



**NET IMPACT**

*New Leaders for Better Business*



**COLUMBIA  
BUSINESS  
SCHOOL**

# **12<sup>th</sup> Annual Net Impact Conference: Session Summaries**

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Columbia Business School

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# Technology, Innovation and Sustainability

- 300 MNCs hold 25% of world assets
- 51 out of the 100 biggest economies in the World are now corporations and only 49 are nation-states
- Information systems must be user friendly, comprehensive, reliable, secure, affordable, and able to facilitate sharing of information between organizations
- Global Reporting Initiative – setting standards for sustainability reporting. The GRI are currently enhancing these guidelines and they will be released in 2006. Companies will be able to upload their reports automatically and the GRI website will provide more education i.e. how do you reduce the CO2 gas emissions. They will improve:
  - Comparability
  - Auditability
  - More of an emphasis on the impact of the measures on the community rather than just input
- Innovation and technology will play a critical role in the improvement of sustainability performance reporting by:
  - Facilitating the development and ratification of standards that are meaningful, auditable, and manageable
  - Simplifying data collection, aggregation, and reporting across multiple firms
  - Integrating sustainability reporting and the business in a manner similar to the way that today's financial systems integrate financial reporting with business systems

# Using The Market to Solve Environmental Challenges

- Emphasis of this workshop was the exchange of climate certificates according to the Kyoto Protocol.
- The Chicago climate exchange does that today with American companies, although the US is not part of this international treaty
- US Companies engage themselves voluntarily, because they want to be prepared and certificates represent future value for them.

## An Introduction to Entrepreneurship in Education

- Private education can be an alternative to help children become more educated
- Get involved in community activities and give back to society
- Use education as a tool to “make a difference”
- Start as a volunteer
- Need more funding to keep good teachers

# Social Impact Management: Business Strategies in Developing Countries

- Labor issues, social impacts, non-profits, engaging local communities.
- People, passion, purpose
- Business processes that increase social impact can come from any functional area in the organization.
- Leaders can create change internally

## From Dream to Reality: Launching Your Double Bottom Line Venture

- Major lesson learned is perseverance (4 years to attain the charter permit from the state)
- While it may be true that some people abuse the social benefits provided by the state, must learn how to co-exist within the sphere of social problems and respect them
- Another important lesson is that one must always pay one's staff, which requires careful moderation of cash flow.

# Madagascar: Building Alliances for Economic Development & Sustainability

- Concerns re: slash & burn agriculture, over-fishing, desertification which leads to 80% of land having been cleared. President dedicated to increase protected land.
- Education to encourage local residents to improve agricultural methods and promote conservation—1) local communities must be active in conservation 2) they must have access to alternative or improved sources of income.
- Madagascar will be one of the first candidates for funding under the Millennium Challenge Account (new US program).
- Many questions about how it actually works—how transparent is transfer of funds into local projects (are there opportunities for corruption)? How did the education process work—how were people convinced it was in their interest to take a longer-term view? Is there a period where they have less food/money before they reap the benefits of their efforts? How have domestic companies been involved?

# Real Estate Development with a Community Focus

- Advice for MBAs wanting to get into Community Development
  - Get involved in the deal process in some way
  - Understand the importance of private/public partnerships
- Financing tools
  - Tax-exempt bonds
  - Direct investment
  - New Markets Tax Credits
- Success factors
  - Redevelopment expertise
  - Public sector involvement
  - Patient capital
  - Retailer relationships
- Need for public/private relationships!

# Strategic Philanthropy



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- Philanthropy as one leg of a successful business (not philanthropy to buy a good name)
- Philanthropy about strategic focus around the world of children (break cycle of violence – in developing countries, it's more about empowering women).
- “Changing face of philanthropy” – for example: donate a dollar- want to be sure 99 cents is working hard on behalf of children (direct impact)
- Work done from a pro bono point of view is instrumental to reputation and long-term business with clients (mentioned the egg in frying pan commercial, which everyone remembers)
- Include shareholders in philanthropy strategy – let them know and see a connection to business strategy
- Children in America in bad shape, deprived of a sense of hope/promise and wanted them to see possibility. Will they be customers/employees/committed citizens – need real possibilities- hope?
- Issue is too big to be solved by corporations alone – need government and corporate social responsibility acting together
- Context: be humble, help educate shareholders
- Don't just think in terms of direct service – advocacy is important as well



# The Business Case for Wind: The Economics of an Emerging Energy industry

- Emphasis on different roles in the wind business
- Economies of scale: bigger rotors=better
- Exploration of sites, building the technical infrastructure, building the windmills
- Many established companies are engaged like GE, Shell, Siemens
- Mostly small parts of big companies, since the wind business is not really labor intensive
- With subsidies, wind is cheap, but should be thought of for large-scale grid-connected production

## Technology Enterprises

- Align social goal with money-making goal
- Citysoft: inner city web designers
- SRB out in the open can cause people to lose focus on the product
- Don't demean people in the process of marketing

# Generation AND



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- Don't live a differed life plan
- Turn your value into values
- Keep working costs low (economic, performance, psycho-social)
- Don't treasure your trash, and trash your treasure
- Surround yourself with a community you love
- Psycho-social interactions are important (respect, roles, reputation, expectations)
- Want what you have
- Serve others to serve yourself
- Will over skill
- Questions:
  - Who are you?
  - What is your bliss?
  - What do you want?
  - What are you good at?
  - Where are you going?
  - What is your one contribution to the world?
  - What are the biggest issues in the world?
  - What needs to be done to improve it?
  - What can you do to be part of the solution?
  - How do you want to feel?
- Faith, Family & Friends, Forgiveness

# Pharma and Biotech: Shaping the Delivery of Health Care in the US

- Various views on major trends in healthcare technology and biotech—especially 1) increasing role of the consumer 2) cost-shifting to the consumer 3) access to medications and non-compliance
- BIO—trade association for biotechnology in medicine, agriculture, and industrial & environmental areas
  - Regulation pushing to prove cost-effectiveness of new drugs
  - BioVentures for Global Health—project for medications for developing world. Support of Gates and Rockefeller Foundations
- Merck
  - History of commitment to patient access issues—River blindness, AIDS in Africa. Always a balancing act between access and profitability
  - Patient assistance programs—provide any drug to low-income patients free for 3 months. Also [helpingpatients.org](http://helpingpatients.org)—discounts for uninsured patients
- Gilead—younger company, profitable for last two years. 4th largest market cap in biotech.
  - Company produces HIV-AIDS drugs. Have provided at “no profit” to certain countries.
  - Able to do more now that the company is profitable
  - Promotes view that drug companies are not responsible for intervention and prevention efforts—others are better suited for this (e.g. insurance companies)
- Pfizer
  - Myths re. direct-to-consumer advertising—1) promotes inappropriate uses of drugs 2) increase cost
  - Education to consumers—whether branded or not—gets people to ask about conditions they may not otherwise
- What’s not getting funded that should? Antibiotics, vaccines. Need incentives to produce these and orphan drugs—public policy.

# Microfinance: Which Strategies Work?



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- Microfinance has attracted global attention as a powerful tool to fight poverty
- When the poor have access to financial services, they can earn more and invest in better nutrition, housing, health and education
- This heavy-weight panel dealt with fundamental microfinance issues, such as geographic concentration, the debate over microfinance and sustainability and the move towards a commercial financial institution model
- Panelists concurred that microfinance is a revolution that brings about systemic changes. Daley-Harris cited the model started by Mohammed Yunus of the Grameen Bank, the first microfinance institution in the world- "I do the opposite of what big banks do. If banks provide big loans, we provide small loans. If banks serve the wealthy, we serve the poor"
- Panel attendees listened enthusiastically to the call for MBA's involvement in the nonprofit world, whether it is fundraising, business development, marketing, communication, consulting or other highly sought-after business skills

# New Ventures Lab

- Human Citizens Corps
  - Private sector “Peace Corps”
  - Place bachelor degree volunteers in NGO positions
- Delight Global Finance
  - Microfinance firm to create pool of funds for individuals with no credit history
  - In Canada
- Solimar Marketing
  - Travel agent company focused on ecotourism
  - [www.solimarmarketing.com](http://www.solimarmarketing.com)
- The Charitable Alliance
  - Referral agency acting as filter between needs of real estate clients and agents
  - Target audience - philanthropists, focus on arts, education and housing
- Vilcamba
  - Retail company for stylish environmentally friendly clothing and other products
  - Goal to become the “greenest retailer in the world”
- Agora
  - Financing small business
  - Emerging market entrepreneurs

# Can Confidence in Corporate America be Restored?

- Make Alliances
- Some believe corporate governance is used to maximize profitability; Corporate governance is a form of risk management
- There is not a great divide between corporate governance and social responsibility
- Investor Concerns
  - Executive Compensation is outrageous, need fixed CEO pay system
  - Accountability of Board Members
  - Shareholder proposals not binding and often ignored
  - 40% of companies have made substantial response to shareholder concerns
  - Great respect for shareholders, more respect for owners
- Promote the value of ownership and set the tone at the top
- Proposed tax system for investing, since buying and selling is so rampant
  - Encourage long-term benefits
  - Allowed to buy/sell whenever, but no voting rights until the stock has been held for a certain period of time
  - Preferential voting rights for long-term holders
  - Tax the sale of stock on a sliding scale based on holding periods
- Test of Three (to see if what you are doing is wrong)
  - Are you ashamed of the action?
  - Are you embarrassed to tell your significant other?
  - Do you not want to see it on the front page of your local newspaper?

# Business and National Security



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- Need for recognition of link between business and government in national security
- Need new tools to deal with new threats, those used during the Cold War no longer work
- Mary Boies put forth two models of for business in national security
  - "New Jersey Business Force" - created a database of resources New Jersey businesses are willing to make available should a major medical
    - Emergencies occur: trucks, cafeterias, workers, housing etc...
    - "Point of Dispensing" sites will be assigned to these businesses
    - this private network will also send out announcements clarifying events occurring
  - Financial tracking: works with financial institutions (broadly defined) and the U.S. Treasury to encourage the completion of "Suspicious Activity Reports" by businesses and then follow up by the Treasury.
- The current "dogma" taught in business schools is based in the 70's and 80's and is based on a competitive, secure world. However, now we are now in an insecure world.
  - 1) 9/11 changed all business
  - 2) Private sector can't ignore the national security
  - 3) The relationship between business and government has changed
  - 4) Technology will continue to be vehicle of change
  - 5) The very nature of the company has changed
- Keys to success in high risk environments:
  - Work with local private sector
  - Find and utilize local contacts to gather intelligence
  - Work with terrorist groups - build relationships with those making the
  - biggest impact comes locally

# Business and the Environment, Strategic Positioning for Competitive Advantage

- Major obstacles for sustainable business: short term perspective and the possibility for businesses to externalize costs by harming the environment
- For United Technologies: sustainability = productivity

## Can All Buildings Be Green?

- Lighting is 40% of commercial energy load
- Match light level to the task and people
- Greenroofs, farm2table, earthpledge.org
- Closed airless decomposition of food waste- 65% methane
- LEAD certification: green building rating system

# Ethics, Values, and Social Responsibility: Challenges Women Leaders Face

- Leadership is how to be, not how to do
- Change, innovation, diversity
- Checklist for viability ([www.leadertoleader.org](http://www.leadertoleader.org))
- The indispensable partnerships
- Leading from the front, not pushing from the rear
- Leading beyond the walls
- Leaders who are women. Not woman leaders.
- Focus on task, not gender
- Go beyond categories
- Leaders as healers and unifiers
- Manage the mission
- The whispers of our lives

# Urban/Minority Investment



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- Use cultural aspects to drive tourism/business to support local businesses
- Fund gap between what traditional lender provides and actual need of business
- Not in the business of making money/interest, so take risk that money loaned may not be repaid
- Choose investments with lasting economic impact, such as schools and restaurants
- Sensitive to eligibility and documentation issues of immigrants, people with bad credit or no credit history, etc.
- Neighborhood Trust FCU average loan is approximately \$2500-unsecured, high risk
- Help unbanked and underbanked individuals receive basic banking services
- Helps business owners understand the steps to take to receive funding and the roles of organizations such as Empowerment Zone
- Building physical urban environment as well as economic environment
- Finance franchises for minority community
- Invest in businesses that are viable and have a track record of success

# How to Sell Yourself in Today's Environment

- Use problem solving skills to come up with solutions for potential employer (position the session, analyze the problem, generate alternatives, evaluate selected ideas, state solution)
- Key interview tactics: Establish credibility, empathy, sensitivity, trust
- Take notes to improve listening skills
- Sell yourself on your features and their specific benefits to potential employer
- Implement conflict resolution skills in addressing objections
  - Acknowledge the objection
  - Ask the customer to elaborate
  - Transform the objection into a need
  - Address the need
  - Invite others

# Organic Food: Niche or mainstream?



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- Interesting and dangerous experiment: the engagement of Danone at Stonyfield Farm. So far it seems that Danone is not only interested in the brand but also in management and operations
- Overall panelists agreed that organic food has left the niche but hasn't quite entered mainstream.
- WholeFoods Market just expanded into UK

## The Career Intensive

- Emphasis on the importance of the career decision
- Average employee spends 80% of lifetime working
- Jobs are changing employees personalities
- Working through "inventory of career qualities" by the following steps: write your own obituary, list interests, describe a job you envy somebody for, list your values, list the people you think are most successful, list your talents, discover your natural talents by describing here situations (Accomplishment, Problems solved, Praise given), list work environment preferences, describe dread job.
- Out of this material, everybody can generate at least an idea of an ideal job.

# Media as a Social Watchdog

- Government moving to the right, business moving to the left
  - Partner rights, environment, transparency, partnership models
- 5 Reasons why the media is not reporting on CSR
  - Cynicism
  - Good news is boring
  - Complicated and incremental
  - Hard to tell stories
  - CEOs don't think about CSR
- What you can do? Send e-mails to editors praising any CSR writing
- Nike and Media:
  - Accurate communication
  - More processes than results focused
  - Labor v. environment: Media usually focused on labor issues
  - Driving Brand image
  - Positive initiatives are ignored by media
  - Fair labor association partnership
  - CSR is very broad
- Cynical public accepts spin

# Socially Responsible Investing: The Double Bottom Line

- SRI investments are around \$2.2 Trillion, comprised of
  - 1) Positive or negative screening
  - 2) Shareholder advocacy
  - 3) Community investing in traditionally underserved markets.Vast majority is separate accounts (pensions, e.g.). Even faster growth in Europe and Asia
- “Best companies” vs. Shareholder activism models – in latter, build ownership in large companies and then try to influence their behavior for the better. If McDonald’s improves its practices, it can have a huge impact
  - Can be justified on business basis—long-term investors concerned with sustainability issues
- Evidence on performance has not indicated that SRI funds have lower returns over long run. About the same as other funds. See [www.sristudies.org](http://www.sristudies.org) for more info
- Educating analysts on how to evaluate sustainability is key to driving this into mainstream. UN Asset Mgmt working group report at [www.unpfi.net](http://www.unpfi.net) – see “materiality of sustainability issues to investors”
- Requirements for institutionalization—
  - 1) Disclosure
  - 2) Analysis of existing data
  - 3) Consequences in the marketplace.
- Next quantum leap will be involvement of public pension funds. Good indications from CalPERS, State of CT
- Information comes from public info (verified), data reported to gov’t, NGOs



# Water Scarcity & Infrastructure Investment: Public/Private Partnerships

- Water availability is interconnected with poverty, peace and security, food security, etc.
- Water is both an economic resource and fundamental human right
- Many growth industries in emerging markets are water dependent (e.g. agriculture, copper)
- Water infrastructure development must be appropriate to individual contexts
- New metrics are being tested to assess water management and risk – looking at resource depletion, supply accessibility, compliance, supply economics, efficiency, social competitiveness
- Extensive market development needs especially around water quality in India – many markets prioritize water supply, but not quality
- Education around water quality and technology is needed but must be culturally relevant (e.g. Hollywood-style educational films)
- How does financial sustainability fit in the poorest of the poor communities? Risk and profitability must be measured in terms of social impact
- There is no financially sustainable model without assistance for the poorest of the poor
- Coca-Cola's sophisticated market research and distribution strategies to remote areas in developing countries is very transferable to non-profit interventions
- Non-profits must be careful to avoid the homogenization of the poor – classifying this diverse population into one group that is purely driven by basic needs
- Non-profits must also adapt a customer driven approach to development – charitable benevolence is wasted without an understanding of specific market/customer needs

# The Double-Edged Sword of Non-Profit Financial Accountability



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- Leadership development a real issue in the sector.
- Further, nonprofit execs and development directors respond to 400 different standards/formats for reporting/tracking/accounting for results from 400 different supporters – need comparable standards as well as metrics to make job of reporting feasible.
- Non-profit organizations receive funds from the government and donors and therefore are accountable to them
- Instead of government grants (funding cycles dry up or are tied to political cycles), go for capacity-building grants to build sustainable orgs (talent, systems)...
- “Accountability is a promise to perform” Hence we need a move to performance-based funding...Donors purchase results/invest in capacity.
- Nonprofit sector has done a bad job at measuring itself – look at business for samples (EBITA, customer satisfaction, governance) – we need to look at Results not Activities (means).
- To report, create a theory of change starting with ultimate goal and building in intermediary results.



# Offshoring: Opportunities & Challenges

- Few barriers to complexity. Savings must be found to maintain competitiveness.
- All cost structures are based on these emerging buying and production markets.
- Benefits go beyond cost savings: speed/timelines – can utilize a “follow the sun approach” due to time differences.
- Labor rate differential is so large; gap is expected to remain substantial for the foreseeable future.
- Wage rate growth in China and India, will be limited by the large number of under-employed.
- Professor Greenwald painted an overall positive picture of the impact of outsourcing for the economy. He described that development raises the standard of living for workers overseas, and that jobs lost to outsourcing in the US

## Revenue-Generating Ventures for Nonprofits

- The product must be linked to the organization’s mission
- The product must be excellent!
- Difficult to balance the mission with the dollar generation
- Success stories: ice-cream store, street cleaning, catering, café, moving, landscaping, Christmas tree, bookstore, thrift shop

# York University - Growing globally: the vision for expanding the Net Impact network



- Many suggestions for internationalization:
  - Net Impact should found an umbrella organization for international chapters (Net impact international).
  - more international issues, speaker and students needed for conference
  - more international content on website
  - integrate professional and student chapters
  - integrate other academic disciplines without loosing business focus

# UC Berkeley - Questioning the Status Quo: Prioritizing Career Development through Net Impact



- Mobilizing students is essential
- Careers should be highlighted in Net Impact Chapters
- Have a career fair and “Firm Night”; charge firms to attend and position it to them as an honored guest to be invited
- Increase networking opportunities with companies
- Approach companies because they share your values and were chosen because of shared values



# Lower Manhattan Development: Inside the Development Process of Battery Park and WTC

- 1950s: as population grew in the lower Manhattan area, landfill problem had to be solved quickly; the building of WTC and filling the centers with financial companies; WTC depressed the economy of the whole district for decades until the 90s.
- 1980s: Mayor Frucher wanted to create the best public space; first was to create space for families; second to build high schools; on the landfill, a new neighborhood, Batterey, was built; instead of leaving the park to the government, Frucher decided to charge tariffs on the nearby apartments for park maintenance; WTC cut off the connection among four important neighborhoods in lower Manhattan
- Now: to build east-west streets to connect downtown; find out what to do with West Way Street highway, which has become a barrier for Battery and lower Manhattan; also, using the money from the 911 Fund to build:
  - \$2 billion transit hub
  - memorial site
  - \$6 billion skytrain from JFK and Long Island to lower Manhattan
  - Freedom Tower
  - find out what to do with the \$1 billion left from the fund

# Investment in Africa: The Challenges and the Rewards

- If proportion of poor is getting greater, this bad for business
- Difficult for Africans to get loans of \$1,000-5,000,000
- Range of actors involved in economic development in Africa—education, microfinance, venture capital.
- There is activity in microfinance and in larger investments—but virtually nothing in between, in SMEs. Key problems are 1) trust 2) failure to enter formal market.
- Challenges
  - Media images of despair
  - Matching skills with machines for optimal growth
  - Most business models that work in the west aren't applicable to the developing world; not possible to achieve 20-30% ROI
  - Political freedom without economic freedom is not freedom
  - U.S. policies like cotton subsidies are crippling African economies
- Rewards
  - Social rate of return for investing in Africa is human capital
  - Investment potential can be seen as an investment in the future



# Leadership: Incorporating a Sense of Social Responsibility into Your Career and Organization

- Self, situational, and executive leadership opportunities
- Values lead to Brand lead to Reputation
- Align performance and behavior
- Be what you want to create in your world and global community!
- How do you want to be remembered?
- Skills:
  - Charm, ability to connect, courage, persistence, steadiness, creativity, credibility, common sense, strategic planning, execution, ability to judge good information, take action steps
- Intentional Inquiry (strength based)
- What do you do well? Use positive energy to create change.
- How do you get & give away power?
- Create enjoyable and strategic alliances
- Lead with the business case
- Who are your champions? Allies? Work with them!
- Be culturally skilled
- Energize other people



# Corporate Philanthropy or Good Business Sense: The Role of Corporate Social Enterprise in the 21st Century

- Philanthropy does not equal charity; it equals social capital and social responsibility
- Utilize those that were beneficiaries of donations, they may better identify it as a social good
- Last year:
  - America gave \$240 billion
  - 74% given by individuals
  - Churches get most donations
  - 850,000 charities in the U.S.
  - 600,000 are private foundations
  - Salvation Army received the most; \$1.3 billion
  - Gates family is the single most donator at \$2.8 billion
- Responsibility to give internationally
- Out of 6 billion people on the planet, 11 million live off of less than \$1/day, 2 billion live off of \$2/day



# Manipulation 101: Pursuing a Values-Based Agenda when logic doesn't work

- Discussion about manipulation, is it unethical?
- Discussion was always manipulated by the lecturer (this way teaching us his techniques)
- In his opinion manipulation is ethically correct when used for “the good”
- Conservatives master manipulation, progressives don't
- Framing and Reframing
  - Every word evokes a frame
  - Words define within a frame evoke the frame
  - Negating a frame evokes a frame
  - Evoking a frame reinforces that frame
- Examine your language
- What you say is what they hear!
- Most opinions are not based on logical facts, they are based on evoked emotional triggers
- It is possible to use words, tones, and emotional triggers to sway people to your opinion

# Assessing Social Impact



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- Assigning each company a qualitative rating based on depth and breadth of social responsibility and a quantitative rating measuring social impact to come up with Blended Social Value
- Metrics must be based on organization's mission/business model and established goals and benchmarks
- KaBOOM! based a metrics formula on the DuPont formula which incorporated shareholder interests
- Metrics are essential for funders because they demonstrate a value placed on efficiency and an ability to leverage philanthropy
- Echoing Green creates logic models that encourage entrepreneurs to think about budgeting and evaluation from the start
- Move is towards knowledge management models