



Remarks for Belinda Stronach

For delivery to the Canadian Business Leadership Forum
Oct. 21, 2009

Good morning. Thanks to Canadian Business and Thomas Homer Dixon for inviting me and thanks to you all for being here. I'm delighted to be here to talk about Business and Philanthropy. I recall a time when those were two completely different subject matters.

And just to demonstrate how far we've come, last month, a chief executive in China by the name of Jack Ma wrote to his 15,000 employees. The note reflected on the 10th anniversary of their e-commerce company, and the great success it has achieved. But the bulk of the message wasn't a celebration of profits his company had amassed – it was a manifesto for giving back. Jack wrote: "If you have money, but have not turned this money into an experience to elevate other people's level of happiness, then you may very well possess only a mountain of very colourful pieces of paper."

Just a few days later, Jack was in New York at the Clinton Global Initiative. He was announcing that his company was contributing \$5-million in seed money to give farmers and small businesspeople in China's poorest provinces access to microfinance loans.

The moment was a personal achievement for Jack Ma. But it also helped define his company, the Alibaba Group, as committed to social responsibility and dedicated to helping raise up China's least fortunate. And it demonstrated, with great fanfare that corporate philanthropy has truly gone global.

Today, philanthropy is shaping and guiding corporate citizenship around the world. More than just an ethical impulse, it is fast becoming a competitive imperative – not a drag on the bottom line, but a key contributor to it.

The shape of global philanthropy has undergone a radical makeover during the past 20 years.

We've seen the emergence of the mega-philanthropist – people like Bill Gates, Richard Branson and Warren Buffett. Their resources rival those of small countries and their generosity has raised hopes for transformational breakthroughs in the fight against disease and poverty.

We've seen the rise of the celebrity philanthropist – people like Angelina Jolie, Bob Geldof and Bono. Their greatest assets are not so much money as their platform. Through their platforms they are capable of wielding tremendous influence with their ability to attract public, media and political attention. This



influence can be used both as carrot and stick, and few companies want to feel the sharp end of this particular stick.

We've seen the democratization of philanthropy and social change and the emergence of the general public as a persuasive force in prompting governments and businesses to pursue social justice. To cite just one example: using the Internet as a tool, the people behind the ONE campaign have been able to amass a multi-million-member army of anti-poverty activists. They've succeeded in raising the issue at the highest possible political level based solely on willpower and impressive numbers.

And finally, we have seen sweeping changes in the manner and impact of corporate philanthropy – and the emergence and growth of corporate social responsibility efforts. Businesses are investing more time, effort and resources to advancing long-term international development goals while contributing at home as well.

But modern philanthropy isn't just about virtue – it's about value – building value and protecting value. I say "protecting" because preserving one's corporate image is even more important and challenging in an era in which marketing is no longer a one-way street. With the growth of the Internet, citizens now have the ability to pass judgment on corporate behaviour. They can praise those whose efforts are progressive and socially minded, and to call out – or worse, to avoid – those who lag behind.

When it comes to business, and their philanthropic efforts, one of the great challenges is how to measure the impact of a company's contributions. It can be tricky to put a figure or statistic on the extent to which a donation pays off for a business. But a 2006 study found that for every dollar a company devotes to its charitable giving budget, future sales increase on average by six dollars.

Over the past few years, research has proven that engaging in philanthropy helps increase brand loyalty and build brand awareness.

It can help position a company as a leader on issues and in communities that will be key drivers of economic development – a critical element of future success.

It opens up new avenues of investment capital through the increasing number of funds dedicated to companies that actively promote social responsibility.

And it helps facilitate new kinds of relationships in new markets such as Africa and Latin America, which will become increasingly important as the assumptions of traditional globalization are challenged in the wake of the current global recession.

Corporations are coming to understand that philanthropic practices, combined with a broader commitment to social responsibility, can be an important tool in helping them become accepted and valued



by the communities in which they operate – and help attract and retain talent in the workforce. By and large, people want to work for a company they have pride in, a company that makes a positive contribution and plays an active and positive role in the world. This in turn enhances profitability by raising employee morale and productivity.

Beyond that, more and more business leaders are realizing that philanthropy is one of the keys to enhancing national competitiveness. The leading countries of the 21st century are going to be those that understand that in order to attract and keep the best talent; you need strong communities that appeal to the free-moving citizens of the world. By investing in communities with money, with volunteerism, with the sharing of expertise, a company can help build the prosperity and health of its community – which in turn is in investment in its own future success.

To cite just one example of many, workers at Telus have contributed close to three million hours of volunteer time in their communities since 2000. It's part of a formal program the company calls Days of Service. And it's made a positive difference to many people, charities and communities – which is good for those communities, and also good for Telus.

So how do we draw the line between what qualifies as corporate self-interest and what qualifies as out-right generosity?

Who says we have to?

There's a professor at Columbia Business School named Geoffrey Heal and I like the way he looks at the role of self-interest in the act of corporate philanthropy. In a nutshell, he thinks it's essential. As he puts it, "The most sustainable solution is to have companies responding to financial incentives".

This much we know for certain: We are moving past a time in which shrewd marketing alone can generate a genuine halo effect for a company. There's got to be substance behind the style.

Technology is one of the greatest drivers reshaping how we relate to corporations – changing how we learn about them and how we buy from them, but also what we expect from them. We know more about companies, their practices and their priorities and how they compare to their competitors.

As quickly as technology is evolving, so too are the perspectives and behaviours of today's consumers. Charitable giving and broader initiatives aimed at social responsibility are becoming key criteria by which corporations and corporate leaders are measured.

Here's just a sense of how quickly the landscape is shifting. A new U.S. poll found that 40% of those surveyed had purchased a product in 2009 because they liked or approved of the social or political values of the company that made or marketed it. Forty per cent.



As Time magazine put it not long ago, we are seeing the rise of the citizen consumer and the beginning of a responsibility revolution. Bottled water companies are being targeted and condemned for water shortages in the parts of the world. Fast food companies being attacked for their contribution to obesity.

For many people, the way they relate to the products and services they buy has changed dramatically. They think about it when they buy their coffee in the morning – is it fair trade? They think about it when they choose a restaurant at night – is the food organic or locally sourced?

In the 1970s, Milton Friedman wrote that a corporation's only moral responsibility was to increase shareholder profits. But today, successful corporations are talking about the triple bottom lines of profit, people and our planet. They understand that many consumers want to live for something larger than themselves. They will support those companies that are perceived as progressive and part of the solution. And they will turn away from companies that don't pull their weight as contributing members of the local and global communities.

Now, there are some who are still a little skeptical about the impact of the Internet and social media in shaping and motivating consumer behaviour.

But consider the aftermath of the 2008 earthquake in China's Sichuan province. The New York Times had an interesting piece on this. In the days and months following the disaster, donations came in from governments and individuals as expected – but for the first time, real attention was paid by Chinese citizens to major corporations and the contributions they made, or didn't make.

Companies that didn't contribute, or weren't seen to contribute in proportion to their size and presence in China, were criticized widely on the Internet and elsewhere. In fact, there was a nickname given to several local and multinational corporations. They were called Iron Roosters – because they were viewed as being so stingy that they would not share even a feather. The fallout was significant. One Chinese real estate development firm was so heavily criticized for its paltry donation that it issued a formal apology and a much larger cheque.

The lesson here is that we're in an era in which the relationship between the company and consumer, is in revolution.

We're past the time you could slap a pink ribbon on a product and automatically reap the good karma. People today are likely to be curious about how much money is going to breast cancer research, and for how long.

This isn't all about teaching the world to sing in perfect harmony. Let's be realistic here. Yes, most corporations make a priority of trying to be good corporate citizens because it's the right thing to do. But



they also invest in causes and solutions for reasons of competitive gain, competitive pressure and even self-preservation.

Just as an example, consider oil companies that operate throughout the developing world. For purely business reasons, it is in their interest to ensure their workforce is not overcome by TB, malaria, HIV/AIDS or neglected tropical diseases. But it also explains why these companies were among the first corporate leaders to contribute to action on global health concerns. This is a sort of “proximity-based philanthropy”. It works for you because it works for us. But it’s unlikely you’ll hear overwhelmed health workers in Africa taking issue with why companies are investing to wipe out malaria.

The same goes for the fight against poverty. The global economy is interconnected – any company investment in reducing poverty can in theory be returned to the bottom line in the form of increased markets for goods and services that the company produces. There’s self-interest there, but it’s an enlightened self-interest.

So what’s the best way to make a difference and at the same time remain competitive?

First, partnerships. Tim Sanders, who wrote the book *Saving the World at Work*, recommends partnering aggressively with non-profits, foundations or government. And that makes a lot of sense because you don’t want to fall into the trap of wasting resources on PR-focused campaigns that accomplish too little and are treated with skepticism by a public that’s grown savvy and demanding. The best marketing impact is achieved when you focus not on the marketing but on the project itself. That way you create what’s known as a positive feedback loop in which a company truly connects with a cause, inspiring customers to truly connect with a company.

Along these lines, Public Private Partnerships are becoming a growing strategy in corporate philanthropy, with the private sector co-investing with governments and civil society to tackle pressing challenges.

Companies achieve immense leverage for their investments as governments take them to scale, but they also benefit from improved relations with governments – increasingly important in today’s world – by gaining a seat at the decision-making and problem-solving table.

Second, the corporate foundation. Often these are single-issue or single-theme in nature. They increase the visibility of and response to critical issues while also promoting the brand. Consider the work of the Nike Foundation to promote better outcomes for women and girls, an issue central to my own foundation’s work. Or Exxon Mobil – anyone who watches *American Idol* will recall Exxon’s ongoing efforts to help combat malaria in the developing world. [NOTE: Talk about Magna’s 2% and Neighbourhood Network]



THE
BELINDA STRONACH
FOUNDATION

Third, to achieve maximum impact, keep the focus narrow. For example, The Royal Bank of Canada has chosen to focus much of its philanthropy on strengthening Aboriginal communities.

Fourth and finally, don't just think about money – think about expertise. Many corporations enlist and allow employees to volunteer their technical skill and other knowledge to non-profit groups and organizations that can benefit from it. Today that effort is being leveraged in partnerships on a large scale – reducing the direct financial cost to the corporation without reducing the good being done and the progress being made on the ground.

By way of conclusion this morning, let me just say that the power of business to touch lives, to spark innovation, to help social enterprises get off the ground should never be underestimated. Every day, corporations demonstrate that it's possible to fulfill a social purpose while pursuing a financial profit.

Contributing to charity isn't a drain on profits. It's an investment in greater long-term success, and a key competitive advantage in a very competitive world.

Thank you.