CORPORATE SOCIAL RESPONSIBILITY MODULE IV IDENTIFYING KEY STAKEHOLDERS OF CSR AND THEIR ROLES

INTRODUCTION

Stakeholders can be broadly described as any individual or a group who is affected or may give an impact on the achievement of an organization's objectives. In other words a person or a group who has direct or indirect stake in the organization can be called as stakeholders. Many times, mainly students get confused between shareholders and stakeholders because shareholders are also called as stockholders, but they can take a note that shareholders are one of the stakeholders along with many other important as well as few less important stakeholders. Stakeholders can affect or be affected by the actions, policies, strategies, and objectives of the organization in a direct or indirect manner. Stake holders can be divided in to two groups, internal stakeholders and external stakeholders. Each group has few key stakeholders like in internal; employees, directors and in external; creditors, customers, government, Society etc. Each stakeholder has specific role, responsibility and rights in the business.

As per *Freeman's stakeholders theory (2007)* as management is responsible for providing a decent return on investment to shareholders; it is also responsible to look after the well-being of broader set of stakeholders like customers, suppliers, employees, community, and environment etc. Therefore Management of the organization (though one of the stakeholders) needs to take care of the interest and needs of other stakeholders; and required to fulfill their expectations through effective business functioning because this has implications on corporate governance.

Though community and environment are identified as the stakeholders of the organization and that is main part of CSR; but it is a bitter truth that CSR has been given secondary importance and primary focus was always on shareholders and customers. In fact the approach of these stakeholders towards CSR was not positive. CSR was viewed as cost centre because there are no direct economic gains possible from CSR activities of the organizations.

Most of the organizations were earlier denying the society as a stakeholder of business and were not interested in taking the social responsibility by saying ‘it is the responsibility of the Government to take care of society and we are paying taxes to the government as our responsibility’. Similarly investors were interested in profits and were not ready to permit the organizations to spend on CSR which will not generate any economic gains.

ROLE OF PUBLIC SECTOR IN CORPORATE

Public Enterprises (PEs) represents one of the most solid and enduring creations of independent India, The strong industrial base that our country enjoys today which has enabled India. India time and again to withstand both domestic and global shocks is largely a contribution of vibrant public enterprises.

However, today, in the competitive environment there is urgent need to redefine the public sector philosophy so that the achievements attained painstakingly over decades are not squandered away simply because the response of PEs to changing scenario was delayed. Now, there is growing need to review the government priorities in the light of current demands of Indian economy and to initiate steps to move away from the “governing of business to the business of governing.”

Main characteristics of public enterprises:

1. Public Ownership:

The public enterprises should either be wholly owned by the Central Government or State Government(s) or local authority or jointly owned by two more of them, Government ownership means that more than 50% of the equity is being held by a public authority. If the enterprise is owned by the government and private persons, the state must have the predominant share (at least 51%) in the ownership of such enterprises.

Section 617 of the Indian Companies Act clearly specifies that ‘Government company means any company in which not less than fifty one per cent of the paid up share capital is held by the Central Government or by any State Government or Central Government partly and partly by one or more State Governments.’

2. Government Control and Management:

Public enterprises are managed by the government or the public authority. If a public enterprise is operating under the management of private institutions, it does not mean that it has become a private enterprise. The essential condition for a PE is that the government has got a right to manage and control the affairs of the enterprise. In the USA, the Atomic Energy Commission is managed by private institutions and even then it is called a PE.

3. Public Accountability:

The enterprises are provided funds from the public exchequer. It becomes imperative that they should be accountable to the public through Parliament, whose funds are invested to carry on the activities of the enterprises. This goal is achieved through ministers, government, Parliament, audit bodies, etc.

4. Public Purpose:

The private enterprise is essentially a business proposition in which public purpose finds a subsidiary or peripheral position and in no case supersedes business considerations. In PE, social aspects can well precede, supersede and even completely engulf business considerations. The public interest in various forms and shape provides an under-current for all its strategic decisions.

5. Wide Coverage of Activities:

The public enterprises are not established for a specific line of activity or manufacture. They cover varied range of activities. "If we exclude agriculture, home trade, and a few other areas, mostly in the unorganized sectors like lorry transportation, it pervades the economy world today." In India, specially after independence, the PEs are operating in almost every area, viz., construction, marketing, agriculture, finance, development, mining etc.

6. Economic Enterprise:

In a public enterprise, the price charged for its goods and services is expected to cover the cost. In some cases, the price charged may not cover the cost, but the aim is that in the long run the enterprise as a whole would at least break even. Hospitals, universities and a few public utilities like railways, posts and telegraphs charge a fee for their service, but as it does not cover, and it is also not intended to cover, the cost, such activities are not PE, though owned and managed by the state.

7. Autonomous Functioning:

In spite of the initial huge investment made by the government, the PEs are provided sufficient autonomy to manage their affairs in their own fashion. The self- contained management has the right to manage the affairs on the basis of sound business considerations and prudent commercial practices. The government does not interfere in their day-to-day activities. The finances of these enterprises are kept separate from the public exchequer. Departmental undertakings are exception to this financial autonomy.

Four Central Public Sector Roles in Strengthening CSR

1. Mandating: Laws, regulations, penalties, and associated public sector institutions that relate to the control of some aspect of business investment or operations.

2. Facilitating: Setting clear overall policy frameworks and positions to guide business investment in CSR, development of nonbinding guidance and labels or codes for application in the marketplace, laws and regulations that facilitate and provide incentives for business investment in CSR by mandating transparency or disclosure on various issues, tax incentives, investment in awareness raising and research, and facilitating processes of stakeholder dialogue (though not necessarily in the lead).

3. Partnering: Combining public resources with those of business and other actors to leverage complementary skills and resources to tackle issues within the CSR agenda, whether as participants, convenors, or catalysts.

4. Endorsing: Showing public political support for particular kinds of CSR practice in the marketplace or for individual companies; endorsing specific award schemes or nongovernmental metrics, indicators, guidelines, and standards; and leading by example, such as through public procurement practices.

GOVERNMENT PROGRAMS THAT ENCOURAGE VOLUNTARY RESPONSIBLE ACTION OF CORPORATIONS

Increasing corporate engagement with social responsibility has stimulated a debate over the appropriate role of government in regulating this traditionally-private sphere. CSR began as a voluntary form of private regulation, however governments are gradually becoming more involved. Particularly in Europe, with the UK as the frontrunner, the collaboration between national governments and private industries has increased – with the aim of protecting and promoting social objectives. After gaining wider prominence in the UK in the 1980's during a time of high unemployment and social unrest, CSR has recently become a priority issue on the public agenda.

The aversion to government involvement in CSR regulation in business is understandable, however the benefits of engagement from the public sphere should also be considered. Many success stories have arisen from such collaboration, in particular the development of legislation and regulation to control employee-firm relationships, maintain health and safety standards in workplaces, prevent discrimination and promote equal pay.

The ability of government to provide a framework for regulation and the means by which to monitor compliance is likely to improve CSR standards and encourage large and small companies alike to improve their performance.

Government Actions and their Impact on CSR

Governments employ various methods through which to foster better CSR practices within the private sphere, many of which reflect non-intrusive, soft-law approaches. Most crucially, the government is in a position to raise awareness and build capacities for CSR among companies and stakeholders – an important role due to the largely voluntary nature of CSR. The more people are aware of the social challenges facing businesses, the more likely that attention will be focused on developing solutions to tackle these issues.

Government provides vital information to the private sectors through initiatives that include websites that inform companies of CSR and its role in business and society. Reports on CSR, as well as government-sponsored guidelines, aid businesses in addressing individual concerns that may be prevalent within their industry and practices. Companies can refer to online resources in order to gain insight into prevalent issues and how to solve them. Established codes of conduct are readily available, such as the 'Standard Voluntary Code of Conduct for Executive Search Firms', created in response to the 2011 Davies Review. The review advocated a Code of Conduct, primarily in order to address gender diversity on corporate boards. Since its launch, the Code has been improved with the help of participating firms themselves, and was recently subject to an independent review which analysed its effectiveness. The provision of state-issued information and guidelines thus helps firms to become aware of CSR issues prevalent across industries, and provides them with strategies to tackle these problems.

The government is also involved in standard-setting through the provision of policy frameworks, which encourage companies to improve their performance beyond minimum legal standards. The policy-making role of government is crucial for promoting CSR between different industries at the national level, encouraging a tightening of standards across the board. Economic incentives are often used to facilitate socially-responsible practices – an example of which is the relaunch of the 'Payroll Giving' scheme. Accompanied by a PR campaign, this scheme raised awareness of ways in which businesses could encourage their employees to donate to charities and good causes of their choice. Most recently, the government implemented a 'Corporate Governance Reform,' the aim of which is to respond to recognised problems inherent in some businesses and provide a set of legislative and business-led measures to improve standards of corporate governance. A key goal of this Reform was to "drive change in how large companies engage at board level with employees, suppliers and wider stakeholders to improve boardroom decision-making and deliver more sustainable business performance." This report also encourages companies to disclose the corporate governance arrangements that are in place in order to provide higher levels of transparency – an example of another important role that government performs.

The ability of government to improve disclosure and transparency of often-hidden social responsibility practices within the private sphere is key to building wider confidence in the way business is run. Through the regulation of monitoring and reporting, companies that undertake CSR initiatives are often subject to accountability measures. These quality-assuring procedures encourage businesses to uphold their commitments through the publication of company practices. This, in turn, improves industry CSR standards as companies will likely aspire to rival their competitors and gain recognition for their performance in this sphere. The UK Corporate Governance Code, for instance, sets standards of good practice regarding board composition and development, remuneration, shareholder relations, and most importantly – accountability and audit. A provision of the Code requires the generation of annual public reports that hold participating companies accountable and demonstrate their compliance with the conditions of the voluntary Code. The benefit of such schemes is their entirely voluntary nature; however, once companies join, they are often held to stringent standards to encourage high standards of corporate governance.

Why Collaboration Can Be Positive

A collaboration between government and the private sector is arguably one of the most effective ways to improve national CSR standards within businesses. By laying down the groundwork for minimum CSR standards and encouraging companies to reach above and beyond this threshold, government involvement can ensure that social objectives are followed through and that voluntary CSR initiatives are carried out to an appropriate standard.

Studies have shown that CSR creates social value and improves social welfare, which constitutes the main goals of government policy. It seems natural, therefore, to encourage greater collaboration between the public and private spheres as their objectives are often complementary. The main rationale behind CSR, often referred to as the 'Triple Bottom Line' principle, implies that businesses should not only serve as economic, but also social and environmental ends. This idea is reflective if the main policy goals of government, and therefore cooperation between the two spheres can better promote these objectives and bring about improvements in CSR practices within business.

ROLE OF NON PROFIT GOVERNMENT IN IMPLEMENTING CSR

Although in general the majority of businesses are still in the early stages of developing collaborations with NGOs, a wave of companies both new and long-standing are taking the lead in bringing business‟ financial and human resources as well as a systems- approach to the job of bridging India‟s wide gap between rich and poor. Drawing on a historical precedent, these businesses recognize the pivotal role of businesses in nation-building and are building relationships with NGOs to create real change. However, sectoral stereotypes, a fierce short-term business climate and an under-capacity NGO sector are obstacles to greater scale and impact. A vital opportunity exists to achieve a stepchange in India‟s inclusive growth and prosperous development by companies working much more extensively in partnership with civil society, NGOs and government.

Companies can use their business skills and acumen (for example through skills-based employee engagement) to build the capacity of the other sectors and work together to tackle some of the most pressing societal challenges. NGOs need to improve transparency to counter negative stereotypes and professionalize management processes, but they need business help to do this. The scene is set for visionary businesses to take advantage of the opportunity to use their unique trusted status to lead a collaborative effort with NGOs and government that capitalizes on the growth potential of India and creates a lasting legacy of equity and prosperity for all, that will ensure India achieves the status of a true superpower

EMERGING TRENDS IN BUSINESS-NGO PARTNERSHIPS IN INDIA

Growing business demand for community programmes and engagement with NGOS: CSR initiatives in India are driven in part by the CSR guidelines that either compel state-owned companies or put pressure on non-state-owned companies and also derive from company driven moral drivers to participate in the „betterment of society‟. Many companies have started up CSR departments and new community development programmes in the last few years and all see this as a growing trend. Whether initiating from external or internal drivers, the trend appears to be "infectious" and is causing slow but incremental growth in business-NGO collaboration. There is a strong sense from companies that CSR and community involvement will soon be mandatory or considered „essential‟ and that the years to come will see increased investment in organization and management in this area.

Innovative approaches from business, government and NGOs are emerging : A new paradigm of „shared value‟ or „inclusive business‟ that sees business opportunities in development challenges has emerged. Building on the work of India‟s CK Prahalad and the notion of the „fortune at the bottom of the pyramid‟ this new phenomenon sees large Indian companies increasingly address social issues as business propositions, such as low-cost housing, healthcare and education solutions for bottom-of-the-pyramid populations. Examples of companies looking to understand underserved markets and develop appropriate products include Tata, Nokia, Godrej, DataWind, MCX, ICICI Bank, Hindustan Unilever and Airtel. Examples of social enterprises include LifeSpring Hospitals, HarWa and Selco. NGOs and government are adopting new approaches too, particularly in agriculture, green tech, skills and technology. Pratham, Naandi Foundation, Business Community Foundation and Bhavishya Alliance have all advanced approaches to engaging business in development. The National Skills Development Corporation was established by the government of India to find new, sustainable ways of supporting skills programmemes in India at scale. Support services also now exist to support large companies who wish to explore this type of business activity such as the Business Innovation Facility, CII-ITC Centre for Excellence in Sustainable Development, WBCSD, NASSCOM Foundation, Accenture Development Partnerships, the International Business Leaders Forum and FSG

Corporate foundations are leading strategic development: India is unusual in seeing corporate foundations driving the shift from philanthropic giving to more strategic development, for example the ICICI foundation for inclusive growth, Bharti Foundation, The Paul Foundation and Tata Trusts. In many parts of the world a company foundation often becomes a way of outsourcing social responsibility, removing the need to make corporate operations more responsible. In contrast, in India, foundations have a greater legitimacy given the scale of social inequity and the amount of work to be done to bring about inclusive growth. There are many examples in India of companies separating how they make their money, from how they give back. But there are also examples in India of companies with strong values that underwrite the ethics and connectedness of the business, while their foundation maximizes the developmental impact of the company and pools resources and expertise. Ultimately, the leadership of each business must understand and communicate the interconnectedness of their company's success with that of society at large. Given the scale of India, there is potential for foundations to make a large impact.

CSR ISSUES

Corporate social responsibility (CSR) aims to optimize the benefit to an enterprise's stakeholders and to prevent or dampen the potential adverse affects of its activities. CSR therefore covers a broad spectrum of issues that must be taken into account in business conduct. This includes working conditions, human rights, the environment, preventing corruption, corporate governance, gender equality, occupational integration, consumer interests and taxes.

1. Human Rights

An enterprise's responsibility to respect human rights relates to internationally recognised human rights, particularly those of the United Nations. Human rights due diligence enables enterprises to identify any adverse effects resulting from its activities and in its value chain in good time and to prevent or reduce them. The shape it takes in practice depends above all on the size of the enterprise and on certain risk factors such as the region and sector.

2. Working Conditions

By ensuring the best possible employment conditions based on the applicable statutory provisions and international labour standards, in particular those of the International Labour Organization, enterprises can play a role in creating high-quality jobs. This primarily concerns the granting of trade union rights, the abolition of child and forced labour and the elimination of employee discrimination (e.g. based on where they come from, their social background, skin colour, religion or political views). Constructive cooperation with social partners is also an important part of this.

3. The Environment

Responsible environmental management aims to continuously improve an enterprise's impact on the environment. This includes a progressive internal environmental management system based on high standards, environmental due diligence, an environmentally friendly strategy with closed cycles, consistent reduction of greenhouse gas emissions and a contingency plan for reducing harmful effects on the environment.

4. Combating Corruption

Corruption has an extremely harmful effect on democratic institutions, good corporate governance, investments and international competition. Enterprises can play a key role in combating corruption by introducing internal control mechanisms to avoid and expose it. It is also important to publish the policy on combating corruption supported by the management and to train employees.

5. Disclosing Information

As part of a transparent reporting process, enterprises inform the public about their business activities and their effects in terms of the economy, society and the environment. The regular, timely and pertinent disclosure of information improves an enterprise's transparency and credibility. The reporting process also gains the trust of the enterprise's stakeholders (e.g. shareholders, financial institutions, employees and interest groups) and can facilitate access to capital.

6. Corporate Governance

Good corporate governance involves striving towards transparency and a balanced ratio of management and control while protecting the decision-making power and efficiency at the topmost corporate level. These are underpinned by good accounting und reporting practices, supervision by the Board of Directors and respect for shareholder rights and the concerns of key stakeholders.

7. Consumer Interests

For consumers, it has become increasingly difficult to compare products and services and to make informed decisions about purchases, particularly due to the increasing numbers of products on offer and the complexity of many markets. They are therefore reliant on enterprises adopting fair business and marketing practices and guaranteeing the safety and quality of their products and services. This involves providing accurate and clear product information, promoting sustainable consumption and taking customer concerns seriously

8. Gender Equality

As part of their activities, enterprises should be guided by the basic principle of gender equality in employment and, in this regard, should refrain from any discrimination towards their employees based on gender. Balancing work and family and equal pay are key corporate challenges.

9. Occupational Integration

By identifying its employees' health issues early on and quickly taking the appropriate measures, enterprises can safeguard their staff's employability. This will reduce the number of people leaving the job market due to health problems as much as possible. Employees with a health problem should be supported throughout the reintegration process.

NATIONAL VOLUNTARY GUIDELINES BY GOVT. OF INDIA

India's National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) were released by the Ministry of Corporate Affairs (MCA) in July 2011 by Mr. Murli Deora, the former Honourable Minister for Corporate Affairs. The national framework on Business Responsibility is essentially a set of nine principles that offer businesses an Indian understanding and approach to inculcating responsible business conduct.

"Responsible Business" conduct refers to the commitment of businesses to operating in an economically, socially and environmentally sustainable manner while balancing the demands of shareholders and other interest groups. It's about managing risks and impacts, which affect business' ability to meet its objectives. The NVGs are formulated with the objective of creating positive framework conditions to advance the role of business in economic growth which is socially and environmentally sustainable, while also ensuring enhanced competitiveness and integration into the global markets.

The NVGs serves as a guidance document for businesses of all size, ownership, sector, and geography to achieve the triple bottom line. In 2012, subsequent to the release of the NVGs the Securities and Exchange Board of India (SEBI), a market regulator, mandated the Annual Business Responsibility Reporting (ABRR), a reporting framework based on the NVGs.

Ministry of Corporate Affairs has revised the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, 2011 (NVGs) and formulated the National Guidelines on Responsible Business Conduct (NGRBC). These guidelines urge businesses to actualise the principles in letter and spirit.

These principles are:

1. Businesses should conduct and govern themselves with integrity in a manner that is Ethical, Transparent and Accountable.

2. Businesses should provide goods and services in a manner that is sustainable and safe

3. Businesses should respect and promote the well-being of all employees, including those in their value chains.

4. Businesses should respect the interests of and be responsive to all their stakeholders.

5. Businesses should respect and promote human rights.

6. Businesses should respect and make efforts to protect and restore the environment.

7. Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.

8. Businesses should promote inclusive growth and equitable development.

9. Businesses should engage with and provide value to their consumers in a responsible manner.

The Ministry of Corporate Affairs has been taking various initiatives for ensuring responsible business conduct by companies. As a first step towards mainstreaming the concept of business responsibility, the 'Voluntary Guidelines on Corporate Social Responsibility' were issued in 2009. These guidelines were subsequently revised as 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, 2011 (NVGS)' after extensive consultations with business, academia, civil society organisations and the government. The NVGs were developed based on India's socio-cultural context and priorities as well as global best practices.

There have been various national and international developments in the past decade that have nudged businesses to be sustainable and more responsible, prior most being the United Nations Guiding Principles on Business & Human Rights (UNGPs). These became the key drivers for further revision of the guidelines. Some of these include the thrust of Companies Act, 2013 (Act) on businesses to be more mindful of their stakeholders. The Act casts fiduciary duties on the Directors of a Company (S. 166) requiring them to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment. There was also a need to demonstrate more visibly India's implementation of the UNGPs based on UNHRC's 'Protect, Respect & Remedy' Framework and also make evident India's commitment to Sustainable Development Goals (SDGs).

The Securities and Exchange Board of India (SEBI) through its 'Listing Regulations' in 2012 mandated the top 100 listed entities by market capitalisation to file Business Responsibility Reports (BRRs) from an environmental, social and governance perspective. These BRRs enabled business to demonstrate the adoption of the NVG principles and the attendant core elements with the intent of engaging businesses more meaningfully with their stakeholders going beyond regulatory financial compliance. This was extended to top 500 companies in FY 2015-16. This, for the first time, introduced voluntary sustainability reporting among companies in India which is still in a nascent stage.

In furtherance to updation of NVGs and formulation of the NGRBCs, the Ministry of Corporate Affairs has constituted the Committee on Business Responsibility

Reporting (BRR) to develop BRR formats for listed and unlisted companies. Non-financial reporting is increasingly forming the basis for enhancing investor confidence in businesses and increasing their creditworthiness. The Committee is to develop comprehensive yet simple formats situating the various stakeholders at the center so as to not increase or duplicate reporting burden. The proposed formats are to reflect linkages to prevalent non-financial reporting formats, viz, Global Reporting Initiative (GRI), Integrated Reporting (IR) etc., and SDGs from a NGRBC perspective.

The Ministry of Corporate Affairs is also in the process of developing India's National Action Plan on Business & Human Rights (NAP) in consultation with various Ministries and State Governments by 2020. A Zero Draft of India's NAP demonstrating implementation of the three pillars of UNGPs has also been released and uploaded on the website of the Ministry.

ROLES AND RESPONSIBILITIES OF CORPORATE FOUNDATIONS

A corporate foundation is a type of foundation. This means that it is a non-profit organisation, different from the company. It is part of the private foundation family. The characteristic of this one is that the majority of the funds are coming from one source. The corporate foundation's source is: an enterprise and its employees. Also called an enterprise foundation, this is a very common way for companies to do good.

Different ways to fund the corporate foundation. It can be from an original fund. In this case, the money is given once, and the foundation has to operate on this fund. In other cases, the incomes are coming at different times. Seeing that the funds have to come from one enterprise, it can be under the form of annual donations or fundraising organised by the company. Another way for an enterprise to support a foundation is by paying the salary of the organisation's employees.

The foundation, even if it has the name of the company, is an independent entity. It has a legal body different from its funder. The importance of the ties between the two varies each time.

Corporate foundations and philanthropy were the primary vehicle and in many cases, the "face" of corporate citizenship for most large companies for much of the late 20th century. Today, this is rapidly changing as corporations work to meet new expectations for corporate responsibility and citizenship.

The public no longer judges a company by what it "gives" philanthropically but much more fundamentally by what the company "does" both in its business practices and in the way it works with others to address social challenges. In this context, corporate citizenship is now measured by the impact and contribution of the business as a whole, from its products and services to the way it manages its operations and supply chain, to how it supports communities and social development.

When it comes to community support, the public wants business to provide more than simply "charity." People are looking to businesses to be active partners with others in leveraging all of their capabilities to help address social and environmental challenges. This poses new challenges to corporate foundations and traditional models of corporate philanthropy. When asked in a 2007 McKinsey poll to identify the three tactics they rely on to manage socio-political issues, only 12 percent of executives noted philanthropy and only 10 percent said they saw this as effective. The public seems to concur when it comes to the importance of philanthropy in corporate citizenship. When asked in a recent 2009 GlobeScan global poll to define the key elements of corporate citizenship, only 5 percent of respondents identified philanthropy, down from 12 percent in 2008.

For corporate foundations to remain a relevant and a value-added contributor to corporate citizenship there is an urgent need to review and explore how they can more effectively help their companies address 21st century corporate citizenship challenges. These include

1. **What role can corporate foundations play in the development of the broader corporate citizenship agenda for their company?** For many companies there is often a significant disconnect between the "philanthropic" activities of the foundations and the broader corporate citizenship issues the company is trying to address. How can this gap be closed? Can or should corporate foundations play a more active role in educating and helping their firms in the development of their broader corporate citizenship strategy from sustainability to human rights? Should corporate foundations be more active in the public policy arena?
2. **What role should corporate foundations play going forward in the company's broader social engagement and community involvement strategy?**
   As companies move from a model of social engagement based on transactional support for others to a social partnership and shared-value model of engagement, the role of foundations as a primary "face" and vehicle for community support is changing. In the emerging shared-value and community investment model of community engagement, corporate foundations and their philanthropic resources

become just one part of a package of corporate resources designed to significantly impact a particular social issue. To sustain this investment like any other also requires that companies be able to measure the business value as well as the social value of these investments. In this shared-value model of full engagement, we need to better understand where foundations can best add value, both as a catalyst for this larger relationship and a participant in it. One of the challenges facing corporate foundations in the shared-value model of community engagement is the legal restrictions on the benefit a company can receive for a philanthropic "gift". This may make it more attractive for initiatives specifically designed to create measurable value for the company to be supported through other funding windows not subject to the legal constraints of a foundation.

3. **How do current models for the incorporation and management of corporate foundations help or hinder companies as they try to create greater value for both the company and society.**

   While the vast majority of corporate foundations are incorporated as "non-operating" foundations, in recent years some companies, in particular those in the pharmaceutical sector, have established "operating" foundations, which can better support and manage direct services contributions of the company (in 2006 pharmaceutical foundations contributed $2.6 billion in in-kind contributions). Are there other alternative models such as these for structuring and managing corporate foundations so that they are more effectively integrated and aligned with the business?