

**Beyond Corporate Social Responsibility to Social Equity Investing: A Business Case for Action (League of Corporate Foundations Corporate Social Responsibility Expo keynote address)**

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July 5, 2006**

**Introduction**

Thank you for that kind introduction. It is a distinct honor to have been asked to speak at the League of Corporate Foundations' Corporate Social Responsibility Expo 2006. There are a number of people that I want to thank for the invitation to be with you. Marilou Ernie, Executive Director, Petron Foundation has been especially gracious and helpful with all of the logistical arrangements. I also want to recognize Victoria Garchitorena, President of the Ayala Foundation with whom, until recently, I served with on the board of the U.S. based Council on Foundations. She is a thoughtful leader and is a highly effective international representative for explaining the philanthropic developments in this region.

I also want to thank all the Synergos Fellows, of which Malu is one, as well as Aurora Francisco-Tolentino, Chief Executive of the Asia Pacific Philanthropy Consortium, who have stepped forward to help make this a memorable trip for one of their own. As some of you know I had the occasion to visit the Philippines about 14 years ago. During that visit I was hosted by Enrique Garde, Peace and Equity Foundation who recently passed away. I would like to dedicate these remarks to his memory and to his steadfast commitment to the furtherance of the philanthropic and non-governmental sector in the Philippines. Finally, I want to recognize my wife, Dr. Jacqueline Copeland-Carson who is as brilliant as she is beautiful.

I want to talk about three things this morning. First, I want to make the case for why it is imperative that corporate philanthropy in the Philippines move beyond corporate social responsibility to engage in what I will term "social equity investing". I use the word social equity rather than social justice because I don't want you to tune me out in the first five minutes and I do not want to use terms that may be misunderstood in a different cultural context. Having said this, for me the terms social justice and social equity mean the same thing. Second, I want to make the case for why social equity investing which is often avoided by corporate philanthropists in the U.S. and elsewhere must become an essential element of Philippine corporate grantmaking. Lastly, I want to talk about how to begin to successfully implement a social justice strategy – I mean social equity strategy.

It is a daunting task to have been asked to provide some observations to foundation colleagues working in a different part of the world where I neither have nor claim any particular expertise or knowledge. I am especially humbled to have been asked to speak to you given the complexity, and at times, difficult relationship that has existed between the U.S. and the Philippines. In preparing these remarks, I was especially mindful of an old saying "It's not the things that you don't know that get you into trouble, but the things you know for sure that are not so." I suspect that there are a great

many things I “know” to be true that are actually false. As I fall into this trap during the course of my remarks, I ask that you attribute this to my head getting the facts wrong but that you will not question that my heart is in the right place.

Let me start by clarifying the difference between corporate social responsibility and social equity investing. Corporate responsibility is the belief that corporations have a responsibility to use some of their profits to improve the communities and society in which they do business, and where their employees and families live. Corporate social responsibility often takes the form of support for the arts, parks, museums, and direct services, among other activities. It is often used as marketing for the corporation. These funding activities generally share one thing in common: they have little likelihood of offending anyone.

In contrast, social equity investing takes corporate responsibility to the next level. Social equity investing encourages corporate grantmakers to support activities that will make the society more equitable in providing opportunities for all citizens to reach their full potential within a democratic society. It is an advanced form of corporate social responsibility. Social equity investing espouses a point of view with regard to the need to promote equity within the society and, by doing so, improve the economic and political environment for business.

### **Why is Social Equity Investing Avoided?**

Around the world, the most common reason that corporations give for not engaging in social justice – I mean, social equity investing – I keep doing that – is that it will potentially offend some part of their customer base. After all, the last thing a company wants to do is to be at the forefront of an issue that may affront a potential customer.

While this reservation may have some validity in a U.S. setting where there is a stable political economy and a minimum level of social equity, it is a different argument entirely where there is widespread social inequality. Moreover, if such social inequality leads to political unrest then it creates a downward spiral that further undermines a stable political economy and sustained business growth. Another reason why the social equity issue is avoided is due to a failure to engage with the community. Too often, the mindset is, because we are paying the cost, we get to make the decisions. Successful social equity investing requires meaningful community participation. It does not require a lot of money, but the will to take on tough issues.

### **How to Start in Creating a Social Equity Agenda?**

At least one person is thinking – who invited this guy? Someone else is thinking isn't this getting business in to the political arena where its business interests will conflict with its social equity agenda? I can't answer the first question but let me try to answer the second. Supporting efforts that improve the prospects for greater business success is not inherently political; however, it does require you to engage in the public policy process. For example, I would imagine that on a regular basis the corporations in this room are supporting all manner of legislative policies from positions on tariffs on foreign imports to support for greater public investment in roads, ports and air transportation, all of which are pursued because it is good for business. The importance and the necessity of engaging in public policy without becoming partisan is inherently understood and accepted when it comes to the engagement of business on these issues.

I would assert that the same mindset is required by business when pursuing a social equity agenda. Education and health are the key components of social equity and, as such initiatives are successful, business benefits by having both more capable employees and consumers who can produce more and have the financial capacity to buy more goods and services. Starting small, thinking big and working collaboratively are the keys to success in the educational and health areas. Starting small allows you to build on the current efforts that exist and appreciate and avoid some of the pitfalls as you bring projects to a larger scale.

Thinking big allows you to develop a compelling vision that will attract allies and help to keep your eyes on the prize through the good and bad times. Finally, engaging in this work collaboratively will insulate you from charges of self promotion, create shared accountability for your actions, minimize the short-sighted actions of the few who may disagree with your efforts and make it less likely that any one company can be unfairly targeted for its social equity investing.

Consider for a moment that in 2002 the leading causes of death in the Philippines were diarrhea, bronchitis, tuberculosis, pneumonia, influenza, hypertension, heart disease, malaria, chicken pox and measles.<sup>i</sup> What struck me is that these are all preventable and curable. What partnerships might you collectively be able to create with the soon to be \$60 billion Bill and Melinda Gates Foundation which is keenly interested in curing diseases around the world? Would such partnerships around social equity investing lead to the opportunity for business partnerships? I'll have more to say on this shortly.

## **Conclusion**

In closing, I do not think that you have the luxury of inaction. The world has become a smaller place. Global wages will decline as capital becomes ever more mobile and improving educational and health outcomes are essential to creating a stable political economy in which business can grow. To do this successfully, business will require partners and it is my belief that, by encouraging greater philanthropy by individuals and support for emerging community foundations, you can expand the number of partners interested in a social equity investment approach.

One of the most extraordinary philanthropic events in the history of the world recently occurred in the United States. Warren Buffett, a businessman, and one of the wealthiest people in the world, announced that he will be giving away 85 percent of his fortune – an estimated \$30.7 billion to philanthropy. I mention this because it serves as an example that being successful in business and earning enormous personal wealth says very little, if anything, about the kind of person you are. How you use your wealth whether exclusively for yourself or, in part, to help others speaks volumes about who you really are. I would suggest that the path to immortality is ensured by what you give during and after your lifetime and not determined by what you have accumulated.

There is a reason why Bill Gates has stepped down as Chairman of Microsoft to devote his full energies to helping to solve the world's problems. I believe that his example, and that of Warren Buffet among many others, can serve as examples to others here and around the world – that you are defined by what you do to help others. And no, you don't have to wait until you have accumulated wealth on the scale of Bill and Melinda Gates or Warren Buffett before you can

become a philanthropist. In 2004, Giving USA reported that Americans contributed \$248.5 billion and foundations only accounted for 11.6 percent of that amount, roughly \$28.8 billion.

I believe that the League of Corporate Foundations can play a leadership role in encouraging a new energy both among successful business executives and also by supporting the further development of community foundations that could, over time, be excellent partners in advancing a social equity agenda. The business case is clear, the time is now, and all that remains is for those in this room to exercise your considerable skills, talents and resources to take the next step in moving beyond corporate social responsibility to embracing social equity investing.

#### Endnotes

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i Library of Congress, p. 10

ii The Center on Philanthropy at Indiana University, Giving USA 2005 (AAFRC Trust for Philanthropy, 2005), p. 18.

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