

# Corporate Social Responsibility and Emergent Models in Management of Stakeholder Capital in Philippine Conglomerates

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## Abstract

The paper adopts a social benefit-cost analysis framework to look at three stages in the historical development of management of stakeholder capital of corporations in the Philippines. The first two stages were government-driven. Stage One is internalization and moderation of some social costs starting with the Environmental Impact Statement System adopted by the Philippine government under President Marcos in 1981. Stage Two consists of reforms in the political economy started in 1992 by President Ramos to reduce rentier profit-making and regulatory capture by big corporations. Stage Three has been internally driven from within the Philippine corporate sector. It consists of corporations assuming social development roles and generating social benefits through CSR (corporate social responsibility) policies and programs. It gradually developed during the last two decades or after the February 1986 People Power or EDSA Revolution. The CSR in top Philippine corporations, especially among the larger conglomerates, is studied and analyzed to discern patterns meaningful in the context of Philippine economy, society and culture. The issues and challenges are next outlined. Finally, speculative pessimistic and optimistic Stage Four scenarios in Philippine and East Asian contexts, particularly with reference to Chinese-Filipino conglomerates, are drawn up.

## A. Introduction

The objectives of this paper are (i) to describe the achievements of, and challenges ahead facing CSR of the Philippine corporate sector with focus on Philippine conglomerates, (ii) to understand how CSR fits into a historical pattern of changes in stakeholder capital management by Philippine corporations, and (iii) to identify patterns in emerging developments in CSR in the Philippines.

Corporate social responsibility (CSR) in the Philippines is better understood in the long-term context of development of how the Philippine corporate sector views and manages their stakeholder capital. This is the basic approach adopted in this paper.

## B. Concepts and Framework

The European Union defines corporate social responsibility (CSR) as "*a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.*"<sup>1</sup> The ISO 26000 Working Group on Social Responsibility adopted the following working definition in its meeting in Sydney last February 2007 as: "*social responsibility (is the) responsibility of an organisation for the impacts of its decisions and activities on society and the environment*

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<sup>1</sup> EU: Implementing the Partnership for Growth and Jobs: Making Europe a Pole of Excellence on Corporate Social Responsibility. 22 March 2006.

*through transparent and ethical behaviour that is consistent with sustainable development and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the organisation.*<sup>2</sup>

The prevailing definitions of CSR often incorporate the three criteria of sustainable development – economic, social and environmental – which was adopted in the UN Conference on Environment and Development or the Rio Summit in 1992.

Corporations create value using tangible and intangible assets, where the contribution of intangible assets is generally greater.<sup>3</sup> The intellectual capital school<sup>4</sup> of knowledge management (KM) addresses the task of managing intangible assets. It views intangible assets as consisting of three forms: human, internal and external. Most KM practitioners also refer to these three forms as human capital, structural capital and stakeholder capital, respectively. Some KM practitioners use the more limited concept of customer capital instead of stakeholder capital.

Stakeholder capital is the quantity and quality of a firm's external relationships that result to value creation and business success, e.g. formal and informal relationships not only with customers but also with employees, suppliers and external consultants, partners, franchisees/franchisor, government as well as communities and publics affected by the operations of the business. Stakeholder capital is built on trust and confidence on, and reputation of, the corporation. Brand is part of stakeholder capital. A formal relationship such as a franchise agreement is another example of stakeholder capital.

Corporate executives and corporate planners exhibit different levels of appreciation of stakeholder capital. Many corporations are serious about managing their stakeholder capital although they do it under different management labels: customer relations management, community relations, public relations, brand management, business development, account management, marketing, government relations, corporate social responsibility, etc. On the other hand, there are executives who ignore stakeholder capital until an external issue arises that visibly affect or threaten corporate profits. A social benefit-cost analysis framework<sup>5</sup> (see Diagram 1) shows why this happens.

Environmental and social costs are externalities; they are costs that are external to a firm's accounting system. As such, they are normally not factored in enterprise decision making.

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<sup>2</sup> Hohnen, P.: Corporate Social Responsibility: An Implementation Guide for Business. Winnipeg: International Institute for Sustainable Development, 2007.

<sup>3</sup> In end-2007, intangible assets contributed to 79.4% of market value of corporations. In end-2008, the contribution was down to 75.4%. Because of the global financial crisis, as of April 5, 2009, this figure was down to 70.9%. The nearly 10% drop is largely due to loss of stakeholder capital, i.e. business confidence and trust. Source: data from 215 industry sectors from Yahoo Finance: [http://biz.yahoo.com/p/sum\\_conameu.html](http://biz.yahoo.com/p/sum_conameu.html)

<sup>4</sup> This school of thought is represented by the following authors: (a) Sullivan, Patrick H. Value Driven Intellectual Capital: How to Convert Intangible Corporate Assets into Market Value. Wiley, 2000. (b) Stewart, Thomas A. Intellectual Capital: The New Wealth of Organizations. Doubleday Business, 1998. (c) Sveiby, Karl Erik. The New Organizational Wealth: Managing and Measuring Knowledge-Based Assets. Berrett-Koehler Publishers, 1997.

<sup>5</sup> This is also referred to as extended benefit-cost analysis or simply as cost-benefit analysis.

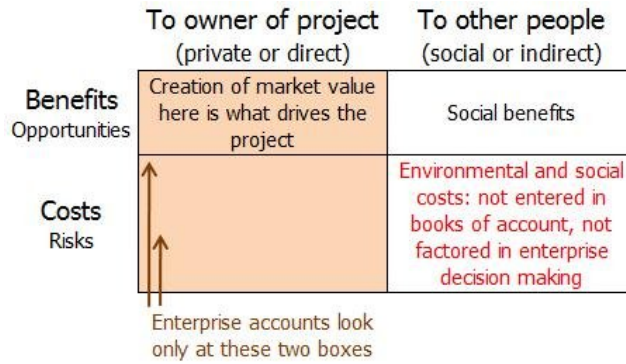


Diagram 1: Social Benefit-Cost Framework

### C. Historical Pattern of Managing Stakeholder Capital in the Philippines

#### Stage 1: Regulation to avert or moderate social costs

The global environmental movement which grew from the U.S. in the late 1960's and early 1970's and domestic pressures from failed development projects such as the Chico River Dam project led the Philippine government under President Ferdinand Marcos to adopt a law in 1978 requiring project proponents to submit an Environmental Impact Statement<sup>6</sup> as a pre-condition to starting a project.

Basically, the law requires corporations to anticipate, reduce and internalize social costs. The effect of the law is to reduce social costs by forcing corporations to spend for better production processes or for pollution abatement measures – a partial internalization of social costs (see Diagram 2).

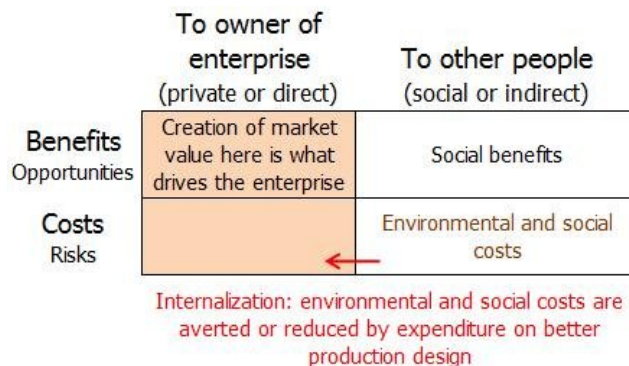


Diagram 2: Stage 1 is regulation to avert or moderate social costs

Stage 1 was government-driven. When Stage 1 started, Philippine corporations did not have appreciation of the value of stakeholder capital to their business success. In fact

<sup>6</sup> The Philippine Environmental Impact Statement (EIS) System was established in 1978 through Presidential Decree (PD) No. 1586. It declared environmentally critical projects (ECPs) and projects within environmentally critical areas (ECAs) as projects that require the submission of an environmental impact statement (EIS). However, it was only in 1981 that law was operationalized when the categories of ECPs and ECAs were specified through Presidential Proclamation No. 2146, series of 1981. Since then, the EIS system has undergone several refinements to make it a more effective regulatory tool in addressing social and environmental costs that are anticipated to result from a proposed project. See: Gregorio-Reyes, J. J.: Philippine Environmental Updates. Manila: Quisumbing Torres, June 2006.

the concept of stakeholder capital was unknown at that time. Corporate project proponents were simply complying with the law. The EIS system requires the scoping and conduct of an Environmental Impact Assessment or EIA. The Philippine government, through the Department of Environment and Natural resources, requires corporate proponents to conduct public or stakeholder consultations during the scoping and assessment stages. In the beginning, these exercises were new experiences for some corporations in coming to terms with community welfare and interests that are affected by their business operations.

**Stage 2: Economic reforms to reduce rent-seeking behaviors**

When President Fidel V. Ramos assumed office in 1992, he adopted Philippines 2000 as his overall development strategy, which includes economic reform to remove or reduce factors in the legal, regulatory and implementation environments that allow corporations to make profits based on economic rent. During his term in office, he (a) lowered tariff duties to reduce incentives to smugglers, expose lagging domestic industries to foreign competition and relieve customers from paying for low quality but high-priced domestically produced goods, (b) dismantled monopolies and oligopolies by liberalizing entry into the airlines industry, domestic shipping, insurance, telecommunications, banking, etc. (c) privatized government-owned corporations such as water and power utilities, and (d) appointed trusted and reputable men and women in revenue-generating agencies such as internal revenue and customs.<sup>7</sup> Heretofore, some Philippine corporations particularly the bigger ones collude with policy and regulatory agencies to tilt the economic playing field in their favor and at the expense of the end consumers. This regulatory capture was endemic across many Philippine government agencies.

Economic reforms alter the national policy and institutional environment so that corporations' behaviors that hurt the larger public are reduced. This Stage 2 is also government-driven. It is unfortunate, however, that the momentum of economic reform was set back after President Ramos' term of office ended in 1998.

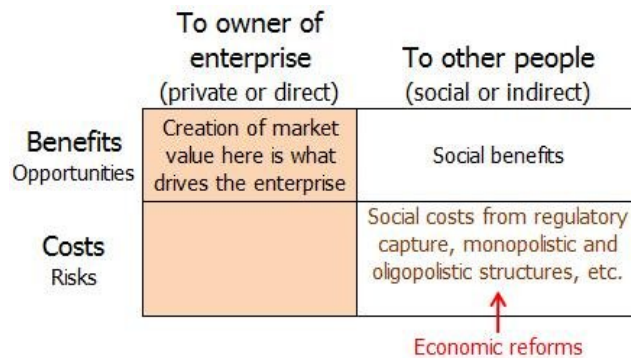


Diagram 3: Stage 2 is economic reforms

**Stage 3: Emergence of Corporate Social Responsibility**

The idea of socially-responsible business was voiced out in 1971 by the Bishops-Businessmen Conference of the Philippines for Human Development (BBC). It introduced

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<sup>7</sup> Bernardo, R. L. and M. G. Tang: The Political Economy of Reform during the Ramos Administration (1992-98). Commission on Growth and Development, Working Paper 39. IBRD/World Bank, 2008. See also: Canlas, D. B.: Political Governance, Economic Policy Reforms, and Aid Effectiveness: The Case of the Philippines with Lessons from the Ramos Administration. Tokyo: National Graduate Institute for Policy Studies, 2007.

initiatives along social responsibility of business and code of ethics for business.<sup>8</sup> It was after the People Power Revolution or EDSA Revolution in February 1986 when CSR developed faster. The peaceful revolution ended the one-man rule of President Marcos, and with it, an economy dominated by crony capitalism or big business conglomerates owned by "cronies" of President Marcos. The subsequent new Constitution of 1987 recognized and formalized the role of non-government organizations (NGO) in national and local development. This political change under President Corazon Aquino ushered the rapid growth of civil society organizations, NGOs, peoples' organizations, foundations and other development-oriented organizations. It is estimated that there are about 500,000 civil society organizations in the Philippines. The Asian Development Bank observed that *"there is consensus that the civil society sector is large and vibrant by developing country standards."*<sup>9</sup>

Meanwhile, the idea that development must address not only the economic but also social and environmental domains to be truly sustainable finally gained international acceptance at the Rio Summit in 1992, when 118 governments adopted Agenda 21. This was the culmination of pressures from international civil society groups since the environmental movement started in the 1970's. Thereafter, sustainable development became the mainstream development paradigm within the UN system. Then the idea spread from the government sector to the private sector in the form of CSR. This explains why CSR definitions often incorporate the three domains of economic, social and environmental development, which also known as the "triple bottom line" or 3BL. John Elkington, who introduced the term in 1994, also uses the acronym 3P or "People, Planet and Profit."<sup>10</sup> The biggest limitation in 3BL is the absence of standards and measurements,<sup>11</sup> which the International Organization for Standards is currently addressing. It plans to release the new ISO 26000 or ISO SR in 2010.<sup>12</sup>

Nearly two decades after the EDSA Revolution, the idea of CSR had filtered to the Philippine private sector. Philippine corporations have come to regard development-oriented CSR as an essential part of their business. A survey of 166 business executives in 2004 revealed that 82% view good CSR as contributing to corporate bottom line.<sup>13</sup>

Stage 3 started earlier than Stage 2, but it continued on and grew far beyond the abrupt end of Stage 2 in June 1998 when the term of office of President Ramos ended. Stage 3 is definitely internally-driven from within the corporate sector, arising as it does from the maturing recognition that enhancing their stakeholder capital by generating social benefits does create value for the corporation.

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<sup>8</sup> Pruna, L. M. "Building Networks and Collaboration Across Business, Government and Civil Society: The Philippines Experience." Presentation at the Conference on Enhancing Corporate Responsibility, Tokyo, 17-19 October 2007, ADB Institute. Source: <http://www.adbi.org/event/2349.enhancing.corporate.social.responsibility/>

<sup>9</sup> ADB: Overview of NGOs and Civil Society: Philippines. ADB NGO and Civil Society Center, 2007. See also: ADB: A Study of NGOs: Philippines, 1999.

<sup>10</sup> See: <http://www.johnelkington.com/activities/ideas.asp>. See also: Elkington, J.: Cannibals with Forks: Triple Bottom Line of 21<sup>st</sup> Century Business. Capstone Publishing, 1997.

<sup>11</sup> Norman, W. and C. MacDonald: Getting to the Bottom of "Triple Bottom Line". Business Ethics Quarterly, March 2003.

<sup>12</sup> See: [http://en.wikipedia.org/wiki/ISO\\_26000](http://en.wikipedia.org/wiki/ISO_26000)

<sup>13</sup> Maximiano, J.M. B.: The state of corporate social responsibility in the Philippines. Paper read at the 12th Annual Conference of the Australian Association for Professional and Applied Ethics, 28-30 September 2005, Adelaide, Australia.

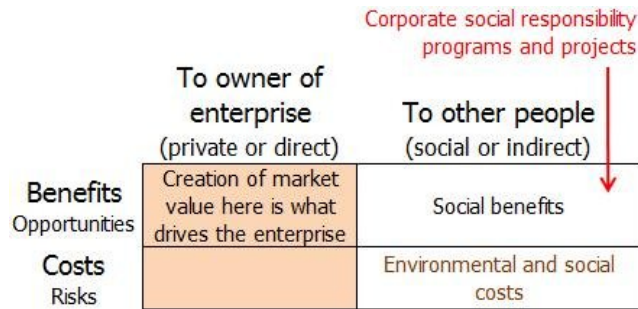


Diagram 4: Stage 4 is emergence of CSR

#### D. CSR of Philippine Conglomerates

Maximiano's study<sup>13</sup> of 166 Philippine corporations showed that involvement in CSR and integration of CSR into corporate policies and programs are both correlated with size of the corporation. Philippine conglomerates, which are mostly family-owned, lead in CSR in the Philippines. This study selected eight Philippine conglomerates: five by Chinese-Filipino families, one by a Spanish-Filipino family and two by a Filipino family. The eight belong to the top ten richest Filipino families, according to Forbes.<sup>14</sup>

The top Philippine conglomerates can and do wield power and influence on Philippine politics and development. What they do in relation to the general polity plays a significant role in solving or adding to the problems of the country. This context is behind the choice of studying their CSR policies and the CSR policies of the Philippine private sector in general.

##### **Analysis of Trends and Patterns**

In 2007, Newsbreak, with the support of the British Embassy, conducted a survey to find out if CSR has indeed a following in the country and if companies have solid CSR action plans integrated in their business strategy. The survey was conducted among large-scale companies (those with annual revenues of at least P60 million and with employees ranging from 24 to 32,000). The questions were designed to determine (i) if CSR is embedded in the company in terms of structure and leadership, funding and logistics, and reporting and assessment; (ii) where CSR is in their corporate structure, who initiates and sets CSR policy, and which department or division enforces it; (iii) factors influence the allocation of annual budgets for their CSR activities and which among the company's functional groups shells out the money; and (iv) how they measure and report about their successes.

Here are the key findings:<sup>15</sup>

- In most of the companies, the CEO initiates CSR programs.
- The entry point for CSR practice has been concentrated on two aspects: community work and public relations.
- Getting the other functional groups involved in embedding the CSR strategy into the way the company plans and implements products and services is rare.
- Most companies leave the CSR implementation to the corporate foundation, while half say they let the public relations or corporate communications group take the lead.

<sup>14</sup> Doebele, J.: Philippines 40 Richest. 2006. Source: <http://www.forbes.com/global/2006/1225/039.html>

<sup>15</sup> Source: [http://www.newsbreak.com.ph/csr/survey\\_bigcorps.html](http://www.newsbreak.com.ph/csr/survey_bigcorps.html)

- Next to the community, the employees are the stakeholders that the companies target for their CSR.

The survey also revealed education, environment, health, community, the arts and others (e.g. livelihood, entrepreneurship, social welfare, and medical and disaster relief) to be top priorities of CSR programs of large-scale companies. This is relatively consistent with the CSR programs of top Philippine conglomerates outlined in the CSR Profile (see Annex) and summarized below.<sup>16</sup>

Table 1: Presence of Philippine Conglomerates in various Sectors

CSR Mechanism	Education	Environment	Community	Health	Others
SM Foundation, Inc	✓		✓	✓	✓
Tan Yan Kee Foundation, Inc.	✓		✓	✓	
Ayala Social Initiatives	✓	✓			✓
Gokongwei Brothers Foundation	✓				
Lopez Group Foundation, Inc.	✓	✓	✓	✓	✓
San Miguel Foundation, Inc.	✓	✓	✓		✓
Metrobank Foundation, Inc.	✓			✓	✓
Jollibee Foundation, Inc.	✓	✓	✓		✓

Cultural traditions seem to influence which sector companies undertake their CSR programs or projects, i.e. education is a highly-valued Filipino value and all the eight conglomerates engage in CSR in education. A 1999 survey conducted by the Asian Institute of Management's Ramon V. del Rosario Center for Corporate Responsibility showed that educational institutions were the main recipients of corporate grants.<sup>17</sup> John Gokongwei Jr., the patriarch of J. G. Summit group, gave a liberal endowment to create the John Gokongwei Institute for Leadership and Enterprise Development and the GBF Technical Training Center, and donated to The Children's Library and the Gokongwei School of Engineering. In 2006, on the occasion of his 80<sup>th</sup> birthday, he announced that he will donate half of his estimated P40 billion fortune to various charities.<sup>18</sup>

CSR has started to be treated as an investment and not a cost. In 2006, an SWS survey<sup>19</sup> was conducted to shed some light on whether CSR was just viewed by companies as "doing good" for the community or if it was also viewed as an investment towards profitability. It was shown that doing CSR makes good business sense in the Philippines, because a large majority of customers consider a company's social programs "very important in deciding to buy its products". Specifically, customers "liked" companies that had a good reputation as an employer (this was generally viewed as the best means of demonstrating social responsibility to potential customers), and also those that showed concern for the environment and for human rights. The survey research was able to demonstrate that a company's exercise of CSR is not only doing good in itself, but is also a significant means of helping the company do well in terms of its profitability.

<sup>16</sup> Source:

[http://www.newsbreak.com.ph/index.php?option=com\\_content&task=view&id=4297&Itemid=88889279](http://www.newsbreak.com.ph/index.php?option=com_content&task=view&id=4297&Itemid=88889279)

<sup>17</sup> ASrIA: SRI in Asian Emerging Markets: Philippines. Association for Sustainable & Responsible Investment in Asia, October 2003.

<sup>18</sup> Source: <http://sesantos.com.ph/2006/09/24/gokongwei-patriarch-leaves-half-of-fortune-to-charity/>

<sup>19</sup> Source: <http://www.sws.org.ph/pr060927.htm>

Dr. Filemon Uriarte, Executive Director of the ASEAN Foundation, believes that the Philippines, alongside Indonesia, has the most sophisticated and successful CSR programs. He said that *"the challenge in promoting CSR is to convince companies that it does good in image building and boost revenues at the same time."*<sup>20</sup>

### **Challenges**

The current economic difficulties may force companies to reduce their social and green initiatives, including exploiting these for public relations purposes. Yet Felipe Alfonso, Executive Director of the Asian Institute of Management's Ramon V. del Rosario Center for Corporate Responsibility said in an interview in December 2008 that CSR projects would not go away because corporations are committed to see them through. When asked the next big challenge CSR is facing in the Philippines, he said:<sup>21</sup>

*"The economic crisis may present some opportunities because it 'unlocks' the gap between rich and poor. The crisis has shown us that some of our current models of capitalism are no longer valid. It has changed quite a few of our assumptions about how things work. The times call for stronger partnerships in order to maximize the impact of CSR programs. We need more partnerships between corporations and the government, and their stakeholders."*

### **E. What's next after CSR: Emerging Models**

A pessimistic scenario is that corporations, particularly those who view CSR as a cost rather than an investment, retrench their CSR programs. Optimistic scenarios include bold new "models of capitalism" and "stronger partnerships" to better pursue the intent behind CSR.

There are some emerging models which may represent the next evolutionary stages in the management of stakeholder capital in the Philippines.

#### **1. Green Industries: Inventing Sustainable Global Value Chains**

New industrial sectors and new business models that creatively exploit the business opportunities accompanying the global environmental crises include the emergence of green industries. Green industries create win-win opportunities between corporations and civil society or public groups.

In 2007, the Metro Angeles Chamber of Commerce and Industry, Inc., Asia Society for Social Improvement and Sustainable Transformation and the Environmental Practitioners Association launched GreenPhilippines or "Greening Philippine Industries with the EcoProfit Approach" project. EcoProfit combines cleaner production and environmental management approaches to improve the environmental performance and operational efficiency of a company.<sup>22</sup>

The Philippine Government is hosting the UNIDO International Conference on Green Industry in Asia on 9-11 September 2009. The conference will be attended by 16 Asian

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<sup>20</sup> Source: <http://www.manilatimes.net/national/2008/june/19/yehey/metro/20080619met7.html>

<sup>21</sup> Source: <http://showbizandstyle.inquirer.net/entertainment/entertainment/view/20081207-176666/Partnerships-way-to-go-for-CSR>

<sup>22</sup> "Metro Angeles CCI Launches Green Philippines," Philippine Chamber of Commerce and Industry. Source: [http://www.philippinechamber.com/index.php?view=article&id=303%3Ametro-angeles-cci-launches-green-philippines&option=com\\_content&Itemid=166](http://www.philippinechamber.com/index.php?view=article&id=303%3Ametro-angeles-cci-launches-green-philippines&option=com_content&Itemid=166)

environment ministers. The conference will address the development of new value and supply chains around industry-related environmental goods and services, and low-carbon options to industrial development. The ministers will prepare a Manila Declaration and Plan of Action, an input to the 15th Conference of Parties (COP 15) to the UN Convention on Climate Change to be held in Copenhagen in December 2009.<sup>23</sup>

## **2. Socially-Responsible Investment (SRI): Investor-Driven Changes**

There are emerging new mechanisms whereby investments are channelled intentionally according to ESG (environmental, social and governance) as well as traditional financial criteria.<sup>24</sup> According to Director David St. Maur Sheil of ASrIA, global total of SRI funds is about \$4.2 trillion, mostly in the U.S. and U.K. SRI funds in Asia including Australia total only \$26.8 billion.<sup>25</sup>

In the Philippines, two projects designed innovative financial instruments in pursuit of socially-responsible investment goals: (a) PEACe Bond float, a ten-year term debt issue that has funded nearly 1,000 anti-poverty projects implemented by members of Caucus of Development NGO Networks (CODE-NGO), a consortium of Philippine NGO networks and administered by the Peace and Equity Foundation, (b) Asian Conservation Company, an investment house partnered with World Wildlife Fund and New Century Partners, Inc. (under the Soros Group of Companies), adopts SRI standards in making investments in the Philippines.<sup>26</sup>

## **3. Comprehensive Community Support and Engagement**

In 1996, the Department of Environment and Natural Resources (DENR) issued Administrative Order 96-37 which improved the EIS system by requiring public consultations at the EIA (environmental impact assessment) scoping stage and by requiring that a Multipartite Monitoring Team (MMT) be created during the implementation stage.<sup>27</sup> An MMT consists of representatives from the various local governments and local communities affected by a project, NGOs and civil society organizations, relevant national government agencies and the company which owns the project. The MMT is funded annually by the project owner. Its function is to monitor the social and environmental impacts of the project and report their findings to DENR periodically, and to ensure that the project owner is complying with the provisions of the Environmental Compliance Certificate which the project owner was issued after fulfilling all requirements of the EIS system at the project proposal stage.

MMTs are government-driven mechanisms to compel companies which generate significant environmental, health and safety impacts on local communities to relate on a continuing basis with the local communities that host their factories, farming or resource extraction operation, such as mining.

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<sup>23</sup> Kabling, G. "DENR to prepare for hosting of green industry conference." Manila Bulletin; March 23, 2009. Source: <http://mb.com.ph/articles/199968/denr-prepare-hosting-green-industry-conference>. See also: UN Global Compact: "Copenhagen Summit to Add Business Voice to post-Kyoto Negotiations." Source: [http://www.unglobalcompact.org/newsandevents/news\\_archives/2008\\_05\\_12.html](http://www.unglobalcompact.org/newsandevents/news_archives/2008_05_12.html)

<sup>24</sup> See for example, Social Funds (<http://www.socialfunds.com/>).

<sup>25</sup> St. Maur Sheil, D.: "SRI in Asia: A Framework for Re-Assessing Corporate Value." Association for Sustainable & Responsible Investment in Asia, October 2007.

<sup>26</sup> ASrIA: SRI in Asian Emerging Markets: Philippines. Association for Sustainable & Responsible Investment in Asia, October 2003.

<sup>27</sup> Source: [http://202.57.47.172/index.php?option=com\\_docman&task=doc\\_download&qid=16&Itemid=61](http://202.57.47.172/index.php?option=com_docman&task=doc_download&qid=16&Itemid=61)

However, by 2003 there are exemplar companies which, realizing how their business success is intimately intertwined with local host communities, voluntarily initiated proactive and comprehensive community support and engagement programs. The Mines and Geosciences Bureau of DENR reported three such case studies of best-practice and award-winning mining companies. These companies implemented programs that (a) provide local communities with social infrastructures and services, e.g. new school buildings, churches, medical services, day care center for children, irrigation system and access roads, (b) set up livelihood systems: from technical and management training, skills upgrading, organization, fund sourcing and operations, (c) provide information, education and communication packages to community members, and (d) create a venue for community members to participate in development decisions and in company decisions affecting their community.<sup>28</sup>

#### 4. Networking and Learning for Development of Bridging Leadership

TEaM Energy and Jollibee Foundation are funding an innovative Center for Bridging Societal Divides at the Asian Institute of Management. TEaM Energy is a Philippine power production company, a joint venture of Tokyo Electric and Marubeni. The Center, in partnership with CCLFI, a Philippine non-profit foundation dedicated to knowledge management and organizational learning, is developing learning-oriented procedures for replicating the development of bridging leadership. Diagram 5 depicts the network whereby three non-profit organizations funded by for-profit corporations collaborate with a local university and with local governments to assist local communities.

The Philippines is a nation threatened by many societal divides: ethnic/upland-vs.-mainstream/lowland, Christian-vs.-Muslim, rich-vs.-poor, communist-vs.-free market, insurgents-vs.-government, Manila-vs.-provinces, etc. At the same time personal relationships are important to the common Filipino. These are some reasons why bridging societal divides and bridging leadership are needed in the Philippines.

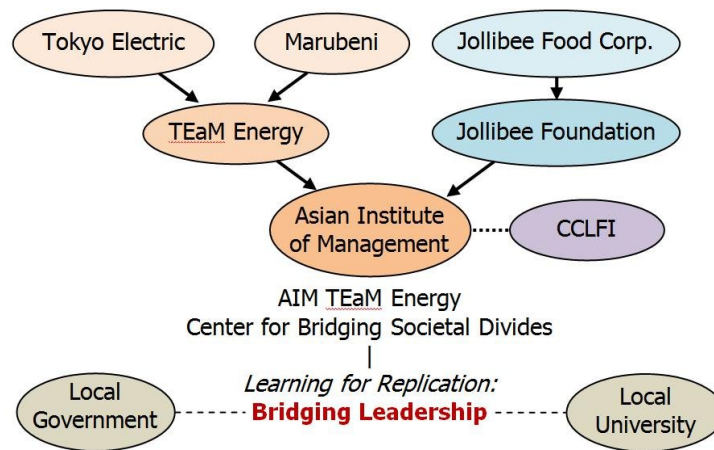


Diagram 5: Networking and Partnering for Bridging Leadership Development

<sup>28</sup> Mines and Geosciences Bureau and Colin Legarde Hubo: Profiles of the Corporate Social Responsibility (CSR) Practices of Philippine Mining Firms, 2003.

This mechanism is similar to the SSEN or Sustainable Social Enterprise Network model described by Ben Chan of Singapore and Indonesia whereby bridging leadership is combined with social enterprise networks.<sup>29</sup>

### Towards a Stage 4

It is tempting to optimistically speculate what could be the emerging model after CSR, not only in the Philippines but in the rest of Asia. The patterns that seem to be emerging are:

- More partnerships and networking schemes between corporations and civil society organizations;
- Reinventing production technologies and global supply chains towards sustainability, 3BL or ESG (environmental, social and governance) objectives;
- More ESG-driven investments and enterprise modalities;
- New funding sources and innovative funding mechanisms adhering to ESG criteria; and
- More comprehensive support and engagement with local host communities.

What the top Philippine conglomerates will be doing along CSR or 3BL bears close watching because the problem of poverty and social exclusion can be addressed faster if the leading and wealthiest players in the Philippine private sector – which happen to be mostly Chinese-Filipino – take an affirmative and proactive interest in this direction. While Stages 1 and 2 were government-driven, it seems now that their appreciation of the linkage between their stakeholder capital and their bottom line has improved to such a point that CSR has become more internally-driven. However, CSR can be viewed as an internally-driven retrofit because it does not alter the basic character of the corporation and the global value chains that link them together. An optimistic scenario is a Stage 4 which involves fundamental changes in the way enterprises are configured and networked to interact with the larger society – or more **socially-embedded corporations**.

A more networked global society, including more networked corporations, would require a new generation of **bridging leaders** – leaders who can *"initiate and sustain collaborative processes to achieve meaning social change through the collective action of multiple and diverse stakeholders."*<sup>28</sup>

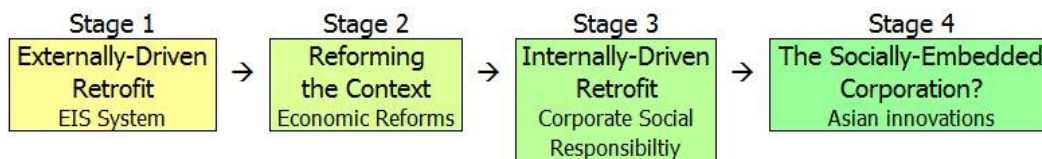


Diagram 6: Stages in Development of Stakeholder Capital Management

There is a new discourse a-brewing among economic planners and economic thinkers as a result of the global financial crisis. Many are beginning to suspect that there is something lacking, or there is a flaw somewhere, in the Western model of capitalism. China, the next economic superpower, and for that matter the rest of East Asia, cannot simply copy a flawed paradigm. What is the next better model? Will this innovation happen in East Asia?

<sup>29</sup> Chan, B.: "Bridging Leadership in Social Enterprises" presented at the NCSS Annual Conference 2008, Singapore, 13 November 2008. Source: <http://www.ssti.org.sg/ncssconference08/SpeechesSpeakersMat.htm>

Annex  
CSR Profile of Eight Philippine Conglomerates

Conglomerate	CSR Mechanism	Description	Programs
SM Investment Corporation	SM Foundation, Inc,	The socio civic arm of the SM Group of Companies through which it helps the less fortunate in the communities it serves. These are areas within the vicinity of SM department stores and supermalls that need assistance	The Foundation has four areas of advocacy: education through scholarship programs and donations to schoolhouses; mall-based outreach programs; health-oriented projects like medical missions, a mobile clinic, and hospital activity centers and religious community projects.
Lucio Tan Group of Companies	Tan Yan Kee Foundation, Inc.	Commits itself to the CSR responsibility of the Lucio Tan Group of Companies for the Filipino people in the fields of education, culture and sports, research, health, social welfare and manpower development	<ol style="list-style-type: none"> <li>1. Education, culture and sports</li> <li>2. Health</li> <li>3. Social Welfare</li> <li>4. Hope Caravan</li> </ol>
The Ayala Group of Companies	Ayala Social Initiatives	<p>Cohesive program that integrates the Ayala Group's numerous development projects</p> <p>Ayala launches its first group-wide CSR Report (Jan 8, 2009)</p> <p>"Focus for Greater Change and Impact" chronicles the journey of the Ayala group in its practice of CSR. The report details the programs of the Ayala group under the ASI 3Es – education, environment, and entrepreneurship."</p> <p>By June 2009, the Ayala group of companies will be publishing the first conglomerate sustainability report, this time documenting the sustainability initiatives of the companies in their business operations. The Ayala group is committed to continuously monitoring and evaluating the sustainability of its business operations, and will be publishing a sustainability report on its initiatives on a biennial basis.</p> <p>Source:  <a href="http://www.ayalasocialinitiatives.org/intheknow/AyalaCSR.html">http://www.ayalasocialinitiatives.org/intheknow/AyalaCSR.html</a></p>	<p>Ayala has chosen three points of focus, three pillars on which to continue and expand its exercise of corporate social responsibility. Based on information from the ground-collected through formal and informal surveys, and matched with the company's innermost convictions—the selection puts strong and active emphasis on highly critical, long-term socioeconomic needs and issues:</p> <ul style="list-style-type: none"> <li>• Education</li> <li>• Environment</li> <li>• Entrepreneurship</li> </ul>

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JG Summit Holdings	Gokongwei Brothers Foundation	Help uplift the socio-economic condition of Filipinos through the funding of <b>educational projects</b> .	Education: <ul style="list-style-type: none"> <li>• Gokongwei Brothers Foundation Technical Training Center</li> <li>• Gokongwei Brothers Foundation China Scholars</li> <li>• The Children's Library</li> <li>• John Gokongwei Institute for Leadership and Enterprise Development (JG-ILED)</li> </ul>
The Lopez Group of Companies	Lopez Group Foundation, Inc.	The coordinative hub for Corporate Social Responsibility (CSR) initiatives of the Lopez Group of Companies in the Philippines.  Composed of seven (7) foundations:	The CSR initiatives of the Lopez Group are aligned with the United Nation's Millennium Development Goals (or MDGs) in poverty alleviation, education, environment, and health. The Lopez Group is also a champion in advocacy through its worldwide media outlets.
		1. ABS-CBN Bayan Foundation, Inc.	The foundation is committed to help Filipino families live dignified and decent lives through microfinance. Microfinance helps alleviate poverty by giving poor families opportunities to access small loans to fund their micro-enterprises such as mini-stores, canteens, and the like. Bayan Microfinance services include loans, savings, insurance, and Linang Bayan -- a program that enhances values, leadership, and business management skills of the clients.
		2. ABS-CBN Foundation, Inc.	The corporate foundation of the ABS-CBN Broadcasting Corporation envisions "a better world for our children." Its mission is to enable Filipino children to achieve their full potential and this is realized through programs such as Bantay Bata 163, a media-based child caring and rescue organization; E-Media, or education through multi-media; Sagip Kapamilya, poverty alleviation in disaster-affected & marginalized communities; Bantay Kalikasan, initiatives for the environment; Volunteerism programs; and Children's Center which caters to pre-school and grade school pupils.
		3. Eugenio Lopez Foundation, Inc. (The Lopez Museum)	The foundation manages the Lopez Memorial Museum, a cultural center housing Philippine art and library collections dedicated to Filipino heritage conservation and promotion through lectures and workshops, exhibition, research, and publication. The Museum continues to develop linkages with local and international cultural institutions to realize its objectives.
		4. First Philippine Conservation, Inc.	Established in 1999, First Philippine Conservation, Inc. (FPCI) engages business, government, the academe, and civil society in active partnerships for the conservation of biodiversity, protection of the environment, and social development.

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			<p>The foundation currently supports the biodiversity conservation, sustainable development initiatives, and social development initiatives of Conservation International (CI) Foundation– Philippines, the grantees of the Critical Ecosystem Partnership Fund (CEPF), and other organizations. It currently implements the Verde Passage Integrated Conservation and Development in partnership with CI and First Gen Corporation.</p>
		<p>5. Knowledge Channel Foundation, Inc.</p>	<p>The Knowledge Channel Foundation Inc. (KCFI) is committed to bring quality education to all Filipinos by using television as an effective and efficient teaching tool. Through its flagship project, the Knowledge Channel, students from the poorest areas in the country as well as teachers are exposed to educational TV programs. Through Knowledge Channel, KCFI hopes to equalize the learning field regardless of economic and social status. Its programming matches the Department of Education's elementary and secondary curriculum requirements. It also airs adult continuing education and livelihood programs. Knowledge Channel is provided to schools for free through cable or wireless technology. To ensure effective utilization of the intervention, Teacher and Principal trainings are conducted at no cost.</p>
		<p>6. Meralco Management &amp; Leadership Development Center Foundation, Inc.</p>	<p>As an educational foundation, Meralco Management &amp; Leadership Development Center Foundation, Inc. (MMLDCFI) responds to improve the situation of electric cooperatives and the public school system in the Philippines. Some of their major CSR programs include skills enhancement trainings for public school teachers, management &amp; leadership programs for electric cooperatives, and leadership training for students. The training courses are offered on a scholarship basis to target beneficiaries but are also available for private companies to generate revenue.</p>
		<p>7. Meralco Millennium Foundation, Inc.</p>	<p>The Meralco Millennium Foundation, Inc. or MMFI serves as the social development arm of Meralco. It was established in 2002 to provide a legal vehicle for sustaining all of the company's corporate social responsibility efforts. The MMFI develops programs and implements projects which focus on addressing the pressing needs of the community and preserving the environment.</p> <p>The MMFI was created to initiate, develop, support, finance, undertake or manage programs and projects for socio-</p>

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			economic purposes in any of the four areas of CSR namely: Social Investment, Community Sponsorship, Environmental Management and Workplace Stewardship.
San Miguel Corporation	San Miguel Foundation, Inc.	Takes the lead in realizing San Miguel Corporation's commitment to social development	<ol style="list-style-type: none"> <li>1. Promote education to youth from low-income families through scholarships, literacy classes and support programs like supplemental feeding, book donations, etc.</li> <li>2. Strengthen communities through capability building activities and the provision of basic social services;</li> <li>3. Support local enterprises that bring livelihood opportunities to community groups, dependents, San Miguel retirees and other stakeholders;</li> <li>4. Provide assistance to disaster-stricken communities through relief and rehabilitation programs; and</li> <li>5. Protect, preserve and regenerate the environment.</li> </ol>
The Metrobank Group of Companies	Metrobank Foundation, Inc.	The corporate social responsibility arm of the Metrobank Group of Companies	<ol style="list-style-type: none"> <li>1. Education <ul style="list-style-type: none"> <li>• Search for Outstanding Teachers (SOT)</li> <li>• College Scholarship Program</li> <li>• MBFI-Pacific Paint College Scholarship Program</li> <li>• Metrobank-MTAP-DepEd Math Challenge</li> </ul> </li> <li>2. Health Care <ul style="list-style-type: none"> <li>• The Manila Doctors Hospital</li> </ul> </li> <li>3. Visual Arts <ul style="list-style-type: none"> <li>• Metrobank Art &amp; Design Excellence (MADE)</li> </ul> </li> <li>4. Grants <ul style="list-style-type: none"> <li>• Gift of Gratitude and Financial Grants</li> </ul> </li> <li>5. Excellence Awards <ul style="list-style-type: none"> <li>• The Country's Outstanding Policemen in Service (COPS)</li> <li>• The Outstanding Philippine Soldiers (TOPS)</li> </ul> </li> </ol>
Jollibee Foods Corporation (JFC)	Jollibee Foundation	JFC's CSR arm which implements programs that address access to education, livelihood development, leadership development and disaster response: issues that are also of relevance to the company's core business	<ol style="list-style-type: none"> <li>1. Education</li> <li>2. Housing and Community Development</li> <li>3. Leadership Development</li> <li>4. Environmental Conservation</li> <li>5. Disaster Response</li> </ol>