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The Role of Business in Poverty Reduction towards a Sustainable Corporate Story?

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1. Introduction: the need for a descriptive approach

The corporate interest for poverty has been as old as the industrial revolution. In the 19th century, the founders of major corporations not only invested in the set-up of their factories, but also created 'company villages' and 'social programs' with a view to the social well-being of their workers. Most strategies represented a combination of enlightened self-interest, efforts to keep the (upcoming) trade-unions at bay and either prevent governments from regulation or filling the gaps left by laissez-faire governments. In the post-war period the poverty issue became the prime responsibility of governments (welfare states) and civil society (development aid and local charity). If any, corporations had only indirect responsibility for poverty. Gradually, since the midst of the 1990s and with increasing pace since the beginning of the 21st century the (potential) contribution and direct responsibility of corporations to alleviating global poverty – as opposed to local poverty - has received increasing attention again (Cf. Kolk et al., 2006; Wilson and Wilson, 2006; Prahalad, 2005). Attention is also accompanied by major controversy: in particular the role of Multinational Enterprises investing in developing countries has by some been heralded as a positive force to alleviate poverty, while others have been stressing the job-displacing and income inequalities precipitating effects of the same investments.

This paper addresses the way in which the largest firms in the world are coping with their involvement in the issue of poverty at home and abroad. It will be analysed in particular whether different 'varieties of capitalism' (VOC) or 'business systems' (Cf. e.g. Whitley, 1999; Jackson and Deeg, 2008) and different industries lead to different approaches towards poverty. The paper focuses on the one hundred largest firms in the world – as measured by 2006 turnover (see Annex). The sample contains sufficient representative firms from five industries and three different varieties of capitalism, to facilitate international comparison: (1) Anglo-Saxon (containing in particular US firms), (2) Continental European (in particular French and German firms) and (3) East Asian (in particular Chinese and Japanese firms).

This paper is largely descriptive. It aims at identifying and documenting various strategies that can be and are employed by corporations to reduce poverty, it tries to come to a first assessment on the profoundness of these strategies, while also considering which variety of capitalism (and business leadership) seems to develop the most pro-active strategies towards poverty reduction. The prescriptive part of the paper deals with the question whether an active or pro-active strategy towards poverty can be considered to represent a 'sustainable corporate story' and whether at the moment examples or components of such a story already exist. A *sustainable corporate story* requires firms to come up with a convincing analysis of the issue at hand, in which primary responsibilities are sufficiently specified and the approach chosen is credibly elaborated both at the strategic and operational level. The partnership of logistics firm TNT with the UN World Food Programme, presents an interesting example. Since food is in ample supply around the world, hunger can be considered primarily a problem of unequal distribution. So TNT explains its involvement in the World Food Programme as a corporate solution to a global problem. This can be considered a relatively sophisticated 'story' at the strategic level. At the more operational level, TNTs approach has been criticised because the company at the same time bargains sharply with its employees (post deliverers) to suppress wages. At the operational level, thus, the story is considered less sophisticated than at the strategic level.

The more sophisticated the 'story' of a corporation is, the more it receives a 'moral authority' in a particular issue, which as a consequence increases its 'license to operate' and its overall legitimacy (Cf. Schultz et al. 2000; Van Riel et al., 2000; Kraemer, 2007). Stories or 'narratives' not only set the agenda from the perspective of firms, but – when contained in public statements like corporate responsibility reports and/or codes of conduct - often also represent their strategic reality (Cf. Kolk and Fortanier, 2007).

Consider for instance the following statements/stories that have been made by some of the one hundred largest firms in the world on the issue of poverty:

- *Oil company British Petroleum: "Our primary means of making a positive impact on poverty is through aligning our own operations with local people's needs. (...) We can sell affordable products that enable people to improve their standard of living, including motor and heating fuels. (….) Energy is a major factor in lifting people out of poverty. (...)"*
- Bank HSBC: *'Supporting microfinance is one of the ways in which financial institutions can support the UN Millennium Development Goal of eradicating extreme poverty."*
- Consumer electronics firm Matsushita: *"At present, the world has a large number of people living in poverty and needs a level of economic growth sufficient to raise their standard of living. At the same time we must not be allowed to damage the environment (...). We are thus faced with the problem of combining economic growth and environmental conservation. (...) Enterprises around the world are now under pressure to put in place sustainable business models that will allow the two to be combined."*

What do these exemplary statements represent? Integrated strategies or incidental cases? Window-dressing and a reaction to critical stakeholders or authentic efforts to deal with the issue? A first step towards a sophisticated approach on poverty? A go-it-alone strategy or an invitation to work together on solving the issue? In Annex A, a more complete selection of statements by Fortune 100 firms is provided. The long list of these quotes illustrates the diversity and richness of poverty approaches adopted by major corporations. At the same time, it also illustrates the difficulty of analysing these corporate approaches on a comparative basis. The lack of sophisticated descriptive business models – that include corporate responsibility as an integral part of strategy- is probably also the main reason why so many of the existing studies on corporate approaches towards poverty have been on the basis of a few case studies or prescriptive reasoning in which the moral obligation of firms is explained and/or the opportunities of the issue for firms in general are highlighted (see Prahalad, 2005; Wilson and Wilson, 2006; Lodge and Wilson, 2006; Hart and Sharma, 2004). Prescriptive approaches suffer from 'case-study bias' or the 'advisory disease' which implies that analysts have a solution before diagnosing the real issue at hand(cf. Van Tulder, 2007), which also makes them sometimes even ideological and particularly difficult to use for more general purposes in which the complexities of the poverty issue are fully addressed. The prime aim of this paper, therefore, is descriptive and aims at reaching a more thorough understanding of the question where corporations around the world are in their approach towards poverty and whether this can be considered sufficient en credible (‘sustainable’) as a poverty approach.

To tackle this analytical challenge, this paper, first, discusses how the ‘issue’ of poverty alleviation by corporations has developed over time (section 2). This discussion is used to identify major dimensions as well as their level of maturity in the public debate. The paper discusses propositions made since the early 21st century to increase the involvement of business in poverty reduction and/or sketch an ‘entrepreneurial way’ out of the poverty trap, such as public-private partnerships, the ‘bottom-of-the pyramid’, micro credits, supply chain management, issue management and the search for new generic business models.

Secondly, this overview of most important dimensions/categories facilitates a typology of possible international business strategies towards poverty (section 3). This typology elaborates on the well-known – but poorly understood - CSR acronym: (1) in-active (Corporate Self Responsibility), (2) re-active (Corporate Social Responsiveness), (3) active (Corporate Social Responsibility), (4) pro-active (Corporate Societal Responsibility) (See Van Tulder with Van der Zwart, 2006). What constitutes a ‘sustainable corporate story’?

Thirdly, this strategic categorization is empirically applied to the sample of the word’s one hundred largest firms (section 4). The measures taken by these firms and the initiatives supported by their CEOs will be inventoried and classified. The result provides an overview of the ‘breadth’ and ‘depth’ of the approaches towards poverty reduction of these corporations and their corporate leaders. The paper will consider whether corporate poverty strategies depend on the industry or on the variety of capitalism from which the firm originates. In a concluding section (section 5), it will be considered to what extent the present state-of-affairs on the involvement of (big) business in poverty reduction is ground for optimism or pessimism.

2. The genealogy of 'poverty' as a business issue

Since the beginning of the 21st century, the potential contribution of corporations to a large number of societal issues has received increasing attention and controversy. This also applies to arguably the biggest global challenge of the moment: alleviating poverty. Until recently, the issue of poverty was largely ignored in management theory and practice (Jain, Vachani, 2006). There are at least three reasons for this. Firstly, because poor people operate in the informal economy and have limited buying power. Secondly, the definition of poverty itself is complex. Do we consider absolute or relative poverty for instance? What about 'working poor'? Thirdly, the issue of poverty has many 'issue owners' and it is extremely hard to identify primary responsibilities. Poverty for some is a macro-economic issue that is related to the growth of economies in general, to others poverty can be directly associated with the alleged unemployment effects of relocation strategies of Multinational Enterprises (MNEs), whilst again others consider poverty primarily a mental state that can largely be attributed to personal traits and abilities.

Studies that tried to establish a link between poverty and MNE strategy have focused on the relationship between Foreign Direct Investment, employment and income inequality (Cf. Fortanier, 2007). It was found for instance that MNE affiliates pay on average higher wages than local firms and are more capital intensive. What this does to poverty alleviation, however, is difficult to establish. Direct MNE employment creation can be considered more beneficial to skilled than for unskilled workers. The quality of the employment provided by MNEs, thereby, is more often questioned. It has also been suggested that the policy competition between governments to attract FDI, can sustain less stringent safety and health regulation, as well as lower wages – sometimes below subsistence level – thus creating a subclass of so called 'working poor'. Management studies at the moment lack the firm specific strategic frameworks, the conceptual tools as well as the firm specific data to address the poverty issue in all its dimensions.

This rather ambiguous state of affairs, however, has not prevented the issue from appearing prominently on the agenda of corporate decision makers. Neither did it prevent business gurus from devising formulas in which poverty is considered an opportunity rather than a threat. Consequently, the mood towards the involvement of firms in general and MNEs in specific in poverty alleviation is changing. Will this mood-change prove sustainable or is it merely a new management gimmick? What is the influence of other issues like global warming? The answer to these questions largely depends on a proper assessment of the way poverty as a challenge has become an 'issue' for corporations. Issues generally follow a life-cycle: from birth and growth, towards development, maturity and settlement. What occasions have developed as regards the issue of poverty-as-business-challenge/responsibility?

2.1 Birth and growth: triggering incidents and growing societal discontent

The growth of an issue occurs specifically when those first in command fail to address an issue adequately. The discontent grows even further when the issue can be clearly defined, is given a popular name and the media latches onto unsuspecting protagonists. Examples include: 'Frankenstein Food' (introduced by Prince Charles), or 'Global warming' (supported by Nobel Prize Laureates or former vice president Gore). The transition to this phase is often initiated by a *triggering event,* usually organized by a visible and legitimate stakeholder. For the poverty-as-business-challenge issue, important triggering events became meetings of international organizations like the World Trade Organisation, the World Bank and the G8 Summits. Triggering concepts became: 'The Millennium Development Goals', 'Decent work', 'outsourcing', the 'Wal-Mart effect', and the 'race to the bottom'.

2.1.1 Absolute poverty

The issue of *absolute poverty* has been on the agenda of governments for most of the post-war period. But renewed attention was triggered in the year 2000, when 189 countries formulated eight Millennium Development Goals (MDGs) and specified halving poverty – defined as those people living on less than a dollar a day - by the year 2015 as their prime goal (MDG1). Perhaps more importantly, an instrumental goal (MDG8) was formulated, in which partnerships with private corporations and a good business climate were considered vital to achieve sustainable development. The growing attention for the involvement of the business sector in the eradication of poverty was also picked up by multilateral organizations such as the World Bank and the IMF. They started to stress the importance of a favourable climate for 'doing business' and the related importance of 'good governance' for development. The intellectual foundation for this strategy was based on the research of Hernando de Soto (2000) who argued that one of the most important causes of poverty has been bureaucratic barriers and the lack of property rights – linked to lacking access to credit - that prevented poor people from setting up an own business.

The issue of quickly achieving (some) poverty reduction has since been kept on the agenda due to a variety of NGO campaigns targeting international government meetings. A good example of the way in which this mechanism works, is provided by the G8 Summit in July 2005 in Gleneagles (Scotland). This occasion triggered the 'make poverty history' campaign. The supporting book 'The end of Poverty" by MDG architect Jeffrey Sachs (2005) – with a foreword by singer and entrepreneurial activist Bono – highlights the alliance of scholars and activist to keep the issue on the top of the agenda.

2.1.2 Relative poverty and working poor

The issue of *working poor and relative poverty* has been set on the agenda by trade unions since the beginning of the industrial revolution. In many countries this issue became regulated through the institution of 'minimum wages' - in particular in Europe where trade unions have been better organized and institutionalized. In Anglo-Saxon countries, a (decent) minimum wage has been much less obvious, for fear of disturbing the smooth functioning of labour markets. In most developing countries the issue is still in its infancy. With the increasing integration of developing countries into the value chains of western companies since the fall of the Berlin Wall in 1989 and the start of the era of 'globalization' (two clear triggering events), the issue received renewed attention in particular by western trade unions. The most important allegation has been that a 'race to the bottom' would materialize in which developing countries – but even developed countries – would start to relax labour regulation, and lower wages and taxes to attract Multinational Enterprises. The flip side of this statement has been that MNEs were accused of actively stimulating such a race by playing off governments against one another in a search for the weakest possible regulation. The jury is still out whether this phenomenon is actually happening. The concept of a 'race to the bottom' triggered greater attention for the issue of working poor (as well as for poor labour conditions).

As a consequence, the International Labour Office intensified its campaign for 'decent wages'. The question of decent wage levels and fair labour remuneration practices had always been at the centre of the ILO's actions. Already its original Constitution (1919) referred to the "provision of an adequate living wage" as one of the most urgently required reforms. However, the ILO conventions are notorious for their lack of ratification by member states. The concept of 'decent work' or 'living wage' triggered in particular attention at the moment that western firms announced to relocate, to outsource or to offshore facilities to 'low wage' developing countries. Since the end of the 1990s, many elections in developed countries have had the outsourcing/off-shoring issue as a core point of dispute.

"Fair Labor" and "Fair Trade" movements targeted in particular the issue of working poor as a result of the unfair operation of the international trading system and the (perceived) negative consequences of the inclusion of workers in the international supply chains of multinationals. The anti-Nike campaign in the 1990s on the use of child labour was followed by the 'clean clothes' campaign' and a large variety of 'stop child labour' campaigns.

Finally, the struggle for decent wages and the problems associated with 'working poor' received a new corporate icon by the actions against Wal-Mart, the world's biggest retailer and private employer. It was claimed for instance that Wal-Mart sales clerks are paid below the federal poverty lines. The anti Wal-Mart campaign "The high cost of low price" suggested that Wal-Mart employees are also making intensive use of social security. Consequently, the issue of working poor received a name: the 'Wal-Mart effect' (see for instance Business Week, February 6, 2005). Discussing the challenges of the Wal-Mart effect has become part of a scientific debate that build partly on the ideas of the sociologist Ritzer in the early 1990s who talked about the "McDonaldisation of society" (Ritzer, 1993). In both cases a corporate icon triggers an issue. The Wal-Mart effect adds to this sociological perspective the economic danger of deflation in which lower wages and associated poverty lead to insufficient purchasing power and ultimately a negative growth spiral for the whole economy.

2.2 Development and maturity: measurement and implementation

An issue enters the development phase when important stakeholders, individually or collectively, demand concrete changes to corporate policies and scholars develop models, approaches and strategies that can solve the issue. In the mature or settlement phase, the issue is addressed by concrete strategies, new legislation and the like, which implies that the expectational gap gets bridged. If corporations do not develop credible strategies in this phase the issue remains controversial – depending on the relative strength of the stakeholders and on the extent to which 'issue fatigue' can also appear. The above triggering events precipitated a large number of initiatives, some of which already existed long before the actual events appeared.

2.2.1 Measuring the MDGs

The concrete aims of the Millennium Development Goals stimulated a number of organizations to try to measure the concrete contributions of corporations to achieving these goals. The contribution of the private sector to MDG1 was first identified by the UN Millennium Project (2005) itself as (1) increasing productivity, (2) creating jobs, (3) paying taxes and (4) the supply of necessary goods for reasonable prices. The Global Reporting Initiative (GRI, 2004) additionally tried to link the core activities of businesses to the MDGs in the form of concrete reporting guidelines. GRI considered (1) affordable products, (2) building local linkages and (3) creating employment opportunities as key indicators of MDG1. In particular measuring the creation of jobs in the formal sector is considered critical in escaping the poverty trap. It was also proposed – but not implemented - to look at employment and job creation in distressed or disadvantaged regions, to make this indicator more specifically useful for MDG1. Measuring the direct contribution to poverty alleviation itself, however, proved too difficult and too politically sensitive. The concept of poverty was deemed too multi facetted and too complex. GRI also wanted to avoid the introduction of a misleading measure like the one-dollar-a-day measure of poverty. Instead, the 2006 update of the GRI guidelines (G3) chose for a set of more general social and economic indicators on working conditions. Another measurement project was pioneered by the Dutch Sustainability Research organization (DSR, 2007). First applied to the ABN AMRO bank and later also to Philips, Akzo Nobel, BHP Billiton and TNT, the project identified two indicators particularly relevant for MDG1: (1) community development (local entrepreneurship, the provision of essential products and services), and (2) the provision of employment and living wages (through local recruitment, living wages, the right to organize and the attention to vulnerable groups). The exercise primarily measures intentions rather than performance. It is planned to make this MDG Scan available on internet.

2.2.2 Labelling

Labelling or trade-marks enables a company or a group of companies to communicate its commitment to society and provide consumers with information on the quality and contents of products. Especially fair trade labels aim at communicating the corporate approach to poverty alleviation. The first "Fair Trade" Label was introduced in the late 1980s in the Netherlands. The issue of labelling as a way to deal with poverty picked up steam since 2002 when Tesco, the UK's largest retailer started selling Fair Trade bananas. The label serves as an "independent guarantee that disadvantaged producers in the developing world are getting a better deal" (i.e. a fair price). The fair trade movement thus aims at poverty alleviation through the fairer operation of international markets. But it remains exceptionally difficult to address a complicated CSR problem by means of a label. Consumers do not always convey the message correctly and there is hardly any internationally coordinated accreditation of labels. The market penetration of fair trade labels is therefore still below 5% in most product markets. A vital problem with increasing the effectiveness of labels is how to coordinate and monitor labels. Active firms are inclined to adopt an own label as a unique selling point towards customers, but coordination and standardisation (for instance through the Fair Trade foundation) is often required to make the label into an actually effective poverty alleviation strategy.

2.2.3 Codes of conduct

Codes of conduct can help corporations to level the playing field and promote standards that can overcome the 'regulatory gap'. A cascade of codes has developed, some of which refer to the issue of relative poverty and working poor, through provision on labour conditions. But not many dealt directly with poverty alleviation (Kolk et al, 2006). Industry codes that focused on labour conditions were introduced, for instance in Toys (1995), Apparel (1997), Sporting Goods (1997), Fertilizers (1990, 2002), Iron and Steel (1992, 2002), Cyanide (2000), Mining and Metals (2000), Coffee (2004). Also coalitions (or networks) consisting of corporations, governments and NGOs started to formulated standards, declarations or guidelines. Particularly relevant for poverty alleviation have been the Ethical Trading Initiative (ETI, 1998) and the Fair Labour Association (1998). In particular the ETI Base Code tried to apply a multi-dimensional definition of well-being and poverty for instance by referring to a 'living wage' and 'no excessive working hours' (IDS, 2006).

2.2.4 Bottom Of the Pyramid (BOP)

Since 2002, a number of business scholars started to stress the opportunities in doing business with the poor. In particular the 'bottom of the pyramid' approach (Prahalad and Hart, 2002) has become popular. In the words of C.K. Prahalad (2005) it should be possible to 'eradicate poverty through profits'. The "fortune" to be gained at the Bottom of the Pyramid (Prahalad and Hart, 2002; Prahalad, 2004), referred to the four billion people that live on a per capita income below U$ 1,500 (PPP). Combined, these people represent a 'multi-trillion dollar market' that outsizes industrialised countries – certainly for basic commodities such as food and clothing.

The Bottom of the Pyramid thesis presents a compelling business case for poverty oriented strategies, but not many contributions have yet examined specific strategies for actually reaching that bottom. Since its inception, the number of critics has also mounted. In case multinational enterprise provide complementary job opportunities and create new markets for cheap products that did not exist (such as mobile phones for instance), the BOP strategy works in alleviating poverty. But part of the 'market' at the bottom of the pyramid is in practice already served by local firms and the informal economy. Multinationals can 'crowd-out' more local firms and local employment than they create. Finally, at the real 'bottom' of the pyramid, the purchasing power of the population is much less attractive (and the transaction cost to reach considerably higher); so in practice the BOP strategy has already been redrafted into a "Base of the Pyramid" strategy – a far more modest approach than the original claim. There are therefore basically two types of BOP strategies: a 'narrow BOP' strategy that only focuses on the market opportunities and a 'broad BOP' strategy that takes the wider repercussions and the net effects of the strategy into consideration. The latter also requires that critical NGOs are involved in evaluations of the strategy. A good example of the latter is provided by the 'learning partnership' of Oxfam/Novib and Unilever. In a case study of Unilever Indonesia, Oxfam/Novib explored the link between international business and poverty reduction (Clay, 2005) and focussed in particular also on the indirect consequences of Unilever's involvement in Indonesia. .

2.2.5 Micro-credits

Micro-credits provide an entrepreneurial way out of poverty. The micro-credit movement started in Bangladesh and India in the 1980s and received global recognition in the 21st century – with the UN declaring 2005 'Microcredit year' and the 2006 Nobel Peace Prize awarded to Mohammed Yunus, founder of the Grameen Bank. Micro-credits not only provide cheap capital to poor people, but give high yields for the banks involved. In 2006 around 125 million people were involved in micro-credit schemes. But the micro-credit movement developed largely outside of the mainstream (multinational) banking system and was part of local (small) private sector development initiatives. In case big western firms take up the provision of micro-credits, two strategies can be distinguished: micro-credits as a relatively marginal activity (managed for instance by the corporate philanthropy department) and micro-credits as a core business activity (with substantial volumes). The latter has not really materialised so far.

2.2.6 Novel business models

G. Wilson and P. Wilson (2006) constructed a 'rigorous profit-making argument for MNEs to do more business with the poor". It is aimed at international managers seeking for new profit opportunities and decreasing risk in developing countries (www.makepovertybusiness.com). Poor can be considered a threat – to reputation and security – if the intensified relationships with developing countries are badly managed. Expand the argument beyond the bottom of the pyramid, where poor are primarily seen as consumers; expansion of 'country risk' argument from International Business theory, prescribing a more (pro)active stance in which economic development is served and new 'innovative' products and services are explored. The authors identify areas in which 'innovation for poverty reduction' can be applied, which can create novel – often relatively simple - products first in developing markets (facing specific challenges only relevant for emerging markets) that later can even be fed back into developed markets.

An example is CEMEX, the Mexican cement company that designed novel ways of community-based dynamics to diffuse its cement products. The lesson was that 'much of the useful innovation in poverty reduction revolves around identifying what elements are 'missing' from the physical, economic and legal infrastructure of a developing economy and then finding alternatives' (Wilson and Wilson, 2006: 128). The claim is that there is a true new business model developing in some developing countries. Interestingly, Prahalad (with Krishan, 2008) later on build upon these same ideas to produce an even more generic model of innovation in which producers and communities (of users, suppliers and the like) 'co-create' systems that are claimed not only to be economically feasible, but also socially desirable.

2.2.7 Partnerships

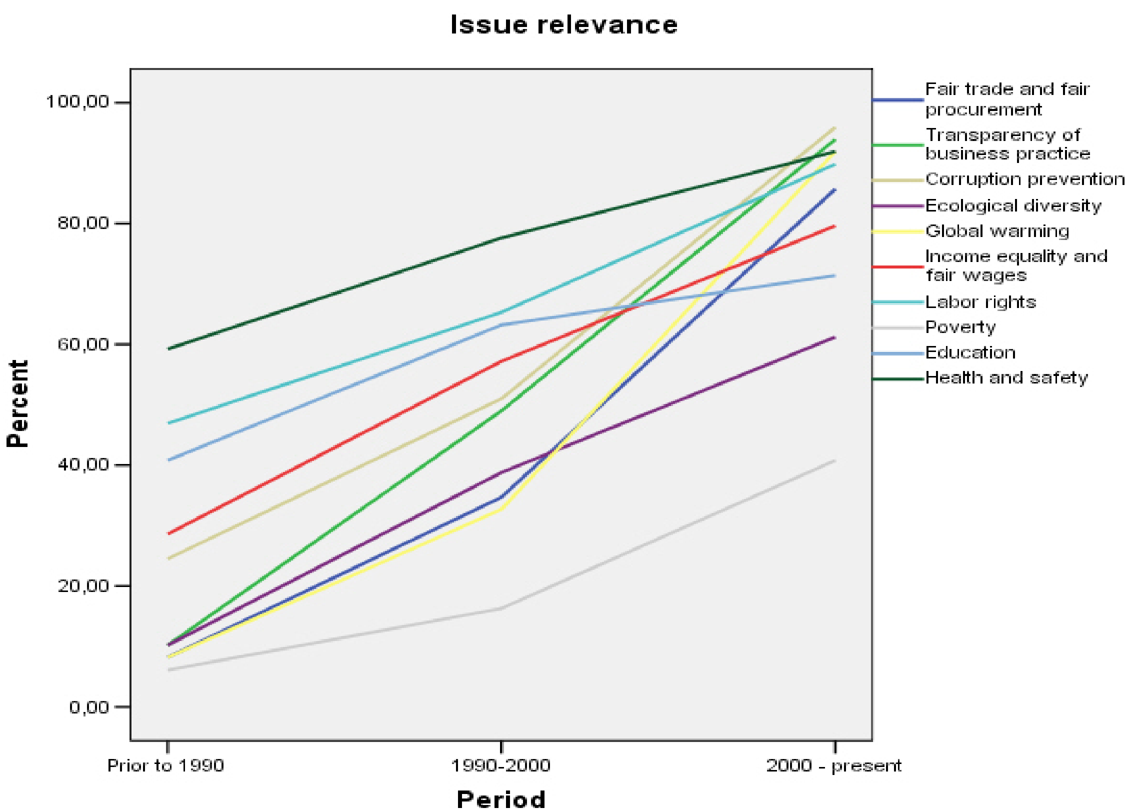
Austin (2000: 44) labelled partnerships between public and private parties as the "collaboration paradigm of the 21st century" needed to solve "increasingly complex challenges" that "exceed the capabilities of any single sector" (cf. Selsky and Parker, 2005). Since the 2002 World Summit on Sustainable Development (WSSD) in Johannesburg, these so called 'cross-sector' partnerships have become important instruments for addressing problems of global development and reaching the Millennium Development Goals (MDGs), in which the contribution of companies is seen as crucial. Additionally, there has also been increasing interest in public-private partnerships, in which companies cooperate with governments or international organisations (Chataway and Smith, 2006; Samii et al., 2002). Following the WSSD in Johannesburg, more than 300 partnerships had been registered by the UN secretariat by the end of 2006.

2.2.8 Poverty as issue and stakeholder management

Strategic management of firms is increasingly aimed at 'issues' and – related reputation management and corporate branding (Cf. Van Tulder with Van der Zwart, 2006; Fombrun and Van Riel, 2004). Issues management – and the related Public Affairs function – can be elaborated in a more or less active manner. More and more firms are also using 'issue advertisement' campaigns to engage stakeholders in their critical decision making processes. What makes an issue strategy the most pro-active is in case secondary (single issue) stakeholders such as environmental or human rights NGOs, or even so-called 'fringe stakeholders' such as 'the poor', 'the weak', or the 'illiterate' (Hart and Sharma, 2004) get involved. Hart and Sharma (ibid) refer to this process as the move from simple 'transparency' to 'radical transactiveness'. The technique that proofs particularly appropriate for getting relatively loose groups of stakeholders with divergent interest around the table in a productive manner is the so-called strategic stakeholder dialogue (Van Tulder et al. 2004; Van Tulder with Van der Zwart, 2006: chapter 20). Increasingly issue and stakeholder management gets linked to areas of 'leadership' and the request from society towards business to develop new forms of leadership. Where 'managers' help to walk the road more efficiently, 'leaders' help defining that road and stimulate their workers to want to walk it. This applies in particular to so called 'transformational leadership' (ibid) or 'Public Integrative Leadership' that has a particular bearing on global societal issues such as poverty.

So what are critical societal issues according to business leaders? In the introduction of this paper we noted already a number of statements that make clear that business leaders have discovered 'poverty' as an issue, but there are other issues as well. What is the relative ranking given to various issues? Research of RSM Erasmus University (Kaptein et al., 2007) under a representative sample of the CEOs of the 200 largest firms in Europe, shows that these firms over the 1990s and early 21st century have started to integrate CSR strategies into their mainstream or 'core' strategies. This implied that the CSR staff increased, that the CEO (33%) or another board member (34%) has become responsible within the company, with a growing number of measures taken to operationalise this strategy (reports, whistleblowing procedures, standardization, codes, CSR issues in marketing campaigns). The attention for a large number of issues – including poverty – increased substantially. Figure 1 shows the increasing attention for a sample of ten issues. In 2007 CEOs indicated that they perceived the impact of the following issues as highest: corruption (4.6 on a scale of 5), transparency, health and safety (4.5), labour rights, climate change (4.3). Somewhat less score income equality, fair wages, fair trade and procurement (3.9), ecological diversity (3.7), education (3.5) and poverty (3.0). Even the general issue of poverty scores above the mean. European firms are leading in this respect (Van Tulder with van der Zwart, 2006) with an increasing number of firms setting quantitative targets for a large number of issues (34% of the companies for instance set quantitative targets for at least five CSR issues).

Figure 1 Issue Relevance: 1980s – 2007



3. Business strategies towards poverty reduction

As the issue ranking of European CEOs (figure 1) illustrates, poverty eradication as a business challenge is still in the approximate development phase of its life-cycle. The issue is far from being mature, let alone resolved. Triggering events have resulted in relatively concrete aims and goals; new concepts have been developed that structure the debate; but the issues are not yet resolved, let alone clearly addressed. New concepts are not undisputed, the operationalisations are not always clear and are not well coordinated, whilst the relationship between business strategies and the resolution of the issue at hand are not yet clear. . There is abundant room for 'PR' activities of firms in which a concept (like micro-credits or the BOP) can be embraced only to ward off critical stakeholders. As regards the introductory statements in Box 1 on poverty: what makes these into core firm strategies and beliefs, rather than marginal public relation statements?

The assessment of corporate strategies on societal themes represents the area of corporate responsibility, often abbreviated as 'CSR'. But the catch-all category of 'CSR' in fact obscures important strategic variability and contextualisation. The contribution of CSR strategies to align the interests of the poor depends on the circumstances and the concrete elaborations of business strategies in developing countries (Blowfield, 2005). In that context four CSR approaches with different procedural attributes can be proposed in which the very CSR abbreviation also has four different meanings: in-active, re-active, active and pro-active (Cf. Preston and Post, 1975; Van Tulder with van der Zwart, 2006). The continuum of CSR business strategies is conceptually related to the basic distinction in conventional moral theory between what is required and what is desired, or between the 'morality of duty' and the 'morality of aspiration' (Michaelson, 2006). Table 1 summarizes the most important characteristics of these four approaches to CSR and gives some operationalisations of indicators of corporate poverty strategies.

Table 1 Four CSR approaches towards Poverty

IN-ACTIVE	RE-ACTIVE	ACTIVE	PRO-ACTIVE
“Corporate *Self* Responsibility”	“Corporate Social *Responsiveness”*	“Corporate Social *Responsibility*	“Corporate *Societal* Responsibility”
Legal compliance and utilitarian motives	Moral (negative) duty compliance	Choice for responsibility and virtue	Choice for inter-active responsibility
Efficiency	Limit Inefficiency	Equity/Ethics	Effectiveness
Indifference	compliance	integrity	Discourse ethics
Inside-in	Outside-in	Inside-out	In-outside-in/out
‘doings things right”	“don’t do things wrong”	“doing the right things’	“doing the right things right”
‘doing well’	‘doing well and doing good’	‘doing good’	‘doing well by doing good’
Poverty approach: o No explicit statements on poverty o We create jobs and employment (as by-product of profit maximization) o Payment of taxes o Affordable products o No code of conduct and/or low compliance likelihood o No support for labels o No separate business model for poor	**Poverty approach:** o Contribution to economic growth o Narrow BOP: mention of market changes in poor regions o Creation of local employment used defensively o Micro-credits as (small) part of philanthropy o Transfer of technology and knowledge mentioned, but not specified o Vague code and low specificity as regards poverty o Support for Global compact and modest support for GRI o Dialogue vaguely mentioned	**Poverty approach:** o Explicit statement on moral unacceptability of poverty o Definition of decent wage o Broad BOP: explicit view on how this strategy addresses poverty alleviation (net effect) o Creation of local employment opportunities at suppliers o Micro-credits as part of business strategy o Transfer of technology and knowledge is specified o Explicit support for MDG1 o Wholehearted support for GRI o Philanthropy is aimed at poverty in general o Specific code and/or labelling on poverty and/or fair trade	**Poverty approach:** o Strategic statement on poverty o Explicit support for all MDGs (including #8 on partnerships) o Active partnerships with NGOs and international organisations on poverty o Very explicit code and support of highest possible transparency (GRI) o Transfer of technology and knowledge is specified and discussed for its impact on poverty alleviation o Codes and labelling activities part of a contract with third parties (high specificity and high compliance likelihood) o Dialogues as an explicit tool to raise strategic effectiveness o Search for a separate (strategic) business model for the poor
"what is required” Economic Responsibility [Wealth oriented] Narrow (internal) CSR			“what is desired” Social Responsibility [welfare oriented] Broad (external) CSR

3.1 Inactive approaches

The *inactive* approach reflects the classical notion of Friedman that the only responsibility companies (can) have is to generate profits, which in turn generates jobs and societal wealth and can therefore be considered a form of CSR. This is a fundamentally inward-looking (inside-in) business perspective, aimed at efficiency in the immediate market environment. Entrepreneurs are particularly concerned with 'doing things right'. Good business from this perspective equals operational excellence. CSR thus amounts to 'Corporate *Self* Responsibility'. This narrow approach to CSR requires no explicit strategy towards poverty alleviation. It aims at the prime 'fiduciary duties' of managers vis-à-vis the owners of the corporation, which could imply affordable products, the growth of the corporation, paying taxes and job/employment creation, but only as indirect by-product of a strategy aimed at profit maximisation. When faced with the trade-off between job creation and efficiency enhancement (or share holder value maximisation) these firms will chose for the latter. The company is relatively indifferent towards the issue of poverty. The corporation stresses economic growth (general efficiency) and its general contribution to that as precondition for poverty alleviation, without further specification of its own contribution. The company is relatively indifferent towards including poverty related initiatives in its (core) business practices.

3.2 Reactive approaches

The *re-active* approach shares a focus on efficiency but with particular attention to not making any mistakes ('don't do anything wrong'). This requires an outside-in orientation. CSR translates into Corporate Social *Responsiveness.* Corporate philanthropy is the modern expression of the charity principle and a practical manifestation of social responsiveness. In this approach the motivation for CSR is primarily grounded in 'negative duties' where firms are compelled to conform to informal, stakeholder-defined norms of appropriate behaviour (Maignan, Ralston, 2002). The concept of 'conditional morality' in the sense that managers only 're-act' when competitors do the same, is also consistent with this approach. This type of firm deals with the issue of poverty primarily when confronted with actions of critical stakeholders, for instance in the area of 'working poor' and in an effort to limit the negative influences of firm strategies on poverty (Singer, 2006) or restore corporate legitimacy (Lodge, Wilson, 2006). Primarily in reaction to concrete triggering events – and often not spontaneously - these companies legitimise their presence in developing countries or in socially deprived regions by arguing that they potentially transfer technology, contribute to economic growth and create local job opportunities, but without specifying it in concrete terms or taking up direct responsibility. The company wants to reduce its vulnerability as regards the issue of poverty. Poverty (the bottom of the pyramid) becomes in particular an opportunity when the growth possibilities in the existing markets are declining. The bottom of the pyramid is primarily the 'base' of the pyramid. Support for guidelines like the UN's Global Compact - that is neither specific nor requires high compliance likelihood – is the typical approach of a re-active CSR strategy (See Kolk and Van Tulder, 2005). Company considers philanthropy a sufficient channel through which concrete poverty issues (in particular related to disaster relief and other ad-hoc events) can be dealt with.

3.3 Active approaches

An *active* approach to CSR is explicitly inspired by ethical values and virtues (or 'positive duties'). Such entrepreneurs are strongly outward-oriented (inside-out) and they adopt a 'positive duty' approach. They are set on doing 'the right thing'. CSR in this approach gets its most well-known connotation – that of Corporate *Social* Responsibility. This type of firm has a moral judgement on the issue of poverty and tries to come up with a number of activities that are strategic (core activities) and/or complementary to its own corporate activities. Such firms for instance can define what 'decent wages' are and can come up with substantial philanthropy activities towards poverty alleviation in markets where it is not active. The re-active firm will primarily locate its philanthropy in the vicinity of its corporate activities (thus the growing attention for so-called 'strategic philanthropy). The active company accepts (partially) responsibility for the issue of poverty in particular where it is directly related to its own activities and responsibilities. Poverty (the bottom of the pyramid) is explicitly addressed as a morally unacceptable issue for which perhaps entrepreneurial solutions exist. The (indirect) job creating effects of the company with its suppliers are also specified. In case this company embraces for instance micro-credits it is not only seen as a regular market opportunity or a PR instrument , but as a strategic means for reaching the real bottom of the pyramid for which concrete criteria should be developed to measure its effectiveness and create ethical legitimacy.

3.4 Pro-active approaches

A pro-active CSR approach materializes when an entrepreneur involves external stakeholders' right at the beginning of an issue's life cycle. This pro-active CSR approach is characterized by *interactive* business practices, where an 'inside-out' and an 'outside-in' orientation complement each other. In moral philosophy, this approach has also been referred to as 'discourse ethics', where actors regularly meet in order to negotiate/talk over a number of norms to which everyone could agree (cf Habermas 1990): 'doing the right things right' (or 'doing well by doing good'). This form of Corporate *Societal* Responsibility (Andriof, McIntosh, 2001:15) shifts the issue of CSR from a largely instrumental and managerial approach to one aimed at managing strategic networks in which public and private parties have a role and firms actively strike partnerships with non-governmental organisations to come up with more structural solutions to poverty. The CEO of Unilever, Anthony Burgmans, in this context likes to elaborate CSR as 'Corporate *Sustainable* Responsibility'. Firms that aim at a pro-active poverty strategy are most open to the complex and interrelated causes on poverty and acknowledges that poverty can only be solved through partnerships and issue ownership of all societal stakeholders involved. This type of firms is also willing and able to see the problematic relationship between low wages and/or low prices with low economic growth which could hamper a more structural approach to poverty. A possible legal elaboration has been provided by Lodge and Wilson (2006) who introduced the construct of a "World Development Corporation" - an UN-sponsored entity owned and managed by a number of MNEs with NGO support.

3.5 A sustainable corporate story?

The transition from an inactive to a more proactive approach can generally be considered to mirror ever more sophisticated corporate stories in which firms not only go beyond 'philanthropy' or their general 'fiduciary duty', but increasingly engage in partnerships with other stakeholders to deal with the more structural dimensions of poverty. The move from an inactive to an active approach is part of an 'internal alignment' process in which firms face the challenge of overcoming internal barriers to change. This relates to functional areas of management, for instance in case the marketing department is not aligned with the purchasing or the Human Resource Management department. Companies face increase internal coordination problems and will have considerable difficulties in developing a coherent corporate story towards their primary stakeholders: employees, suppliers, distributors, owners/financiers and competitors. The move from a re-active to a pro-active approach is part of an 'external alignment' process in which face the challenge of overcoming external barriers to change. In this case the relationship with secondary – often single-issue – stakeholders has to be managed in a sophisticated manner. As regards the issue of poverty, this in particular relates to such secondary stakeholders like human rights and fair trade organisations and/or international trade unions that have no direct link with the company's employees.

The more firms consider poverty alleviation strategies to part of their core business/competencies, the more they need to develop sustainable corporate stories. A sustainable story then becomes also part of a 'sustainable competitive advantage' (Cf. Porter, 1990) and philanthropy becomes part of a strategic partnership with relevant stakeholders and not an isolated strategy. The latter is the case when the poverty alleviation strategy is managed by a foundation that is relatively independent of the company, instead of part of the strategic planning of the whole company. In that case the poverty alleviation strategy becomes part of the search for a new business model that might contribute to a structural poverty alleviation approach.

Illustrative of stories and statements that might apply for the status of a 'sustainable corporate story' are the quotes listed in Annex A. The following first observations can be made on the basis of these quotes:

[a] General emphasis. Many firms acknowledge their status as a multinational corporation, and link this to their general interest in making 'globalization good':

- most companies link their statement on poverty to the process of 'globalization' (making 'globalization good' implies addressing the perceived negative consequences of globalization);
- companies also tend to mention explicitly when they employ activities in the 'poorest regions' of a country (cf. Nissan, sustainability report 2006)
- many companies stress the importance of the creation of effective markets and improve the 'risk taking capacity of the poor' (Aviva, CSR report 2006)
- Many companies link their CSR strategies to programmes in support of local communities or with reference to some of the global poverty projects (such as Global Compact or the MDGs); not often are strategies explicitly related to national poverty programmes – probably because they tend to be too political and

can alter in case governments change. Exceptions to the latter rule can be found with state-owned companies – such as Petrobras (Brazil);

- Many firms stress their commitment to paying decent wages, and thus helping poverty alleviation through their employment creation abilities;
- Only a few explicitly stress the need for 'new business models' (such as Procter & Gamble)

[b] Specific emphasis. Specific industries tend to address in particular those dimensions of poverty that are directly related to their industry:

- energy and automotive companies stress the link between energy and poverty
- financial services look at the provision of microfinance and access to capital in general; some like to show that they are leading in this area (we are at the forefront; like Lloyds).
- Consumer product corporations (retail and food processing) as well as utility producers stress the poverty alleviation potential of providing 'affordable products'; they also stress that economic growth is a necessary condition for more structural poverty alleviation (or 'raising standards of living'). The poor are primarily considered a 'market' and developing countries thus become 'developing markets' (cf. P&G). Compared to other issues these firms explicitly attach priority value to the issue of poverty (see for instance explicit statement of EdF). A number of firms explicitly uses the phrase 'sustainable development', but without exactly elaborating that term.
- Retailers (like Tesco) link the poverty issue to trade liberalisation and thus directly to their supply chain, which is most vital to their competitive position

[C] Partnership emphasis. Many firms mention that they are partnering with NGOs or international organisations on areas that are related to the issue of poverty: community development, microfinance, literacy programmes and the like. The 'Public-Private partnerships" have already been classified as indicative for a pro-active strategy. But the extent to which this is the case strongly depends on the nature of the partnership and the issue involved. In case of partnerships that were (temporarily) founded for disaster relief for instance – in the case of ecological disasters like Tsunamis, earthquakes or hurricanes – the approach has to be qualified as 'reactive' at best. Table 2 shows how specific types of partnerships in principle can be positioned in the basic scheme of CSR approaches (Cf. also Table 1).

Table 2 – An application to partnership strategies

<table>
<tr><th>In-active</th><th>Re-active</th><th>active</th><th>Pro-active</th></tr>
<tr><td>No partnership</td><td></td><td></td><td></td></tr>
<tr><td colspan="2">Disaster relief
Sponsorship</td><td></td><td></td></tr>
<tr><td></td><td colspan="2">Micro-finance (narrow approach)
Education
Literacy
Health (HIV/Aids)/water provision</td><td></td></tr>
<tr><td></td><td></td><td colspan="2">Community development;
Sustainable/fair trade/labour/wages/food/taxes;
Financial sector development (broader than micro-finance)</td></tr>
</table>

4. Varieties of Capitalism and poverty approaches

What patterns can actually be found in the strategies of the 100 largest Fortune Global firms (annex 1)? This paper gives a first inventory of the poverty related strategies of these for the years 2005/2006. It applies the framework of Tables 1 and 2 to each of these firms. Codes of conduct, websites, and corporate sustainability reports of each of these firms were analysed. Half of the Global Fortune 100 list of 2006 comprises European firms, around one third is American, whereas one sixth is Asian. So we are not only capable to distinguish between general strategies and sectors (section 4.1), but also to consider whether each of the three major varieties of capitalism in fact represent a distinct approach towards poverty (section 4.2).

4.1 General patterns

Around 58 of the largest 100 corporations had undertaken some initiative on the issue of poverty. At least four firms (Citigroup, # 14 on the list, Deutsche Bank, #48, Electricité de France, # 68, and Deutsche Post, # 75) explicitly communicated a moral statement that poverty is unacceptable. Some corporations acknowledge the issue of poverty, but link it primarily to economic growth – thus supporting the mainstream approach to poverty alleviation which does not require an active corporate involvement. Matsushita Electric (#47 on the list) for instance argues in its 2006 Global Corporate Citizenship report that "at present, the world has a large number of people living in poverty and needs a level of economic growth sufficient to raise their standards of living". Other corporations express more explicit (active) concern over issue of poverty and link it to the own corporate responsibilities. For instance BP (#4) in its 2005 sustainability report states that its 'primary means of making a positive impact on poverty is through aligning our own operations with local people's needs". Petrobras (#86) states in its social and environmental report of 2005 "what motivates us is the ongoing quest to improve the quality of life in the communities in which we operate. Our initiatives are in areas such as job creation, income generation, combating poverty and hunger (…)".

One out of five corporations is searching for 'partnerships' with NGOs and international organizations on the issue of poverty. One out of five corporations had also developed poverty oriented programs in their philanthropy activities. The Shell (#3) foundation for instance aims to support sustainable solutions to social problems arising from the links between energy, poverty and environment with a $ 250 million endowment. It issued a well received report 'Enterprise solutions to Poverty'. However, intentions and philanthropy activities do not necessarily reveal the implementation of concrete core strategies. So we considered in more detail to what extent the 100 largest firms in the world at the moment are making their commitment to alleviate poverty more concrete. One out of ten firms on average – in particular American and Japanese firms – consider the provision of 'affordable products' as an important contribution to poverty alleviation. One out of four firms on average (24 firms) identified the creation of local employment opportunities as a major issues, half of this group (12) further specified that to include also indirect employment at suppliers. Decent wages, however, are only defined by four corporations.

Another way of concretizing an ambition is to link to international initiatives and codes. For instance 43 of the 100 largest firms subscribed to the UN's Global Compact in the 2000-2006 period (36 of which are European corporations). But the Global Compact only provides general and indirect reference to poverty, whilst it is very weak on implementation. 17 corporations have expressed general support for the Millennium Development Goals (MDGs). One quarter of the European firms, and less than 7% of the American and Asian firms, support the MDGs. A number of in particular European firms have been very active in further operationalising the MDGs for their business context. Firms like Royal Dutch Shell (#3) and ABN Amro (#82) have explicitly linked their sustainable reporting to each of the eight MDGs. As regards poverty related international codes and labelling initiatives, the most popular initiative up to now has been the 'Fair Trade' label, which has been endorsed for a number of products in their product range by at least four international retailers. The Ethical Trading Initiative is supported by three corporations, of which two are American computer and office equipment producers. On average, however, most large companies still tend to favour own labels and own poverty related codes, whilst not endorsing already existing codes or standards – such as the ILO standards.

Finally, two entrepreneurial approaches towards poverty alleviation – micro-credits and the Bottom of the Pyramid (BOP) – were distinguished for which corporations can adopt a narrow and a broad strategy. As regards micro-credits, many firms have embraced the idea. 23 firms from a wide variety of industries consider micro-credits an interesting option as complement to their main business strategy. For instance ExxonMobil has a number of partnership projects with USAID on microfinance in areas related to its oil projects (Kazakhstan and Sakhalin). The corporation presents its microfinance activities as 'one of many ways ExxonMobil fosters education and increased opportunities for women [….] as part of the company's community investment initiative" (2005 Corporate Citizenship Report). An additional 9 of the 17 banks of the sample present micro-credits as an interesting part for their general business strategy. The Dexia Group (#55) for instance asserts itself as one of the world leaders of the international financial market of microfinance, with total assets of around U$ 89 in 2005 (Sustainable development report 2005). Other international banks have followed suit, making micro-credits a mainstream instrument. The actual volume of the efforts, however, remain rather limited which serves as an illustration of the relative difficulty with which this market can be developed. Micro-credits, therefore, are still a relatively marginal activity for most banks.

As regards the BOP strategy, leading firms are still rather ambiguous. Eight of the 100 largest firms have mentioned the BOP as a possibility, but have primarily embraced it as yet another market change to sell products in a poor region. Only two firms (Citigroup, #14; Nestle, #53) have been arguing in favour of a more broad BOP strategy in which they are developing an explicit view on how this strategy actually addresses poverty alleviation as a result of direct and indirect effects.

4.2 Varieties of capitalism

Table 3 shows some excerpts from the poverty 'scoresheet' that was drawn on the basis of the previous indicators for the 100 largest Global Fortune corporations in 2006. 43 of these firms could be positioned in one of the four CSR categories, 52 firms combined two (adjacent) CSR categories, whilst 4 spread their activities over three categories.
Around 2/3 of the corporations have adopted an inactive and/or a reactive strategy towards poverty. The four corporations that could be classified a 'proactive' have still adopted rather modest strategies in this area, whilst also embracing re-active and active traits. No corporation can be classified as wholly pro-active, whereas 40% of the corporations can indeed be classified as completely 'inactive'

Table 3 A Poverty Score Sheet - exemplary strategies (2006)

Fortune 500 position	Company	Country	Sector	Approach to poverty			
				Inactive	Reactive	Active	Pro-active
1	Exxon Mobil	USA	Petroleum Refining				
2	Wal-Mart Stores	USA	General Merchandisers				
3	Royal Dutch Shell	NLD	Petroleum Refining				
9	Ford Motor	USA	Motor Vehicles and Parts				
14	Citigroup	USA	Banks: Commercial and Savings				
17	Volkswagen	DEU	Motor Vehicles and Parts				
23	Sinopec	CHN	Petroleum Refining				
24	Nippon T&T	JAP	Telecommunications				
25	Carrefour	FRA	Food and Drug Stores				
32	State Grid	CHN	Utilities				
46	Samsung Electronics	KOR	Electronics, Electrical Equipment				
47	Matsushita Electric Ind.	JAP	Electronics, Electrical Equipment				
53	Nestlé	CHE	Food Consumer products				
59	Tesco	GBR	Food and Drug Stores				
68	Électricité De France	FRA	Electric and Gas Utilities				

69	Nippon Life Insurance	JAP	Insurance: Life, Health (mutual)				
81	Procter & Gamble	USA	Soaps, Cosmetics				

Table 4 summarizes the main scores for each variety of capitalism. Typical (pro)active strategies are primarily embraced by European corporations, whereas the typically in-active strategy is embraced by Asian corporations. American corporations are somewhere in between, however, with a strong inclination towards the adoption of in-active and re-active strategies. This involves a 'buffering attitude' towards critical NGOs that address the issue of poverty. A good example is provided by Wal-Mart (#2) which in response to the allegations contained in the Wal-Mart effect first created a public relations 'war room' in 2005 and, next, sponsored a 'working Wal-Mart families' site which stresses the importance of the jobs provided by Wal-Mart for the local community. Wal-Mart stresses in its other communication in particular the fact that it offers affordable products to customers – with the suggestion, although not specified, that this might substitute for the weak buying power of its employees. "If we can go without something to save money, we do. It's the cornerstone of our culture to pass on our saving. Every penny we save is a penny in our customer's pocket' (corporate website: www.walmartstores, consulted March 2007). Most of the action of Wal-Mart can be interpreted as re-active, with no efforts to work on the issue of poverty in collaboration with critical societal groups.

Table 4 Poverty approaches of Fortune 100 corporations, 2006
[% of row category; overlap possible[2]]

	Inactive	Re-active	Active	Pro-active
Total (N=100)	**63%**	**55%**	33%	4%
Europe (N=52)	48%	**67%**	**52%**	**8%**
USA (N=30)	**77%**	**47%**	13%	0%
East Asia (N=15)	**93%**	27%	7%	0%
Developing (N=3)	33%	**66%**	33%	0%
Petroleum Refining (N=14)	50%	**71%**	36%	14%
Banks (N= 17)	**59%**	47%	47%	6%
Insurance (N=13)	**62%**	39%	31%	0%
Electronics, computers, telecom (N=15)	**74%**	**53%**	27%	0%
Motor vehicles and parts (N=13)	**69%**	46%	23%	0%
Retailers, general merchandise, wholesalers (N=12)	**75%**	42%	17%	0%

As regards specific industries, motor vehicles, electronics and retailer are on average the

[2] Overlap possible where companies score on multiple indicators. For instance a company can combine a 're-active' and an 'active' score, which basically shows that the company is in a state of transition it still combines characteristics from two approaches and attitudes.

least active in the area of poverty alleviation. In these sectors, the internal sector dynamics has put a 'ceiling' on individual activities towards poverty alleviation. Active and pro-active attitudes towards the issue of poverty involve 'bridging'[3] strategies. These bridging strategies are easier adopted in Europe, and in particular by the banking and petroleum refining industry. Regulation in Europe as well as with these specific industries has created a 'floor' on which more active poverty alleviation strategies have been required (See Kolk et al, 2006).

Table 5, finally, gives exemplary evidence of the partnership approaches adopted by a number of companies. More European firms have embraced partnerships and in a much more (pro)active manner than leading American firms. This is relatively independent from the actual number of partnerships. American firms embrace partnerships more often and more (re)active than leading Asian firms. This pattern corroborates with the general CSR strategies of these three varieties of capitalism. This conclusion is also further supported by other studies. For instance Muller and Whiteman (2008) analyzed the 'geography of corporate philanthropic disaster responses' amongst the Fortune Global 500 firms. They observe a process of 'regionalisation' in disaster relief efforts. The response of firms to a selected number of natural disasters proofs to systematically vary across regions and thus across varieties of capitalism. Regional differences in corporate approaches towards disaster relief exist. Asian firms show relatively low cash value of donations. American and European firms were more generous, but in the case of American donations they were more linked to the advancements of a private sector in order to increase the disaster preparedness of the population and the efficiency of the actual relief effort (viz. the US Business Roundtable's Partnership for Disaster Relief). European firms seem to have been more inspired by normative considerations. These observations, however, need additional research (ibid)

Table 5 Exemplary partnership approaches

no.	Company	main focus of partnerships	partnership with…
1	**Exxon Mobil**	microfinance, health (malaria, measles), disaster relief	USAID, UNICEF, Kazakhstan Loan Fund, American Red Cross, U.N. Foundation, U.S. Centers for Disease Control, World Health Organization, Pakta Foundation
3	**Royal Dutch Shell**	community development	Niger Delta Development Commission (NDDC), USAID, International Institute for Tropical Agriculture, GLOBACOM
4	**BP**	microfinance	Save the Children, European Bank for Reconstruction and Development
6	**Chevron**	educational/ training	USAID, Discovery Channel
13	**ING Group**	microfinance and financial sector development, education	United Nations Capital Development Fund (UNCDF), Oikocredit, Netherlands Financial Sector Development Exchange (NFX), UNICEF

[3] The term refers to the ability of firms to overcome differences with stakeholders by discussion, dialogue or other means of communication.

14	**Citigroup**	microfinance, disaster relief	Working Women's Forum (Chennai), Association for Enterprise Opportunity (AEO), World Food Program (WFP), American Red Cross
26	**HSBC Holdings**	environmental-innovation oriented	universities of Newcastle-upon-Tyne and East Anglia, Earthwatch
28	**Aviva**	microfinance, water shortage	FORCE (local NGO in India), UN Environment programme finance Initiative, BTCV, Earthwatch, WWF, Business in the Community, International Business leaders Forum (IBLF)
34	**BNP Paribas**	microfinance	ADIE (non-profit association specialised in microfinance)
41	**Nissan Motor**	disaster relief	Habitat for Humanity
50	**Verizon Comm.**	literacy	Save the Children U.S. and Fudeco (Save the Children- Dominican Republic)
53	**Nestlé**	sustainable agriculture, hunger, several partnerships in all MDGs…	WARMTH (War against Malnutrition, TB & HIV), Healthy Thai Children (a joint private-public effort with the Dept of Health and Ministry of Public Health), Turkish Education Volunteers Foundation + many more
57	**Credit Suisse**	disaster relief	Habitat for Humanity
59	**Tesco**	labour standards, disaster relief	Wine and Agricultural Ethical Trade Association (WIETA), British Red Cross
63	**Zurich Financial Serv.**	disaster relief	International Committee of the Red Cross
68	**Électricité De France**	community development	Care France, Fondation Nicolas Hulot, UNCPIE (Union nationale des centres permanents d'initiatives pour l'environnement)
71	**France Télécom**	education	Ministry for Education (Senegal, Jordan), UNICEF, USAID
75	**Deutsche Post**	disaster relief, health (medicine supply/distribution)	European Generic Association (EGA), the Business Humanitarian Forum (BHF) and the Deutsche Investitions- und Entwicklungsgesellschaft (DEG—the German Investment and Development Corporation), UNDP, OCHA, Red Cross and Red Crescent Societies
81	**Procter & Gamble**	drinking water	USAID, Johns Hopkins Bloomberg School of Public Health, CARE, and Population Services International (PSI), International Council of Nurses (ICN), UNICEF, Samaritan's Purse, World Vision, International Rescue Committee, CARE, Red Cross, and AmeriCares
82	**ABN AMRO Holding**	microfinance , financial sector development	Oxfam Novib, 'Netherlands Financial Sector Development Exchange ('NFX'), World Bank
96	**Suez**		Essor

5. Conclusion: preconditions for a sustainable corporate story?

Is the present state-of-affairs on the involvement of (big) business in poverty reduction ground for optimism or pessimism? Although most entrepreneurs and corporations do not yet see the alleviation of global poverty as a strategic priority (Singer, 2006), this contribution has illustrated the extent to which the issue itself has climbed up the corporate strategy ladder. The bottleneck of making it a real strategic priority in which firms adopt active or pro-active strategies seems less the complexity of the issue, but more the conceptual and strategic 'poverty' that surrounds the issue. Rather narrow approaches for entrepreneurial solutions to poverty still prevail and only a few pro-active approaches have been tried, which makes it yet impossible to come up with convincing 'sustainable corporate stories' in which at the operational as well as the strategic level leading firms have developed and implemented poverty alleviation strategies. This paper has also shown that the chances are biggest that a sustainable corporate story will materialize with some of the leading European firms. They have developed the most interesting examples as regards partnerships, broader approaches to the bottom of the pyramid, and novel business models. But even for these firms, it proofs not easy to change their strategic orientation.

MNEs are still strongly influenced by their 'countries of origin' (varieties of capitalism) as regards their CSR strategies. This is partly due to the regulatory framework in these countries, but also due to sectoral dynamics. Different sectors face different problems and are at different stages when it comes to alleviating poverty. So a way forward in this regard might therefore to not approach single, individual (often high profile) MNEs, as some NGOs and international organizations tend to do, but to create an enabling environment that facilitates dialogue and subsequent action at the sector level. Complementary, GRI and other international organizations might develop reporting guidelines and develop specific poverty alleviation indicators per sector.

A final and perhaps most worrying future dimension of the business interest in poverty originates in the very dynamics of issue management. Issues are always prone to strategic re-assessments of the CEOs. In the research under 200 European CEOs that was referred to earlier (Kaptein et al, 2007), we also asked to indicated the expected increase in urgency of the ten selected CSR issues. The following ranking (Table 6) was the result of this exercise. CEO could indicate the issue importance on a scale from 1 (not at all) to 5 (very much).

Table 6 Future urgency of issues

Expected increase in issue urgency	Mean
1. Global warming	4.4
2. Transparency of business practice	3.8
3. Ecological diversity	3.7

4. Fair trade and fair procurement	3.5
5. Corruption prevention	3.5
6. Labour rights	3.4
7. Health and safety	3.4
8. Education	3.2
9. Income equality and fair wages	3.1
10. Poverty	3.0

Source: Kaptein et al, 2007

Considering that European CEOs and corporations have been leading in the world on trying to address the issue of poverty, we can expect that its urgency is not likely to increase in the nearby future. The expected attention of corporate CEOs for poverty is above average (2.5), but remains stable. This represents a breach of the trend of increasing attention for the issue over the past decade. More importantly a number of poverty-related issues like income equality and fair wages, and education are declining in importance as well. This is a remarkable development and is caused by at least two developments that are inherent to 'issue management'. First, the issue of 'global warming' has been getting most of the attention in as well the public debate (the Gore effect) as with stakeholders and shareholders of large corporations. This 'crowds out' other issues like poverty and poverty related issues. Secondly, the supporters of the Millennium Development Goals in their 2007 evaluation reports have stressed that in particular MDG 1 (halving poverty) might be reached. In issue management, the relative urgency defines the willingness of managers to address the issue. As soon as policy makers started to emphasize that MDG1 might be reached, the issue loses importance. So the issue of poverty might not only fall victim to a substituting issue (global warming), but also to claimed success in addressing it. This poses a problem, since the issue will certainly not be solved. On the contrary, the 1$ a day benchmark has been criticized as relatively low (or not very ambitious), whereas the goal is relatively easily reached through the gigantic economic growth of in particular China and India. It can be anticipated that relative poverty will not decrease and many regions and countries – in particular in Africa - will not reach MDG1.

It can be concluded that the business involvement in addressing the issue of poverty is far from settled, first by a lack of meaningful benchmarks, approaches and measurement tools, not by a lack of 'best-practice' cases. Secondly, however, it was also suggested that too low ambitions – and too optimistic expectations - might also dampen the efforts of the business sector in explicitly addressing poverty. Maybe the next sustainable corporate story should be formulated by governments rather than by the firms themselves. It will include a mixture of (self)regulation, partnerships and transparency increasing measures.

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ANNEX A: Top 100 Corporation's general statements on poverty

"We believe that an effective, long term climate policy should first and foremost promote: global participation, transfer of efficient technology, accelerated research and development of innovative, affordable low greenhouse gas technologies, acceptance of the priorities of developing countries, which include economic development and poverty alleviation and increased research in climate science".

ExxonMobil Corporate Citizenship Report 2005

"The Shell Foundation aims to support sustainable solutions to social problems arising from the links between energy, poverty and environment, and from the impact of globalization on vulnerable communities" (...) "We believe that by far our biggest contribution to the Millennium Development Goals comes from delivering the modern energy needed to lift people out of poverty. In particular, electricity plays a key role in achieving the MDGs - whether for lighting, telecommunications or powering water pumps for the almost 1.6 billion people living without electricity.

Royal Dutch Shell, Enterprise solutions to Poverty Report, 2005 (www.shell.com/mdgs)

"Our primary means of making a positive impact on poverty is through aligning our own operations with local people's needs. (...) We can sell affordable products that enable people to improve their standard of living, including motor and heating fuels. (....) Energy is a major factor in lifting people out of poverty. (...)"

British Petroleum, Sustainability Report 2005

"General Motors recognizes that economic growth and development can affect people and the environment, in both positive and negative fashion. However, economic growth, when managed effectively, can help improve living standards, reduce poverty, and develop environmental and health & safety programs. Such improvements demand close cooperation among governmental, business, and nongovernmental organizations."

General Motors, Corporate Responsibility Report, 2005

"Good relations across every level are vital to peace and stability in the transatlantic region and throughout the world, to win the fight against poverty, hunger, and terrorism, and to assure the universal benefits that can accompany successful globalization. (...) Helping the poor and elderly, caring for orphaned children and victims of natural disasters, maintaining natural sanctuaries: DaimlerChrysler employees are committed volunteers, and they can rely on company support. With fewer problems outside the plant, it's easier to concentrate on work inside it."

DaimlerChrysler, 360 degrees sustainability facts

"... broad sustainability challenges set the context for all of the lifecycle stages. These include population growth, urbanization, poverty, education, gender equality, child mortality, maternal health, infectious diseases, biodiversity and loss of ecosystem services. (...) Climate change is linked to social concerns including population growth, access to mobility and poverty alleviation."

Ford, Sustainability Report 2005

'Our community programs are also designed (...) to help eradicate poverty and achieve the Millennium Development Goals. (...) Total is a partner in the Growing Sustainable Business for Poverty Reduction (GSB) initiative that stems from the UN Global Compact Policy Dialogue 2002: Business and sustainable development. It is designed to reduce poverty by developing countries that respect international standards and the ten principles of the Global Compact."

Total, Corporate Social Responsibility Report, 2005

'we not only participate in project and partnerships on a commercial basis, but also where the objectives are socially oriented such as poverty reduction and improving education."

ING Group, Corporate Responsibility Report, 2005

"among the many issues being shaped by (today's) changes is the issue of global poverty. Poverty should be a compelling moral issue, but it is also a powerfully important economic issue for all of us. Huge societal costs could be saved and productivity could be greatly enhanced in both the U.S. and in the world if those who live in poverty could be effectively equipped to enter the mainstream economy. (...) The public and private sectors each have a critical role to play in combating poverty. The private sector's contribution lies in building successful businesses that employ and train people, developing capital markets, paying taxes and promoting innovation. Citigroup takes its role in the effort to combat and overcome global poverty with great seriousness, and will increase its focus on this mission so vital to all people in the years ahead."

Citigroup, Citizen Report, 2005

'Supporting microfinance is one of the ways in which financial institutions can support the UN Millennium Development Goal of eradicating extreme poverty."

HSBC, Corporate Social Responsibility Report, 2005

"While we might not describe our mission statement exactly the same as it was described by an older gentleman in a village in India whose grandchildren were benefiting from IBM's KidSmart Early Learning Program – "a great company that does good work for poor people" – we can be proud to be that for someone. And proud to be a great company that does good work for much of the rest of the world, as well."

IBM, Innovations in Corporate Responsibility 2004-2005

'SGCC sincerely performs social responsibilities and actively participates in many social activities such as emergency rescue, providing help to those in poverty and those in difficulties. (...) SGCC actively participates in poverty alleviation projects initiated by Central Government Institutes and central governed State Owned Enterprises."

State Grid, CSR website, visited January 2007

'*PDVSA is 100% committed to the eradication of both rural and urban poverty."*

PDVSA, website, visited January 2007

'Through various ways such as donations and investments, CNPC actively supported the poverty relieving, education, as well as cultural activities of local communities, making great contributions to the improvement of living standards, medical and education conditions of local"

China National Petroleum, Annual report 2004

"At present, the world has a large number of people living in poverty and needs a level of economic growth sufficient to raise their standard of living. At the same time we must not be allowed to damage the environment (...). We are thus faced with the problem of combining economic growth and environmental conservation. (...) Enterprises around the world are now under pressure to put in place sustainable business models that will allow the two to be combined."

Matsushita Electric Industrial, CSR Report, 2006

"The 2005 'make poverty history' campaign identified increased trade as one of the three key means of eliminating poverty – an aim we support."

Tesco, Corporate Responsibility Review, 2006

"Our point is that a company of the size and power of EDF must deal with the issues of climate, energy and poverty with more than goodwill, small experiments and marginal resources. We therefore recommend ambitious aims and specific targets. (....) Energy, especially electricity is a vital commodity. To be deprived of electricity leads to exclusion: social exclusion in the case of low-income customers, and economic exclusion for developing countries."

Electricite de France, Annual Report Sustainable Development, 2005

"*Often globalization is believed to be widening the gap between rich and poor. We see it as a duty and challenge to promote trade and help raise incomes in the poorer countries in which we operate. At the same time, we recognize that we must also help counteract the tendency toward financial inequality in these areas."*

Deutsche Post, Sustainability Report, 2006

'While we remain humbled by the scale of poverty and disease and lost human opportunity that the world faces, we feel we are making progress toward our vision of sustainable development. (...) A key challenge when linking business opportunities with corporate responsibility is whether we can create new business models appropriate to low-income developing markets."

Proctor & Gamble, Sustainability Report, 2005

"Climate change, globalization, security issues, global inequality, poverty, environment issues, international trade and money flows all have increasingly profound impact on our world, and hence on our lives and our corporations. (....) In line with our tag line of 'making more possible', the community investment focus for the bank is on 'sustainable livelihoods': providing people with the means and opportunity to sustain their lives and build a future. The bank aims to contribute to the MDGs, especially to the first goal of eradicating poverty."

ABN Amro, Sustainability Report, 2005

"In the wider picture of our global activities, what motivates us is the ongoing quest to improve the

quality of life in the communities in which we operate. Our initiatives are in areas such as job creation, income generation, combating poverty and hunger, guaranteeing the rights of children and adolescents, the promotion of citizenship and equality in terms of race and gender, as well as preservation of the environment."

Petrobras, Social and Environmental Report, 2005

'Many people, often the poorest, fail to benefit from financial services because they lack either the knowledge or the opportunity to gain access to them. (….) We have been at the forefront of developing financial services especially tailored for excluded communities."

Lloyds TSB Group, Corporate Responsibility Review, 2006

Annex B: Firm Sample – Fortune's 100 largest Global Companies, 2006

Fortune 500 position	Company	Country	Sector
1	Exxon Mobil	USA	Petroleum Refining
2	Wal-Mart Stores	USA	General Merchandisers
3	Royal Dutch Shell	NLD	Petroleum Refining
4	BP	GBR	Petroleum Refining
5	General Motors	USA	Motor Vehicles and Parts
6	Chevron	USA	Petroleum Refining
7	DaimlerChrysler	DEU	Motor Vehicles and Parts
8	Toyota Motor	JAP	Motor Vehicles and Parts
9	Ford Motor	USA	Motor Vehicles and Parts
10	ConocoPhillips	USA	Petroleum Refining
11	General Electric	USA	Diversified Financials
12	Total	FRA	Petroleum Refining
13	ING Group	NLD	Insurance: Life, Health (stock)
14	Citigroup	USA	Banks: Commercial and Savings
15	AXA	FRA	Insurance: Life, Health (stock)
16	Allianz	DEU	Insurance: P & C (stock)
17	Volkswagen	DEU	Motor Vehicles and Parts
18	Fortis	BEL	Banks: Commercial and Savings
19	Crédit Agricole	FRA	Banks: Commercial and Savings
20	American Intl. Group	USA	Insurance: P & C (stock)
21	Assicurazioni Generali	ITA	Insurance: Life, Health (stock)
22	Siemens	DEU	Electronics, Electrical Equipment
23	Sinopec	CHN	Petroleum Refining
24	Nippon T&T	JAP	Telecommunications
25	Carrefour	FRA	Food and Drug Stores
26	HSBC Holdings	GBR	Banks: Commercial and Savings
27	ENI	ITA	Petroleum Refining
28	Aviva	GBR	Insurance: Life, Health (stock)
29	IBM	USA	Computers, Office Equipment
30	McKesson	USA	Wholesalers (Health Care)
31	Honda Motor	JAP	Motor Vehicles and Parts
32	State Grid	CHN	Utilities
33	Hewlett-Packard	USA	Computers, Office Equipment
34	BNP Paribas	FRA	Banks: Commercial and Savings
35	PDVSA	VEN	Petroleum Refining
36	UBS	CHE	Banks: Commercial and Savings
37	Bank of America Corp.	USA	Banks: Commercial and Savings
38	Hitachi	JAP	Electronics, Electrical Equipment
39	China Nat. Petroleum	CHN	Petroleum Refining

40	Pemex	MEX	Mining, Crude Oil Production
41	Nissan Motor	JAP	Motor Vehicles and Parts
42	Berkshire Hathaway	USA	Insurance: P & C (stock)
43	Home Depot	USA	Specialist Retailers
44	Valero Energy	USA	Petroleum Refining
45	J.P. Morgan Chase	USA	Banks: Commercial and Savings
46	Samsung Electronics	KOR	Electronics, Electrical Equipment
47	Matsushita Electric Ind.	JAP	Electronics, Electrical Equipment
48	Deutsche Bank	DEU	Banks: Commercial and Savings
49	HBOS	GBR	Banks: Commercial and Savings
50	Verizon Comm.	USA	Telecommunications
51	Cardinal Health	IRL	Wholesalers (Health Care)
52	Prudential	GBR	Insurance: Life, Health (stock)
53	Nestlé	CHE	Food Consumer products
54	Deutsche Telekom	DEU	Telecommunications
55	Dexia Group	BEL	Banks: Commercial and Savings
56	Metro	DEU	Food and Drug Stores
57	Credit Suisse	CHE	Banks: Commercial and Savings
58	Royal Bank of Scotland	GBR	Banks: Commercial and Savings
59	Tesco	GBR	Food and Drug Stores
60	Peugeot	FRA	Motor Vehicles and Parts
61	U.S. Postal Service	USA	Mail, Package and Freight Delivery
62	Altria Group	USA	Food and tobacco
63	Zurich Financial Serv.	CHE	Insurance: P & C (stock)
64	E.ON	DEU	Energy
65	Sony	JAP	Electronics, Electrical Equipment
66	Vodafone	GBR	Telecommunications
67	Société Générale	FRA	Banks: Commercial and Savings
68	Électricité De France	FRA	Electric and Gas Utilities
69	Nippon Life Insurance	JAP	Insurance: Life, Health (mutual)
70	Statoil	NOR	Mining, Crude Oil Production
71	France Télécom	FRA	Telecommunications
72	LG	KOR	Electronics, Electrical Equipment
73	Kroger	USA	Food and Drug Stores
74	Munich Re Group	DEU	Insurance: P & C (stock)
75	Deutsche Post	DEU	Mail, Package and Freight Delivery
76	State Farm Insurance	USA	Insurance: P & C (mutual)
77	Marathon Oil	USA	Petroleum Refining
78	BMW	DEU	Motor Vehicles and Parts
79	Fiat	ITA	Motor Vehicles and Parts
80	Hyundai Motor	KOR	Motor Vehicles and Parts
81	Procter & Gamble	USA	Soaps, Cosmetics
82	ABN AMRO Holding	NLD	Banks: Commercial and Savings

83	Royal Ahold	NLD	Food and Drug Stores
84	Repsol YPF	ESP	Petroleum Refining
85	Legal & General Group	GBR	Insurance: Life, Health (stock)
86	Petrobrás	BRA	Petroleum Refining
87	Toshiba	JAP	Electronics, Electrical Equipment
88	Dell	USA	Computers, Office Equipment
89	Lloyds TSB Group	GBR	Banks: Commercial and Savings
90	ThyssenKrupp	DEU	Industrial & Farm Equipment
91	Boeing	USA	Aerospace and defense
92	AmerisourceBergen	USA	Wholesalers (Health Care)
93	Santander	ESP	Banks: Commercial and Savings
94	BASF	DEU	Chemicals
95	Costco Wholesale	USA	Specialty Retailers
96	Suez	FRA	Energy
97	Target	USA	General Merchandisers
98	Morgan Stanley	USA	Securities
99	Robert Bosch	DEU	Motor Vehicles and Parts
100	Renault	FRA	Motor Vehicles and Parts