better off managing all of their charitable efforts in strategic philanthropy in-house. For example, one company noted that it has a strategic philanthropy commitment that centers on the belief that the same mission, energy, and culture of innovation that makes it a successful company can also be used to make a profound and positive social impact in the world. Another company noted how it had successfully incorporated the building blocks of strategic philanthropy into its organizational structure and decision-making. To that end, the company's strategic philanthropy initiatives became a fully integrated part of its day-to-day business operations.

Key Questions to Consider in Evaluating Your Corporation's Charitable Efforts:

1. What benefits are associated with the activities, products, and/or services of your corporation and/or sector?
2. What human rights issues could be helped in your surrounding environment? (Both near your headquarters and abroad.)
3. What other societal needs do you observe in your surrounding environments? (Both near your headquarters and abroad.)
4. Are you currently addressing any societal challenges?
5. How do these challenges affect your corporation (labor force,

business environment, natural resources, employees, health of the extended enterprise including community stakeholders and customers on which the company depends)?

Important Tip After Addressing Questions About Your Corporation's Charitable Efforts:
Once you have identified where your charitable efforts may be needed, link these needs to your core competencies.

Note: Philanthropic efforts must not be a substitute for addressing adverse human rights impacts that your corporation may have cause or to which it may have contributed. Although the above analysis of your corporation's charitable efforts does not include a consideration of the harms or human rights violations associated with your enterprise, these issues do fall under the corporation's responsibility to respect human rights and should be addressed by your corporation's due diligence and remediation processes.

IV. Improving Business Environment

Corporations need successful communities, not only to create demand for their products, but to provide public assets and support – communities give corporations the "license to operate."[23] Through the lens of strategic philanthropy, improving a corporation's business environment goes hand-in-hand with supporting the human rights in the community in which it operates.

- ***Define the Corporation's Business Environment***

Good practices no longer encompass old views of a firm as a largely self-contained entity with society falling outside its scope. These views are no longer viable: the foundational expectation towards business is that human rights should be respected, and meeting this responsibility to respect requires the corporation to take positive steps in order to know and show that it actually does.

One large IT company defines its business environment as a global community made up of over 500 million users. When the need for rapid information became necessary in the aftermath of the Great East Japan Earthquake of 2011, the company was able to use its social networking technologies to help coordinate fundraising efforts for different charity groups providing assistance to victims of the earthquake and tsunami. "The transfer of information can impact lives, especially in a crisis, and expanding access to information technologies brings their power to more people, which is a win for society and a win for the business," says a development manager in the company's social responsibility group.

[23] *Id.*

Furthermore, a corporation’s productivity in a given environment hinges on supply factors, such as access to trained and trainable workers, and demand conditions, such as the size of the local market and the sophistication of local customers. To enhance its productivity along these dimensions, a corporation can support initiatives that promote the rights to education and decent employment. For example, one financial services company improved both the supply and demand for its service by establishing a program to train women as part of a financial literacy initiative in Latin America. A number of other companies in industries with lower rates of female employment are also investing in efforts to promote careers in their industry to girls and young women.

- ***Measure Improvement of the Business Environment***

→ Apply a Shared Language

To effectively measure the improvement of its business environment, a corporation should apply a common language to evaluating productivity and promoting human rights. Business concepts like sustainability, reliability, and scalability have proven to be effective in gauging the promotion of human rights and the improvement of the business environment for corporations across different industry sectors.

Good practices dictate that a corporation should avoid applying different meanings to an agreed-upon element of measurement – concepts must not shift in meaning based on the context or audience. Several interviewees noted that the progress of a strategic philanthropy initiative is best measured if concepts like sustainability maintain the same meaning for all of the stakeholders involved in the initiative.

The “measurement language” should not be biased towards business in a way that undermines the developmental goals of the initiative. One interviewee from a large retailer noted that a corporation must be careful not to set up metrics for an initiative that leads its non-business partners to conclude that they are being set up to fail. Other interviewees noted that there is a tension between quantitative metrics and qualitative outcomes, and a corporation must be mindful of “reverse mission creep” – where a project is reduced from its original goals simply as a reaction to the challenge of quantifying outcomes. Moreover, metrics that are too definite may provide a disincentive over to forging ahead to meet stretch goals.

→ Leverage capabilities of internal grievance mechanisms

Measuring the improvement in the business environment requires accountability. The majority of the interviewees shared the view that establishing a complaints report system within a corporation is a good practice. It should be noted, however, that such systems are not to be perceived primarily as an add-on to philanthropic efforts. While grievance mechanisms can potentially feed into a corporation’s efforts to promote and support human rights, systems for ensuring

accountability and addressing human rights concerns must be seen as key elements in meeting the fundamental responsibility to respect human rights. For this reason, any grievance mechanisms instituted by a company should be based on very specific criteria, notably those outlined in the UN's Guiding Principles on Business and Human Rights.[24]

This is not to say that grievance mechanisms at the corporate level, even though ensuring first and foremost corporate compliance with the responsibility to respect human rights, cannot be leveraged to strengthen a company's strategic philanthropic efforts. In particular, existing grievance mechanisms can provide a great resource to help measure changes in a company's business environment and thus to identify issues that strategic philanthropy can address yielding both a positive social impact and a competitive advantage. This is in line with the leading scholarship in the field, which has shown that corporate philanthropy, if strategized appropriately, can in fact generate a competitive advantage for the company by improving its "*competitive context*—the business environments where they operate"—and the social parameters thereof.[25] This approach is based on the premise that there are "social influences on competitiveness."[26]

At a minimum, a corporation should have a grievance channel tuned in to reports about the human rights concerns of its business activities. The channel should be accessible to members of the public and members at the top level of the corporation, i.e., the board of directors and/or other appropriate management personnel. For example, one company has a comprehensive website, managed separately from its corporate website, where members of the public can post human rights complaints about the company in a manner similar to customer service complaints. In turn, the company reviews and replies to each complaint. Good practices in this area indicate that a corporation's grievance mechanism must be legitimate and transparent.

In addition, provisions should be made within a corporation's complaints report system that ensures that employees and other stakeholders will not be penalized for reporting suspected human rights violations. Several interviewees mentioned that such provisions are available in their corporation's code of conduct and similar governing policies. Empowering employees and other stakeholders in this way actually promotes the corporation's productivity and the likelihood that the business environment can be measurably improved.

Key Questions to Consider in Improving Your Corporation's Business Environment:

1. How do you define your corporation's business environment(s)? Who

[24] *See* ¶29 and Commentary, *Guiding Principles*, *supra* note 4.

[25] Michael E. Porter and Mark R. Kramer, *The Competitive Advantage of Corporate Philanthropy*, HARVARD BUSINESS REVIEW, Dec. 2002, at 2.

[26] Michael E. Porter & Mark R. Kramer, *The Link Between Competitive Advantage and Corporate Social Responsibility*, 84 HARVARD BUSINESS REVIEW, Dec. 2006, at 6.

are the external stakeholders [customers, clients, affected communities]?

2. What are the local, external supply factors and demand conditions that affect your corporation's productivity in a given business environment? Note that these factors may vary depending on what part of your corporation's value chain you are evaluating.
3. How can addressing societal concerns and implementing human rights initiatives address the identified supply factors and demand conditions? What productivity benefits would these initiatives yield?
4. How can the promotion of human rights fit within the measurement of your corporation's productivity?

Tip on Improving Your Corporation's Business Environment:
When evaluating your business environment, consider the following societal concerns where the connection to company productivity is the strongest: environmental impact, water use, energy use, employee skills, worker safety, and employee health.[27] Incorporate the promotion of these areas and other human rights into your corporation's productivity measurement system.

V. Contributing to Meeting Social Needs

➢ ***Manage the Risks of the Corporation's Investment***

Efforts geared toward helping to meet social needs should be taken with an eye toward that human rights issues that might arise in the course of delivering such goods and services. Meeting social needs that promote human rights will thus require applying the same risk management principles to its philanthropic initiatives that it applies to its core business. Just as with any risk assessment, a corporation must exercise due diligence to prevent, mitigate and account for actual and potential human rights impacts and address such impacts as they occur.

→ Stay informed about what works

Some interviewees noted that a corporation's use of metrics to evaluate a specific initiative not only ensures the effectiveness of the initiative but can actually become a part of the corporation's approach to its strategic philanthropy portfolio as a whole. Moreover, metrics with a track record of success in a given initiative can be applied to other parts of the corporation's business operations. Good practices demonstrate that a corporation should keep apprised of what works through analyzing its past experiences.

→ Learn from others' mistakes

[27] Michael E. Porter and Mark R. Kramer, *Creating Shared Value, supra* note 10.

By researching and reviewing what initiatives have been tried by other companies, a corporation will have a better understanding of what works, and perhaps more importantly, what does not. For example, 80 percent of the initiatives from 2000 to 2002 supported by one oil and gas company's foundation failed to achieve scale following a self-assessment of its broad array of partnerships. After reviewing its measurement system for these initiatives, the foundation concluded that a potential cause of the failure was poor execution in dealing with the increasing demand for its services. As a result of this review, it rechanneled its focus on co-developing and implementing new business models with a select group of strategic partners. By the end of 2010, 80 percent of its initiatives achieved scale under its new measurement system. "We have learned a great deal from both our success and our failure and hope that by sharing our experience, we can help others avoid making the same mistakes," says the foundation's director.

- ***Maximize the Social Return on Investment***

Once risks are mitigated, a corporation can make a positive contribution to human rights in a way that provides a direct benefit to society and a measurable benefit to the corporation. This dual benefit can be realized even when a given initiative does not produce a complete solution to the targeted human rights issue.

→ Educate other stakeholders about the scope of a human rights issue

Corporations are using their strategic philanthropy initiatives to give insight into the scope of different human rights issues. For example, one interviewee noted that when a corporation addresses a social problem in a way that produces a greater understanding of the scope of the problem, without producing an actual solution to the problem, the information gained from the process encourages other stakeholders to join the fight for a solution.

"The role corporations play in strategic philanthropy not only expands their understanding of their customers' needs, it can also expand society's understanding of its own needs as it relates to human rights," says a director of an NGO group that provides reporting standards to measure the social and environmental impact of corporate activities.

→ Employ strategic philanthropy as a part of your corporate culture

The integration of strategic philanthropy initiatives as a part of normal business practices can be a popular and exciting undertaking for a corporation's stakeholders. It can provide the platform for a systemic interplay between corporate principles, guiding ideas, values, and practices. Employee commitment, customer loyalty, investor attitude, and reputation are some of the most important considerations and drivers for the success of a corporation's strategic philanthropy initiatives.

Quick Tips on Dealing With the Challenges of Strategic Philanthropy

1. Focus on scale, sustainability, effectiveness, and evaluation from the outset.
2. Implement enterprise-based solutions that are also rights-aware.
3. Work with selected, high-impact strategic partners.
4. Concentrate on and contribute to meeting a select number of societal needs that promote human rights, ideally linked to the company's comparative advantage to maximize impact and quality

VI. Conclusion

In the current economic environment, escalating investor demands, in addition to other factors, have led organizations to reassess their business practices and outcomes. Business partners, customers, and other stakeholders are increasingly considering an organization's ethical and social performance as a key criterion. This puts a premium on making philanthropic efforts as strategic and impactful as possible.

Strategic philanthropy holds the potential for real change. The value of strategic philanthropy lies not only in its potential to buttress corporate reputations but in its ability to contribute to addressing societal needs that promote human rights while also creating maximum competitive advantages. Corporations can utilize their core competencies, skills, resources, and management capacity to foster social progress, thereby gaining the respect of society while also achieving appreciable business benefits. This is especially important in the context of ever-growing social awareness and increased domestic and international competition. There is also no shortage of people who lack the full enjoyment of their human rights.

Lastly, it is important to remember the contagious effect of philanthropy and the potential for effective philanthropic efforts to have wide-reaching impacts. As an illustration, one company's strategic philanthropy initiative affirms the social force of promoting acts of kindness on a network platform that connects millions of users. As part of the initiative, the company has been able to empower people to engage in random acts of kindness in their local communities and then share that with a large audience using its signature social network products.

Corporations, particularly multinational corporations, do not operate in a social vacuum. The transnational nature of a global corporation's business operations can generate multiple touch-points of social impact. In light of these touch-points, corporations are rightly taking advantage of the shift to strategic philanthropy to promote human rights.