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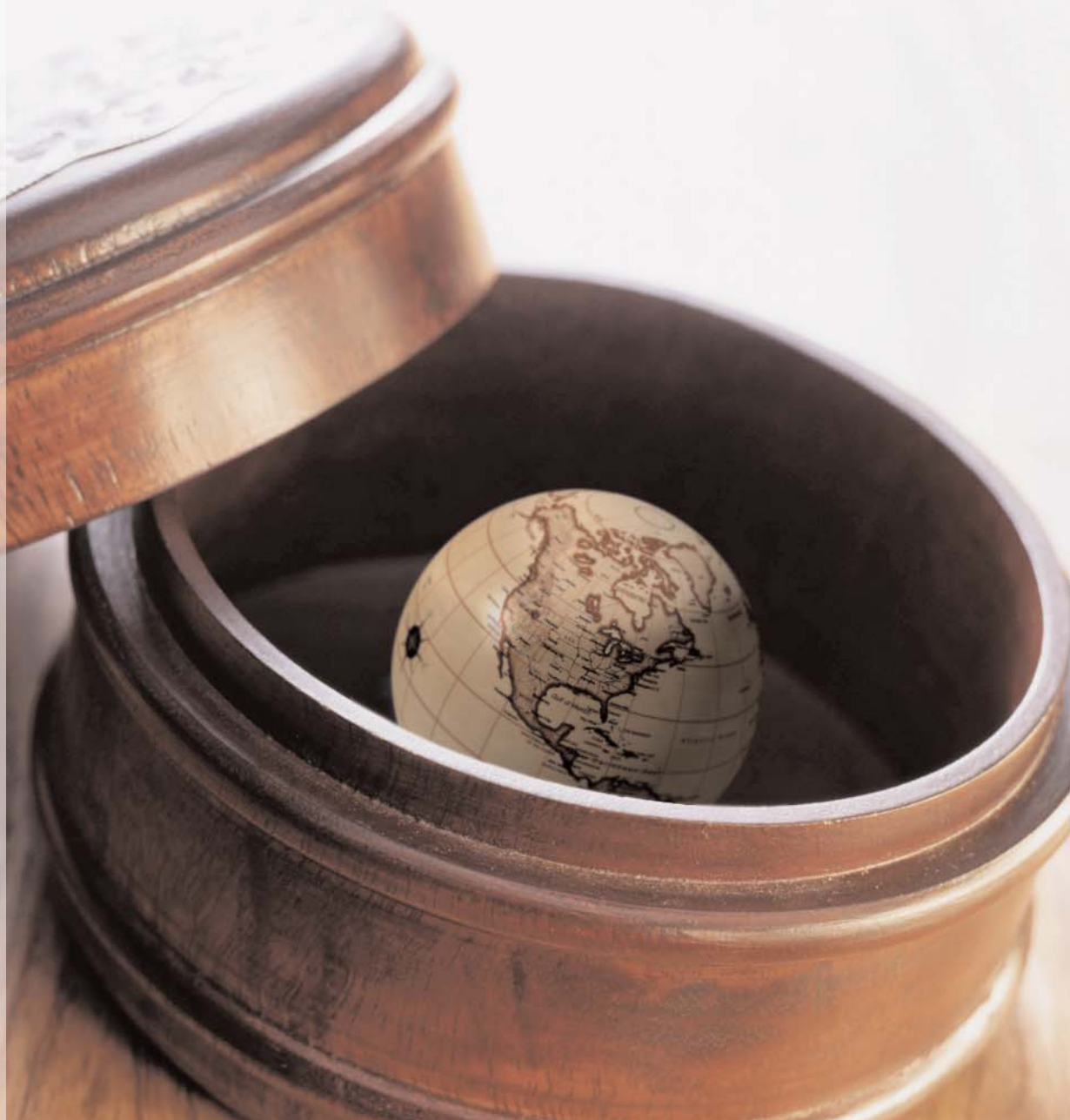


Corporate Responses to Humanitarian Disasters

The Mutual Benefits of Private-Humanitarian Cooperation

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Corporate Responses to Humanitarian Disasters

The Mutual Benefits of Private-Humanitarian Cooperation

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Summary of Current Trends

Types of Contributions

- Cash donations are still a favored option for humanitarian organizations, but they are not the only option.
- Corporate-humanitarian partnerships that include the transfer of expertise can be a great source of learning across both sectors and can be instrumental in improving the preparedness of humanitarian organizations to cope when a disaster arises.

Creating Mutual Value

- The expertise offered by the corporate sector organization must be aligned with the needs of the humanitarian organization. Companies should work closely with humanitarian organizations to discover what is really needed.
- Skepticism is still a problem in corporate-humanitarian partnerships. To overcome this, corporations should work with humanitarian organizations between disasters to build capacity and trust. Further, it is very important to define the length of the partnership from the outset.
- Partnerships should be based on complementing each other's strengths rather than duplicating functions. Roles and responsibilities in the partnership need to be defined in the beginning. Corporations can assist humanitarian organizations without overpowering them.

Articulating a Clear Vision

- Bad communication between sectors can often cause obstacles to successful partnerships. Where this is evident, intermediary working groups or knowledge pools can be created to try to understand and find solutions to the problems presented. Second, a broker can act as an interpreter between the two sectors (see the Global Impact (page 22) and Fleet Forum (page 24) case studies) to achieve the best results.
- Strong governance of the partnership is vital. Terms and conditions need to be established at the beginning and then adhered to by both parties.

Structure for Success

- Within the company, coordination of the overall disaster response can assist in transferring knowledge, leveraging funds, and avoiding waste and duplication. This can be achieved by creating a central department responsible for handling the response and, when necessary, the partnership. Such a department may be kept separate from the business aspect of the company to increase transparency and avoid confusion (e.g., TNT's partnership with the UN Food Programme in the "Moving the World" initiative). Communicating activities throughout the corporation is crucial.
- The key to the success of corporate-humanitarian partnerships is the integration of its precepts at all levels of both organizations. Decisions taken at the top level must be done in consideration of the reality on the ground.

Potential Benefits and Pitfalls

- The impact of corporate responses to disasters on the companies involved can range from improving reputation and raising the level of employee satisfaction to improving the attractiveness of the company to prospective employees. The impact on the ground is more difficult to determine because even the data that do exist are still open to interpretation.
- Some partnerships may not function as well as others. For this reason, it is advisable for the parties involved to draft an exit strategy at the start of a new partnership.

Introduction

Corporate Roles in Humanitarian Relief

Companies have long supported humanitarian activities through either commercial contracts or philanthropic programs. Research carried out by the INSEAD Humanitarian Research Group, which is part of the INSEAD Social Innovation Centre, shows that companies have been re-examining their options and considering humanitarian activities in terms of corporate social responsibility (CSR).¹

The increasing interest of companies and humanitarian organizations in corporate-humanitarian partnerships prompted The Conference Board and INSEAD, one of the world's leading business schools, to convene the Corporate Responses to Humanitarian Disasters Research Working Group—Europe in June 2006. The working group comprised three global corporations from different sectors—GlaxoSmithKline, Philip Morris International, and Swiss Re—and Global Impact, a not-for-profit organization representing more than 50 U.S.-based international charities. The working group sought to examine the critical steps in building successful links between companies and humanitarian organizations and identify good management practices in these partnerships.

These two goals directed the research for this report, which is based on ongoing research by the INSEAD Humanitarian Research Group and The Conference Board, knowledge shared during research working group meetings, interviews with working group members, and contributions by third parties invited to a seminar held at INSEAD in February 2007.

What this investigation found is that many companies provide nonfinancial support, such as knowledge and expertise, in addition to cash or in-kind donations. In a few cases, they also focus their efforts on longer-term disaster mitigation and prevention. In other words, they are focusing on taking an active stance rather than being reactive.

One of the ways companies are pursuing new approaches to delivering relief is through partnerships with humanitarian organizations. When successful, these partnerships have the potential to:

- deliver fast, effective support during a crisis;
- help build capacity between disasters; and
- foster the exchange of ideas and best practices that benefit both businesses and humanitarian organizations.

Given the possible rewards, cross-sector links are attracting increased attention from both the corporate and the humanitarian sectors. Humanitarian organizations, which at one time regarded cash as the only useful corporate donation, are now recognizing that businesses have more to offer in terms of resources, expertise, and technology. As a result, they are becoming more open to discussions with the corporate sector and, in some instances, are identifying their ideal partners and making the first approach.

Similarly, businesses are realizing that they may have something to learn from the humanitarian sector, particularly about being agile and adaptable in difficult circumstances—one of the main strengths of humanitarian organizations. They are interested in starting a dialogue to examine what types of partnerships are feasible and most likely to deliver mutual benefits.

¹ For more information of the group's activities, visit its website: www.insead.edu/humanitarian.

Forms of Corporate Support for Humanitarian Activities

Being a good corporate citizen is at the heart of most companies' humanitarian activities, which revolve around providing cash, goods, human resources services, and/or knowledge and expertise. Typically, corporate support for disaster relief is provided immediately after the disaster, although there is an element of disaster preparedness in some corporate initiatives.

Cash

Cash is still the most important, and often the most appropriate, donation for humanitarian relief and recovery efforts. It enables humanitarian agencies to immediately purchase essential goods and services—mainly relief supplies—and transportation. Cash is easy to send and allows as many supplies as possible to be purchased in the affected region, helping to ensure they arrive as quickly as possible and reducing transport and storage costs and supporting local economies.

From the corporate point of view, the advantage of cash is that the cost is defined. It also has other less tangible benefits in terms of return on investment. For example, fundraising activities organized by employees (and inspired by a corporate promise to match the money raised) can be more effective at team building than many other more conventional events.

The downside of donating cash is that it requires a certain amount of due diligence on the company's part to determine that the humanitarian organizations chosen to receive the cash have a track record and local knowledge of the disaster area (capability), as well as a history of providing reliable data on their management of funds (accountability). To overcome this potential problem, some companies select one or more preferred humanitarian organizations with which to work on a regular basis to develop mutual trust and understanding and deliver an effective response when a disaster occurs.

From the humanitarian point of view, cash is invariably preferred over materials, equipment, and services. According to an INSEAD survey of 25 humanitarian agencies conducted in 2005, field managers rank cash as the most important corporate contribution following a disaster.* Cash offers the liquidity and flexibility that humanitarian organizations need to respond quickly to requirements on the ground, and its value is often greater than the same value of goods.

Goods

When appropriate, in-kind donations may be a useful alternative to cash. Ericsson, for example, provided mobile phones to humanitarian workers following the Asian tsunami, while Danone donated bottled mineral water. Yet companies often fail to realize that in-kind donations

should be based on demand, specified either by the government of the affected country or by a recognized humanitarian organization with existing operations in the disaster area, and not on what companies can supply.

This mistake can cause bottlenecks in the disaster response effort and result in needless expenditures. Unwanted donations received during Eritrea's 1989 war, including seven truckloads of expired aspirin, took six months to burn. The key is for companies to work closely with humanitarian organizations, local embassies, or a supply chain partner in the region instead of launching their own mini-NGO.

In-kind donations should be based on demand, specified either by the government of the affected country or by a recognized humanitarian organization with existing operations in the disaster area, and not on what companies can supply.

Volunteers

Volunteers from the corporate sector, like in-kind donations, may also hinder rather than help relief efforts if those volunteering are not equipped with relevant skills, expertise, or knowledge. Technical skills and noble intentions alone are not enough. To be effective from the outset, corporate volunteers also need to be familiar with the local context, have experience with emergency situations, and if possible, be fluent in the language of the affected country.

Partnerships

Corporate-humanitarian partnerships that allow parties to share knowledge, expertise, and best practices can result in more efficient ways of responding to disasters, distributing aid, and especially preparing for and mitigating disasters. These alliances have significant potential to deliver across-the-board benefits to the partners and to the people and communities affected by a disaster. Setting up these partnerships and making them work effectively, however, raises many issues and challenges.

* Rolando Tomasini, INSEAD Humanitarian Research Group, 2005.

For an increasing number of companies, these partnerships are also a visible means of demonstrating to their stakeholders—employees, customers, local communities, etc.—that they are active subscribers to the concept of CSR or corporate citizenship. CSR has risen in importance over the years and is now an integral part of the business culture of some global companies. The corporate community has come to recognize it as a key nonfinancial performance indicator that has the potential to affect a company's reputation value as well as its equity value.

Partnership Challenges: Finding Common Ground

Few companies to date have formed explicit disaster response partnerships with the humanitarian sector. One of the main reasons is the fundamental difference between the two sectors. Humanitarian organizations can have slow and bureaucratic decision-making processes (during nondisaster times), while businesses are fast moving and action oriented. Both also have very different agendas; put simply, businesses are motivated by profit and humanitarian organizations by saving lives. Working together, therefore, is not an obvious move, though it is certainly not impossible.

Surviving a Disaster, Helping Rebuild a Community

Shell Oil, as an integral part of the New Orleans community, was severely affected in the wake of Hurricane Katrina. Its Mars Tension Leg Platform, the Gulf of Mexico's largest production facility, was directly in the path of the storm when Katrina was at its greatest strength and suffered extensive damage. It was battered by sustained winds of 175 miles per hour for four hours, with gusts of more than 200 miles per hour and 80-foot waves. That it survived the storm was a testament to the design and construction of the Mars floating structure. However, a 1,000-ton drilling rig on top of the platform was toppled, shattering portions of the upper decks and forcing Shell to halt production from the platform until extensive and complex repairs could be completed.

The repairs also included fixing two underwater pipelines carrying oil and gas to shore that had been cracked by the drifting anchor of a mobile offshore drilling unit. Replacing segments of those lines involved an industry first: a repair job performed by robotic submarines at a water depth of 2,700 feet. The platform was repaired in mid-2006 and by later that summer, production exceeded pre-hurricane levels.

Shell reacted quickly to help Katrina's victims, offering \$2 million to the American Red Cross. In addition, the company matched up to \$1 million from Shell employee contributions. Shell and its joint venture partner Motiva donated hundreds of thousands of liters of fuel to various relief and nonprofit organizations.

Shell employs 1,000 people at its offices in the New Orleans Central Business District, and the company made getting them back to work a priority. Since then, Shell's support for employees has reached a total of \$45 million, of which \$28 million has been in interest-free loans. Shell employees also donated tens of thousands of hours of their time in the aftermath of Katrina, doing everything from helping senior citizens to reconstructing neighborhoods with nonprofit organizations.

Returning to New Orleans to ensure the smooth rebuilding of the city's most affected areas was crucial. Shell also assisted public agencies and their employees, contributing to the New Orleans Police and Justice Foundation's housing initiative for police, fire, and emergency medical staff. Shell and Motiva supplied fuel to the city of New Orleans, the U.S. Coast Guard, state police, and volunteer fire departments.

Shell worked with local nonprofit agencies and the Red Cross on a hurricane awareness program for public service announcements and also partially underwrote a visit by local government officials to The Netherlands to consult with their Dutch counterparts on future flood control measures.

One of the biggest hurdles to a successful corporate-humanitarian partnership is aligning corporate goals with humanitarian values. Inevitably, a company's shareholders will ask questions, forcing managers to show that the way they run the partnership is not only beneficial to the humanitarian organization but also adds value for the company.

Finding common ground and forging understanding between the two parties requires commitment on both sides. Both parties should understand that it is possible for economic benefits and social values to go hand in hand and that the greatest impact is achieved when CSR creates simultaneous gains for both parties.

Both parties should consider:

- The amount and duration of the funding and how it will be spent and accounted for.
- The focus and ambition of the projects—for example, whether they will center on the regions where the corporate partner has operations, be spread globally, or both.
- When to get involved: before a disaster (disaster mitigation and/or prevention), after a disaster (relief efforts), or at both times.
- The level of engagement of the company's employees—for example, whether there will be fundraising projects or volunteer programs.

Each of these issues has potentially serious implications for one or both partners. Agreeing on a budget and project duration is vital for humanitarian organizations, which tend to be skeptical about the extent of corporate commitment and fearful that if problems arise (e.g., if the company closes its facilities in a region where projects are underway and withdraws its support) their projects will be short of funding and may fail without alternative corporate partners.

As is the case with most CSR initiatives, measuring their success in business terms remains a challenge. Across both sectors, there is some skepticism about how much value is created and for whom, raising the important question of how long such partnerships can last.

Partnership Benefits: Opportunities for Improvement

Despite the difficulties of forming and sustaining corporate-humanitarian partnerships, some industry sectors have taken the lead in exploring their potential. Many companies in the logistics industry, for instance, have identified a match between their competencies and those of humanitarian aid agencies specializing in emergency relief. TNT's partnership with the United Nations World Food Programme (WFP) is one example. (See "A Model Partnership" on page 27.)

These companies view humanitarian organizations as not only avenues for philanthropy, but as opportunities for learning and business development: acquiring new knowledge, finding solutions to critical problems, and perhaps identifying new market opportunities.

It may be easier for companies in the logistics industry to envisage these opportunities since logistics clearly plays a substantial role in delivering aid in the aftermath of a major disaster, even though the circumstances and settings are very different from private-sector logistics. That said, other industry sectors are increasingly interested in expanded engagement with humanitarian organizations and providing more than cash in the wake of a disaster.

One example of the benefit that a corporate-humanitarian partnership can bring in response to a humanitarian disaster is the DHL and UN OCHA partnership established in the wake of the 2004 Asian tsunami (see box).

Finding common ground and forging understanding between the two parties requires commitment on both sides.

DHL and UN OCHA: A Partnership Example

DHL, an international transport and logistics service, has three disaster response teams (DRTs) that operate in cooperation with their strategic partner, the UN Office for the Coordination of Humanitarian Affairs (UN OCHA). The teams are made up of trained employee volunteers with airport experience who support the UN and the international community's disaster response efforts in the aftermath of major sudden-onset natural disasters. Their mission is to manage air cargo operations at the airport closest to the disaster-affected region to reduce bottlenecks, keep the airport open for additional flights, and ensure that the relief supplies are processed quickly to avoid waste or congestion.

Based in Brussels, Chris Weeks, director for humanitarian affairs, is the point of contact at DHL in the wake of a disaster. Once UN OCHA has requested DHL's presence at a given airport, Weeks chooses an initial team of 15 volunteers from a pool of 80 within the company. Each mission is divided into three phases, which the team members handle in rotation: establishing systems, operations, and preparing to leave (handing over to the authorities). Due to the fact that DHL finances these missions, Weeks must request funding from the company's department of corporate public policy and sustainability. In the past, the turnaround time from the request to the deployment of the teams has been two to three days.

The teams have been deployed after the tsunami in 2004, when they handled 7,000 tons of relief supplies; Hurricane Katrina in 2005, when they handled 2,000 tons; and the 2005 earthquake in Pakistan, where 9,000 tons of supplies were handled. Most recently, Weeks led a team to Pisco, Peru in August 2007, where they helped handle 2,700 tons of aid. The DRTs carry out three essential tasks: receiving incoming relief, sorting goods and setting up an inventory control system, and loading the goods and arranging for onward transportation. In none of these cases was the airport forced to close, as had occurred in the past (e.g., Bam, Iran), or were any of the relief supplies left to go to waste.

Before the DRTs were established, a single airport emergency team was set up in Dubai involving seven commercial partners: DHL, TNT, Emirates Airlines, Dnata, Aramex, Chapman Freeborn, and the Dubai Aid City. However, the team has been disbanded for operational efficiency reasons. The current partnership between UN OCHA and DHL is governed by a memorandum of understanding and, although a strict reporting system has been established within DHL, no formal reporting takes place between these two parties beyond a post-operational briefing.

In addition to this, DHL is involved with UNICEF on education, the United Nations Development Programme on preparedness projects, and numerous national initiatives.

Context

Why Continue Helping?

All of the working group’s corporate members have a history of providing humanitarian aid—predominantly money or in-kind donations—in response to humanitarian disasters. Some of them have, in fact, formed corporate-humanitarian partnerships to this end. In each case, however, the companies

are interested in contributing more to humanitarian response efforts. One way to achieve this is through further collaboration with the humanitarian sector. However, deciding whether this is an appropriate option for an individual company and, if so, how to proceed most beneficially raises many issues.

Table 1

Company/ Organization	Main Drivers for Current Humanitarian Engagements	Main Drivers for Participating in the Research Working Group
<p>GlaxoSmithKline Headquarters London, UK Sales (FY 2005) £21,660 million Employees 100,000 Locations 116 countries Products/Services Pharmaceuticals Current humanitarian support Annual product donation to charity partners</p>	<ul style="list-style-type: none"> • To improve the quality of human life by enabling people to do more, feel better, and live longer, in line with global mission. • To respond to humanitarian needs, focusing on health and education programs to support underserved people in both the developed and the developing world. 	<ul style="list-style-type: none"> • To explore and understand the evolution from disaster to long-term development and recovery and the role that business can play in this. • To understand how to achieve the best combination of funding, in-kind resources, and expertise. • To measure more accurately the impact of corporate humanitarian aid efforts.
<p>Global Impact Headquarters Alexandria, Virginia, Revenue raised for charity (FY2006) \$141.2 million Employees 75 Product/Services Represents 50+ U.S.-based international charities Current humanitarian support With member charities, provides support to 206 million people in developing countries</p>	<ul style="list-style-type: none"> • Not-for-profit organization dedicated to helping the world’s poorest people through disaster relief, education, health training, and economic programs that promote self-sufficiency. 	<ul style="list-style-type: none"> • To identify best management practices and cross-learning opportunities. • To understand further how to choose appropriate partners and manage the relationship.
<p>Philip Morris International Operations Center Lausanne, Switzerland Net revenues (FY 2007) \$55,096 billion Employees 77,000 Locations 68 countries Products/Services Tobacco Current humanitarian support Cash donations following disaster</p>	<ul style="list-style-type: none"> • Commitment to the local communities in which the company operates. • Providing immediate assistance following a disaster. 	<ul style="list-style-type: none"> • To learn how other companies prepare and plan for disasters in terms of budgets, resources, and humanitarian aid. • Considering support for disaster preparedness and reconstruction (as well as cash). • To consider possible synergies among companies offering different kinds of humanitarian support.
<p>Swiss Re Headquarters Zurich, Switzerland Premiums earned (FY 2005) CHF27,779 million Employees 8,882 Locations 30 countries Products/Services Reinsurance products and financial services Current humanitarian support Cash donations, disaster prevention and education, two partnerships with NGOs</p>	<ul style="list-style-type: none"> • Assume corporate responsibility in the area of humanitarian disaster prevention and relief. • Provide the company’s risk management expertise in order to support sustainable solutions following a disaster. • Build up and promote effective partnerships with recognized humanitarian organizations. 	<ul style="list-style-type: none"> • To understand the future challenges in humanitarian disaster relief and prevention. • To understand best practices for collaborating with the humanitarian sector. • To build a business case for a disaster response partnership with a humanitarian organization.

Case Studies

Corporate Responses to Humanitarian Disasters

In the following case studies, research working group corporate members from a diverse range of industry sectors show how they currently contribute to humanitarian disaster response and the aspects within that process they consider best management practices.

The case studies of the three corporate working group members show some common elements in management practices in humanitarian response:

- Positioning humanitarian activities within the company
- Internal coordination

- Collaboration, communication, and knowledge sharing
- Governance and procedures

These similarities (see “Management Practices in Humanitarian Response” on page 12) indicate a preference for centralized management of humanitarian activities to achieve better coordination and governance of their global efforts and responses. Such oversight also helps ensure the aid being provided is effective.

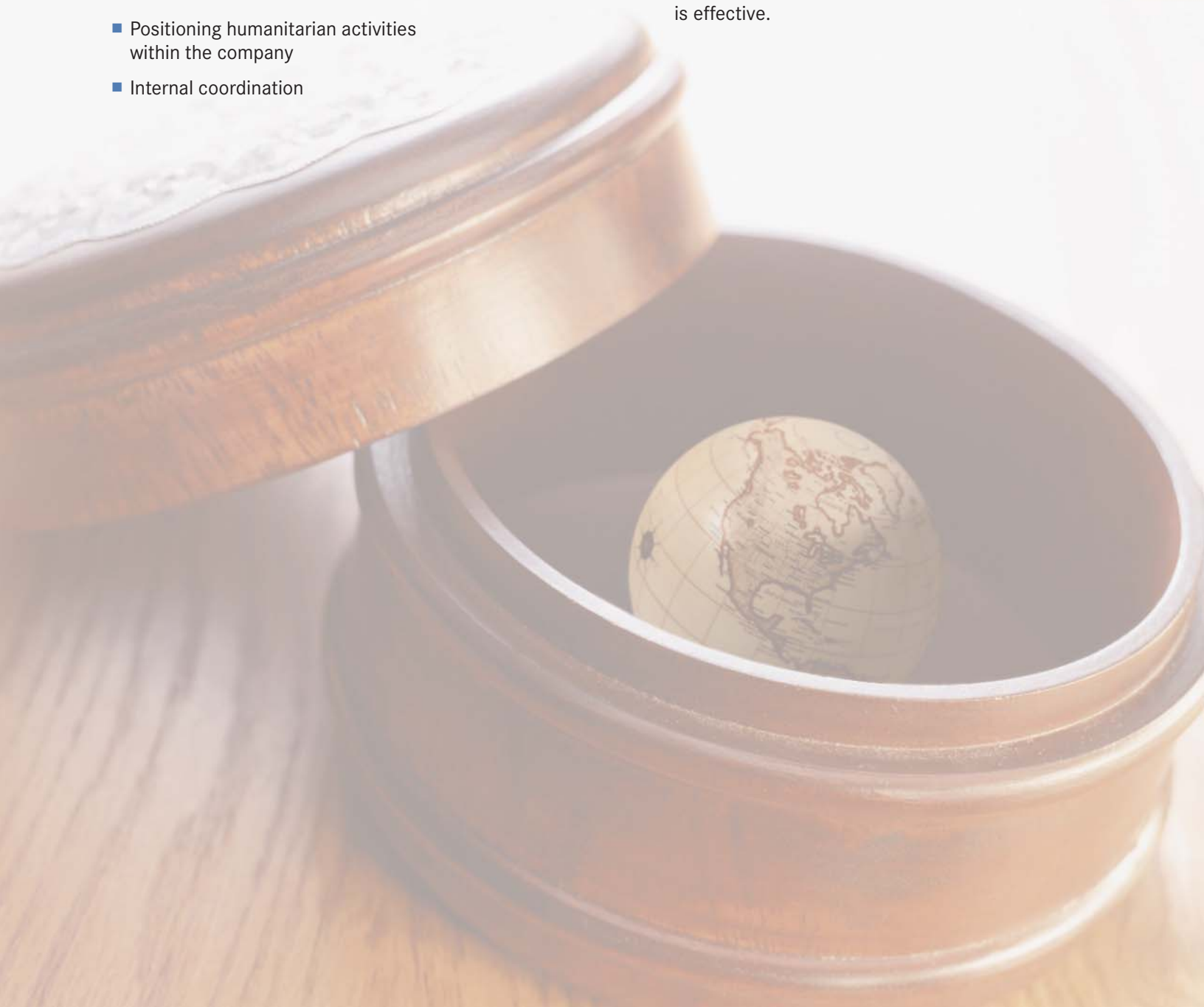


Table 2

Management Practices in Humanitarian Response

	<i>GlaxoSmithKline</i>	<i>Philip Morris International</i>	<i>Swiss Re</i>
Position of humanitarian activities within the company	<ul style="list-style-type: none"> Global Community Partnerships manage the Humanitarian Product Donations Program Supported by the Corporate Executive Team 	<ul style="list-style-type: none"> Corporate Contributions section of Corporate Affairs Department responsible for grants to humanitarian aid program 	<ul style="list-style-type: none"> Corporate Citizenship Department responsible for humanitarian budget Humanitarian response (Solutions Building) is part of Corporate Citizenship framework, reports to member of the Executive Board responsible for human resources and communication
Internal coordination	<ul style="list-style-type: none"> President of the regional company takes the lead—contacts global head office Internal group, including head of the region, a representative from the communications department, and a representative from human resources, comes together via teleconference to review needs 	<ul style="list-style-type: none"> The Global Humanitarian Aid Task Force, which consists of one representative from parent company and one from each operating company Where employees have been affected, the human resources department is also contacted 	<ul style="list-style-type: none"> Donation management process (created for tsunami) Established at the outset of the disaster Internal group came together to analyze what was needed, delegate responsibility, implement response, and monitor progress
Collaboration in response to disaster	<ul style="list-style-type: none"> Humanitarian Product Donation Program consists of a partnership with five NGOs In a time of disaster, company liaises with partners for an accurate assessment Point of contact within company—Director, Europe and International Community Partnerships Cash donations on case-by-case basis Member of the Partnership for Quality Medical Donations and leads the Standing Committee on Disaster Response 	<ul style="list-style-type: none"> The Global Humanitarian Aid Task Force Point of contact within the company for requests for aid—designated member of the Corporate Contributions Department Coordinate with local companies and organizations on the ground 	<ul style="list-style-type: none"> ICRC (Red Cross) Corporate Support Group Point of contact within company for requests for aid—designated member of the Corporate Citizenship Department Coordinate with local companies and ICRC Training manual for earthquake resistant building produced in collaboration with ICRC, UNESCO, and Swiss Solidarity to fund the project
Knowledge sharing	<ul style="list-style-type: none"> Member of the Partnership for Quality Medical Donations and leads the Standing Committee on Disaster Response 	<ul style="list-style-type: none"> The Global Humanitarian Aid Task Force Regular phone calls between disasters to keep operating companies up to date on humanitarian activities 	<ul style="list-style-type: none"> Members of the ICRC Corporate Support Group Weekly phone calls with the ICRC to get updates on its activities November 2006: first annual meeting of ICRC Corporate Support Group Manual for earthquake-resistant construction: linked to company's core competencies
Governance and procedures	<ul style="list-style-type: none"> Yearly inventory and strict procurement system for medical donations Manager of each region must approve medical donations coming from and going to that region Procedures to follow in time of disaster 	<ul style="list-style-type: none"> The Global Humanitarian Aid Task Force guidelines and procedures 	<ul style="list-style-type: none"> Memorandum of understanding with ICRC Corporate Support Group Memorandum of understanding with Caritas on rebuilding project

Philip Morris International

Creating Internal Processes

Philip Morris International (PMI) and its parent company the Altria Group have a long history of corporate giving that includes responding to humanitarian disasters. The main driver behind PMI's contributions is to provide immediate disaster relief to those people affected in the 160 countries where its products are sold, demonstrating its commitment to CSR and the communities in which it operates. More recently, the company has started to evaluate the possibility of sharing its expertise in areas such as its distribution networks.

PMI's contributions to humanitarian aid programs are managed by corporate contributions, which is part of the company's corporate affairs department. This department has designated one person through whom all relief efforts are coordinated.

PMI prefers to donate funds to local humanitarian organizations based in an affected region and identified by the local PMI office. This way, it believes the funds have more direct impact in an affected region and local sources can identify the best use of funds. Even when dealing with large global organizations, such as the International Federation of Red Cross and Red Crescent Societies (IFRC) and the UN Refugee Agency (UNHCR), with which PMI has longstanding relationships, PMI prefers—if possible—to donate to their local chapters.

Catherine Manca, PMI's former public affairs executive, explains: "It's a question of giving the funds to the most appropriate organization. If the local chapter doesn't have the capacity to deal with a disaster, we would give the funds to the Federation." She adds that PMI intentionally decides whether the response will be at the group or local level on a case-by-case basis to allow for flexibility in the company's approach.

Internal humanitarian aid task force coordinates group response

PMI's ability to adapt is supported by well-defined internal structures and processes that ensure a timely, coordinated response to a disaster, not only from PMI but also

from Altria and Philip Morris USA, another Altria operating company. A key to its success is an internal humanitarian aid task force set up in 2005 following the Asian tsunami and based on lessons learned from that disaster.

The task force consists of one representative each from Altria and its two operating companies. Its aims are two-fold: (1) provide each of its members with a global view of what Altria and its operating companies are doing in response to a crisis, and (2) leverage resources for effective giving. Before the creation of the task force in 2005, each company tended to work in isolation.

Frequent communication

To keep task force members up to date on what each is doing in the area of disaster relief, conference calls are arranged twice a month. In the case of a major disaster like the tsunami, the frequency of these calls can be increased to better understand the collective response.

The task force provides a forum for members to share information and best practices on the amount, size, value of the donations, and institution receiving them. It also centralizes the transfer of knowledge as each task force member is required to contact internal departments (e.g., government affairs, human resources) for further information about a disaster. In this way, a global overview is achieved that eliminates the problems of overlapping donations on the one hand or the omission of a response on the other.

What Works

Philip Morris International

Internal Global Humanitarian Task Force

Robust internal processes connecting people on the ground in an area affected by disaster with regional and global head offices. The company prefers to donate funds to local humanitarian organizations based in an affected region and identified by the local PMI office.

Leveraging resources

Responses to a disaster can be collective, individual, or both. Much depends on local factors that may influence the operating company in the region to react differently from the parent company. Conversely, corporate interests may dictate that the parent company response is different from that of its operating companies.

Whatever the type of response, the task force is aware of it, which has the following advantages:

- The parent company has a clear vision of where donations are being used and can then decide whether to add to these contributions.
- The operating companies can decide to combine their own donations or add them to those of the parent company to make them more meaningful.
- The operating companies have a platform from which to present grant recommendations and funding proposals to the parent company.
- This level of clarity reduces delays in accessing funds during a crisis.

Internal guidelines documented

To support the task force, there is a set of guidelines and procedures on charitable contributions for humanitarian aid programs (see Appendix 2 on page 38). The guidelines are broad to allow some flexibility of response in the wake of a disaster. They have also proved to be efficient in use. Manca says, “It’s a pretty informal process, but it happens very quickly.”

Typically, within hours of a disaster, one of PMI’s local companies will contact the designated person from the corporate contributions/corporate affairs department at the head office in Lausanne, Switzerland to inform him or her of what is happening and, more importantly, what is needed. PMI also gets alerts from its partner organizations. It is then the job of a designated program manager (who is also part of the task force) to contact the government affairs and regional human resources departments to accumulate information on the crisis before approaching the task force.

In a disaster, the company’s overall goal is to release funds as quickly as possible. This is normally achieved in a matter of days through a combination of task force conference calls, the predefined task force guidelines, and PMI’s international network of companies. (The case of the Sampoerna Rescue Team in Indonesia discussed below, although a one-off example, illustrates the effectiveness of these processes.)

PMI’s Best Practices

The Altria group and its operating companies (PMI and PM USA) have established an internal humanitarian aid task force and clear internal procedures, both of which help it respond to humanitarian disasters quickly and in a well-coordinated way.

For PMI, with its worldwide network of companies, these practices ensure that in the wake of a disaster local companies are in no doubt about whom to contact—the liaison executive in corporate contributions. Once aware of the disaster, PMI follows procedures and simultaneously contacts Altria and task force members who share their assessment of the needs and discuss ways to respond.

Regular communication between task force members during an emergency ensures that everyone is kept up to date and that donations are appropriate and supportive of the relief process.

The Sampoerna Rescue Team

Sampoerna, an Indonesian cigarette company PMI acquired in 2005, has a disaster relief team that is on call as soon as disaster strikes. The team, when set up in 2004, comprised two doctors, two paramedics, eight employee volunteers, and eight representatives of environmental groups from state and private universities in Surabaya, Indonesia. It owns a range of equipment, including a helicopter, ambulances, trucks, rubber boats, and medical equipment.

When an earthquake struck Jogjakarta in Java in May 2006, the team was able to respond within hours, setting up a mobile clinic, kitchen, generators, and medical supplies. The team was in constant contact with PMI Indonesia, which in turn was in contact with PMI headquarters and the humanitarian aid task force. As a result, PMI pledged funds to assist reconstruction while Altria arranged airlifts of emergency aid.

GlaxoSmithKline

Medicines Donation Program

GlaxoSmithKline (GSK), a leading manufacturer of pharmaceuticals, believes that the pharmaceutical industry has a unique and clear purpose in responding to humanitarian need because it has the medicines that are critical to save lives and support recovery following a disaster. For this reason, the company has created a humanitarian product donation program and is one of the founding members of the Partnership for Quality Medical Donations, an alliance of pharmaceutical companies and humanitarian agencies that encourages best practice in the donation and delivery of medicines.

“Our humanitarian product donation program donated medicines worth £27 million [\$49 million] in 2005 to support relief efforts in almost 100 countries,” says Claire Hitchcock, director, Europe and international community partnerships for GSK.

The program is managed by GSK’s Global Community Partnerships, which is also responsible for health and education programs to support underserved communities. In 2005, its total investment in community projects (including global community partnerships and GSK’s humanitarian relief efforts) was £380 million, equivalent to 5.6 percent of GSK’s pre-tax profits.

Humanitarian Product Donation Program Endorsed by Top Management

GSK’s Humanitarian Product Donation Program has support from the corporate executive team and is backed by an agreed-on policy for donations. The policy outlines the key principles of GSK’s approach:

- Involve local general managers (e.g., they must approve any donated product entering their area of responsibility)
- Require that the World Health Organization guidelines on donations be followed
- Recognize the company’s role in communities that do not have access to medical supplies

It also provides the Global Community Partnerships team with a mandate to respond to disasters and emergencies. Thus, the GSK response procedure is coordinated from

the top down, involving relevant parts of the business when appropriate.

The program’s aim is to donate medicines to charities not only after a disaster has occurred, but also ahead of time so that charities have stocks of medicines in their warehouses, enabling them to develop strategic plans for disaster relief and respond more promptly to emergencies. GSK runs the program in partnership with five selected nonprofit organizations and relief charities: AmeriCares, Direct Relief, InterChurch Medical Assistance, MAP International, and Project HOPE. These organizations are allowed to choose medicines from GSK’s inventory on a yearly basis to establish a form of pre-positioned disaster response in the regions where they are present.

GSK has worked with its five partners for more than 10 years, during which time a high degree of trust and understanding has been achieved. Originally, these organizations were selected on the basis of five strict criteria:

- 1 Expertise and capability in healthcare and in working in impoverished communities
- 2 Clear processes in place for tracking and monitoring product donations
- 3 Ability to evaluate the impact of a disaster
- 4 A good knowledge of the area in which they work
- 5 Trust

What Works

GlaxoSmithKline

Humanitarian Product Donation Program endorsed by the corporate executive team.

Program managed as part of the company’s core procurement process, providing the same level of transparency and accountability as its commercial transactions.

Medicines allocated on an annual basis and stored to be ready for immediate release following a disaster.

Following a disaster, the company relies on its partners in the field to work with its director of Europe and international community partnerships to provide a rapid and accurate assessment of the situation and what is required. Usually, GSK knows within hours what medicines it will contribute (e.g., after the Asian tsunami, medicines were released from AmeriCares in less than 48 hours).

Building a Transparent and Accountable Donation Process

The product donation process is managed like GSK's procurement process and has seven basic but irreplaceable steps that GSK's partners must adhere to when requesting medical donations:

- 1 Partners are offered medicines from GSK's inventory (or sometimes GSK manufactures to order) on an annual basis.
- 2 The order is sent to GSK in the United States for processing and dispatch.
- 3 It is then dispatched to the partners' regional warehouses, which are equipped with storage, monitoring, and tracking systems.
- 4 When medicines are required, the partners inform GSK where they are being sent and in what quantities, etc.
- 5 GSK contacts the general manager of the country where the medicines are being sent.
- 6 The general manager must approve the donations (and the process must be documented) to avoid any conflict with GSK's commercial business.
- 7 The donations are shipped; GSK receives a shipping report showing their destination.

In this way, the donation process has the same level of transparency and accountability as GSK's commercial transactions. This ensures that donations are tracked, reach their intended destination, and are dispensed appropriately. In addition, GSK's five partners provide the

company with a quarterly report outlining where and how the donations have been used.

With this level of cooperation from its partners, many of the concerns about the use and destination of the donated pharmaceuticals are removed, thus improving the speed and efficiency of the process.

Internal response to disasters

GSK has also clearly defined internal processes for responding to disasters. The company requires the most senior executive in the affected region to take the lead. Within 24 to 48 hours of a disaster, a teleconference is organized by an internal group to review what is needed. These teleconferences can take place on a daily basis if required. Group members may vary but will always include the regional head of business in the disaster area, a representative from communications, and, when employees are affected, a representative from human resources. The purpose of this group is to ensure efficient communication about the response effort and to make recommendations and proposals for the provision of appropriate aid.

GSK's approach avoids supplying a region with medicine that is not needed. For this reason, the level of donations is carefully monitored. Medicines are sent in small amounts as needed rather than accruing stockpiles that may go to waste. GSK's partners on the ground have the expertise to estimate the amounts of medicines required.

Following a disaster, GlaxoSmithKline relies on its partners in the field to work with its director of European and international community partnerships to provide a rapid and accurate assessment of the situation and what is required.

Impact of the product donation program

GSK's donated products are often some of the first to reach a disaster area. For example, two million doses of antibiotics were shipped within the first week following the Asian tsunami, ensuring that physicians had access to high-quality medicines and helping prevent life-threatening infections that occur in unstable conditions.

The donation program is also a source of employee pride, and following a disaster, GSK always informs its employees via intranet of how it has responded. It also uses the intranet to keep them up to date on continuing activities.

Sharing Best Practices with Other Companies

GSK shares its considerable knowledge and expertise in disaster response with other members of the pharmaceutical industry through its participation in the Partnership for Quality Medical Donations (PQMD) with 13 NGOs and 14 other pharmaceutical and medical equipment manufacturers involved in the donation and delivery of medicines to the developing world.

The Committee on Disaster Response, one of PQMD's standing committees, aims to better coordinate donations across the industry through increased communication. After a disaster, members of this committee are in contact via a teleconference, which enables them to pool information in order to map a global response.

For example, the committee helped PQMD members quickly deploy resources that remained from their response to the Asian tsunami to help victims of the 2006 earthquake in Indonesia. To better coordinate the task and avoid any duplication in donations, one member of the committee took the lead in the donation process.

When appropriate, committee members are also able to provide clear, broad-based information about what the industry as a whole has achieved in the wake of a disaster to PQMD's membership and other affiliated organizations (e.g., the Pharmaceutical Research and Manufacturers of America (PhRMA)).

GSK's best practices

GSK has a well-established humanitarian product donation program that covered almost 100 countries in 2005. The program relies on the collaboration of five partner NGOs and is supported by robust reporting and procurement systems.

In the wake of a disaster, GSK knows that it has trusted partners on the ground to accurately assess the situation and determine what medicines are needed. It has also developed a donation management process that, like its commercial supply chain processes, operates with transparency and accountability, helping to ensure donated medicine is delivered quickly and reliably.

Internally, GSK has clearly defined processes for responding to disasters that include the immediate deployment of a diverse group of people. Via teleconference, the group is able to communicate effectively about the relief effort, keeping the regional company and head office up to date, while reducing confusion and delays and ensuring an appropriate response.

GSK also endeavors to share its best practices with other companies in the industry through its membership in PQMD, particularly its involvement in PQMD's standing committee on disaster response. These bodies are dedicated to the transfer of knowledge and improving the practice and quality of donations across the industry.

Swiss Re

Toward Disaster Prevention

Swiss Re, the world's leading reinsurance company, established its corporate citizenship program "Sharing Solutions" four years ago. With three main pillars—humanitarian, sustainability, and community—it aims to create lasting social and commercial value by providing funding and enabling Swiss Re to leverage its knowledge and expertise with competent partners. For humanitarian projects, this means focusing on both instant relief and disaster prevention.

Humanitarian projects became a distinct part of Swiss Re's corporate citizenship program after the Asian tsunami in December 2004, which prompted the company to develop a donation management process for catastrophic events. Since then, the group has also set up two partnerships with humanitarian organizations, both of which promote disaster prevention. Each initiative has a clear governance structure and reporting system to ease understanding and cooperation within the company and between the partners.

What Works

Swiss Re

- Two partnerships established with humanitarian organizations, both endorsed by top management.
- Strong system of reporting and governance for partnerships.
- Partnerships linked with company's core risk management competencies.
- Instant relief/disaster prevention is a key activity within the corporate citizenship framework.

Anne Keller Dubach, head corporate citizenship Swiss Re, explains:

As a world-leading reinsurer, Swiss Re accepts its social responsibility. We do our part to prevent human catastrophes by supporting concrete, practical projects—rebuilding Pakistani schools to an earthquake-resistant standard, for example, or funding the training of employees at the International Committee of the Red Cross. Close contact with our partners fosters awareness, makes long-term solutions more likely, and catalyzes business opportunities.

Swiss Re's budget for humanitarian projects is controlled by the corporate citizenship department, which reports directly to the head of communications and human resources, who is also a member of the firm's executive board. This not only ensures that Swiss Re's humanitarian activities are endorsed by top management, but that information about them is spread throughout the company.

Instant Relief

The 2004 Asian tsunami taught Swiss Re some lessons about managing donations. All in all, the company's donations for emergency relief totaled \$1.65 million. Of this, \$300,000 came from the firm directly and the remainder from a newly established employee-matching gift program whereby Swiss Re matched every penny donated by its employees. The sheer size of these funds showed the pressing need to develop a standard donation management process for catastrophic events that could be applied across the Swiss Re Group.

The process was managed by a donations management task force made up of:

- Head of corporate citizenship
- Head of communications and human resources
- Head of chief underwriting office
- Head of group media relations
- Regional head of communications

The task force was set up to collate relevant information, draw conclusions, and decide on action plans for each of its members. These action plans included situation analysis, communications, implementation, and monitoring. Swiss Re's corporate social responsibility department was charged with evaluating and defining the response in conjunction with the action plan "owners."

Process Benefits

- Information on the disaster is centralized and the response from the company as a whole is coordinated.
- Business and corporate citizenship processes for large losses are coordinated and consolidated.
- Responsibilities are clearly defined and decision processes for catastrophic events are established.
- A cutting-edge process for matching gifts, including locally variable tax aspects, is now set up.

Swiss Re's partnership with the International Committee of the Red Cross (ICRC) opened up opportunities for managing disaster-related instant relief more efficiently. Rather than using the donation management task force, Swiss Re now tends to channel donations through the ICRC or national Red Cross organizations. This was the case after Hurricane Katrina in the United States and the major earthquake in Pakistan in 2005.

Partnership with ICRC

Swiss Re's first humanitarian project to encompass disaster prevention and relief was a partnership with the ICRC launched in October 2005 with six other Swiss-based businesses (ABB, Fondation Hans Wilsdorf, Lombard Odier Darier Hentsch & Cie, Roche, Vontobel Group, and Zurich Financial Services). This ongoing partnership, known as the ICRC Corporate Support Group (CSG), is part of the ICRC's long-term strategy to build constructive relationships with the business community, diversify funding sources, and promote humanitarian principles among businesses.

Swiss Re and the other companies were selected as potential partners by the ICRC according to strict ethical criteria to ensure the policies and activities of partner companies do not conflict with the ICRC's identity and mission. Each of the corporate partners has committed to donating a specified amount to ICRC over a period of six years. Swiss Re's financial assistance is primarily to support the training of ICRC staff in preparation for their deployment to disaster areas.

An important pillar in the cooperation between the ICRC and support group members is the exchange of know-how in the fields of risk management, human resources, logistics, IT, and communications. Swiss Re's head of corporate sponsoring, for example, holds weekly update briefings with the ICRC. In November 2006, the ICRC CSG held its first annual meeting, during which dialogue focused on an ICRC case study entitled "Operating in a Challenging Environment." In five multidisciplinary workshops, which were coached by ICRC executives, representatives of the member firms discussed a hypothetical conflict-related emergency triggered by a massive population displacement. The debate focused on overall operational management, security, human resources, information, and logistics.

Project governance is via a memorandum of understanding (a form of contract detailing the terms and conditions of the partnership) between Swiss Re and ICRC that includes the ethical principles guiding the partnership and guidelines on the use of the Red Cross emblem, name, and logo (see Appendix 1 on page 35).

Funding Earthquake-Resistant Rebuilding in Pakistan

Swiss Re's second major humanitarian initiative focusing on disaster prevention is a partnership with the NGO Caritas Switzerland. Caritas works closely with the Swiss Agency for Development and Cooperation (SDC), Switzerland's international cooperation agency funded by the federal Department of Foreign Affairs, and Pakistan's government to reconstruct school buildings devastated in 2005 to earthquake-resistant standards. Swiss Re's partnership with Caritas, initiated in 2006, aims to prevent earthquake-related casualties by rebuilding damaged schools as earthquake-resistant structures. Caritas is currently rebuilding 20 schools along the northwestern border of Pakistan. Swiss Re is financing three of them and has supported a manual on earthquake-resistant construction.

Swiss Re shares its expertise in risk management with its partners and local communities.

Caritas is monitoring the projects to ensure that local site managers understand earthquake-resistant building techniques and will be able to use them independently in the future. Swiss Re's role in the project is to fund these rebuilt schools, as well as pay for personnel and training. The group has also shared its risk management expertise with its partners and the local communities taking part in the project, which has strengthened the relationship between government organizations and NGOs in the field.

As with the ICRC CSG, the project is governed by a memorandum of understanding that includes forecasted milestones of the rebuilding project. Regular updates on the progress of the work take place by phone or in person, bringing a high level of transparency to the partnership. Further, all relevant documents, budgets, and contracts with the local government are at Swiss Re's disposal.

A manual for earthquake-resistant construction

Another aspect of the rebuilding project was the development of an easy-to-understand manual on safe construction methods for workers rebuilding Pakistan's hard-hit areas. The handbook, prepared by an architect under contract with SDC, was funded by Swiss Re; the ICRC; the United Nations Educational, Scientific and Cultural Organization (UNESCO); and Swiss Solidarity, the Swiss media's humanitarian fund-raising organization. Completed in August 2006, it has already been used on a pilot project, but is currently under review. Once finalized, it should be applicable to India and a much wider range of geographical locations.

Swiss Re's Best Practices

In carrying out its humanitarian projects, Swiss Re employs a system of gathering and pooling information, allocating responsibility, coordinating the response, and monitoring progress.

Exchange and analysis of information are vital in order to allocate tasks to those best equipped to handle them. This is practiced within the company (e.g., in the formation of a donation management process) and in its collaboration with partners (e.g., the ICRC CSG).

As a commercial risk expert, Swiss Re sees these activities as an opportunity to share its expertise and raise awareness about disaster prevention and mitigation, thus moving beyond donations. The knowledge it gains from such projects can be transferred and tailored to similarly affected regions across the world.

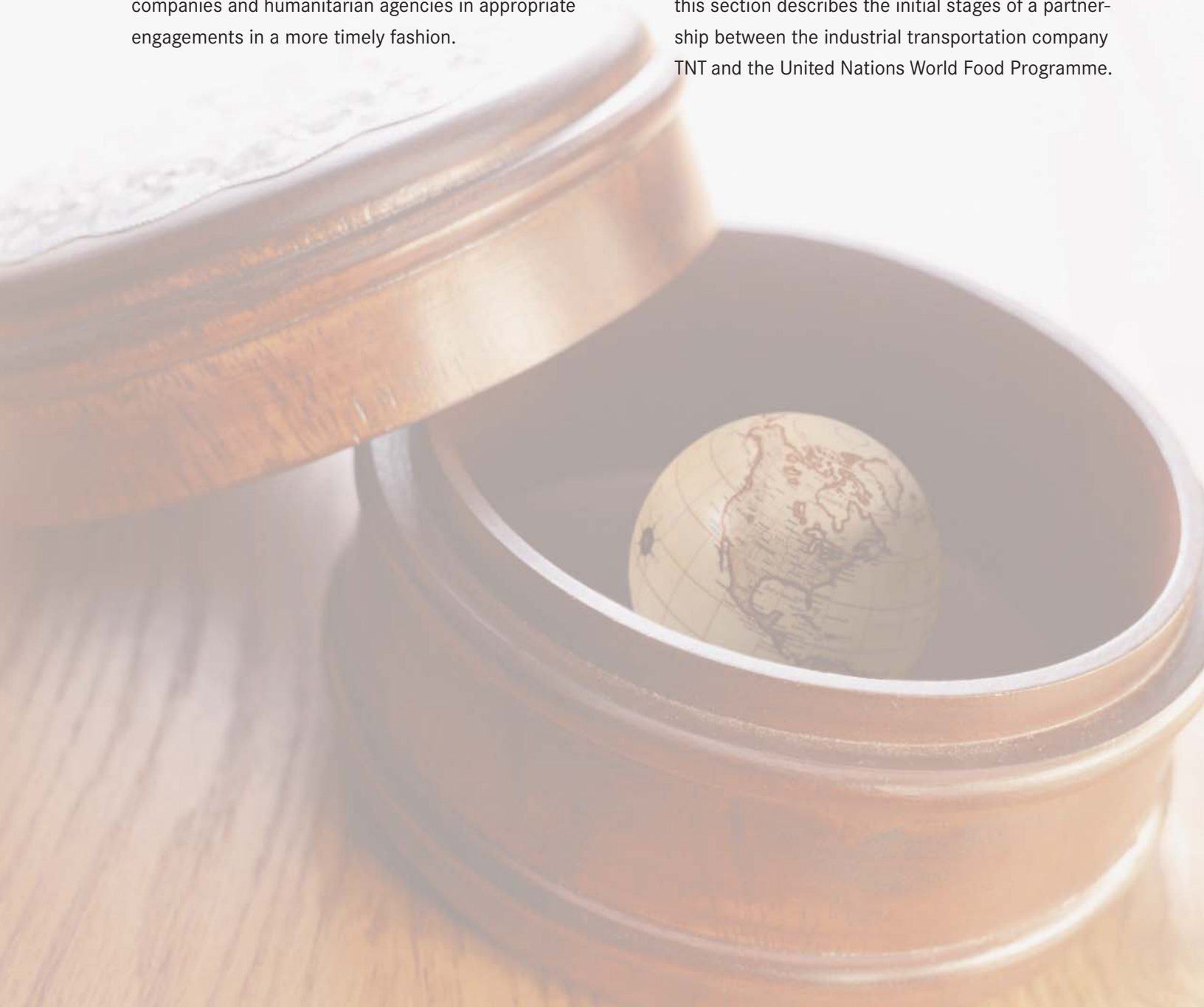
Swiss Re's partnerships are based on memoranda of understanding that clarify the roles of the partners and give a structure to their activities. These documents ensure that each organization understands its duties and can proceed according to clear governance rules. Swiss Re also works closely with its partners, organizes regular meetings, and reports on its activities.

Case Studies

The Humanitarian Case

In the following case studies, humanitarian aid experts outline their views on disaster response, partnerships with business, risk management, and capacity building. The interviewees from Global Impact and Fleet Forum, two organizations representing large numbers of humanitarian organizations, discuss corporate-humanitarian partnerships and what they consider to be best practices. They also explain how, as facilitators or intermediaries, they are able to bring together companies and humanitarian agencies in appropriate engagements in a more timely fashion.

In the third case study, a field manager provides a glimpse of the realities and complexities of working on humanitarian aid projects, particularly risk management and capacity-building initiatives. He suggests setting up independent knowledge pools to identify processes and disseminate specialized and appropriate information to increase the performance of humanitarian aid organizations and ensure greater impact from their programs. The final case study in this section describes the initial stages of a partnership between the industrial transportation company TNT and the United Nations World Food Programme.



Global Impact

An Emerging Model for Disaster Response

Global Impact, a network of more than 50 U.S.-based international charities that raises money from workplace donors to help the world's poor, has identified what it considers to be an emerging best practice in disaster response. Based on its 50 years of experience and, in particular, its work on two fundraising projects—the Central America and Mexico Hurricane Relief Fund and the U.S.–Lebanon Partnership Fund—Global Impact suggests setting up a resource allocation partnership as an intermediary between donors and NGOs to help ensure that resources reach the NGOs that have the capacity to deal with them.

In the case of the two fundraising projects (Table 3), the resource allocation partnerships comprised corporate leaders and Global Impact, which helped to organize and manage the funds, ensuring that donations went to trusted organizations. “These initiatives show how much can be accomplished when companies align with charities to respond rapidly to humanitarian crises,” says Renée Acosta, Global Impact’s chief executive.

Challenges to Effective Mobilization

Up to now, efficient and effective funding and mobilization of resources following a disaster have often been hampered by a number of challenges. Companies have both a philanthropic and business interest in responding to disasters, and prior to a crisis, it is difficult to gauge whether the response will be philanthropic. In the past, this has resulted in crises that were either over- or under-funded, invariably leaving root problems within a region unaddressed. In many cases, companies that have strong process expertise (i.e., reliable and functioning processes in place) have no clear partner role. Thus, the expertise they could provide humanitarian organizations in responding to a disaster is not used.

Moreover, the current proliferation of NGOs renders it difficult to identify the appropriate NGO responder in a crisis (i.e., which organization has the capacity to use the resources most effectively). In the wake of a disaster, competition for funding is high and this often leads to resources being used inefficiently.

Table 3

Profiles of Two Partnerships

	The U.S.–Lebanon Partnership Fund	The Central America and Mexico Hurricane Relief Fund
Launch date	October 4, 2006	April 28, 2006
Purpose of the partnership	To distribute donor contributions to experienced organizations working in the region.	A private-sector-led and White House-supported partnership to encourage private donations for reconstruction in Central America and Southern Mexico.
Leaders of the partnership	Craig Barrett Chairman, Intel John Chambers President & CEO, Cisco Systems Yousif Ghafari Chairman, GHAFARI Dr. Ray Irani Chairman, President & CEO, Occidental Petroleum	Steve S. Reinemund Chairman & CEO, PepsiCo Bob Lane Chairman & CEO, Deere & Company Maria Lagomasino CEO, Asset Management Advisor LLC Michael G. Morris Chairman, President & CEO, American Electric Power
Goal of the partnership	To galvanize a nationwide effort to raise awareness and in doing so raise a significant amount of money to support the reconstruction effort in Lebanon.	To lead a nationwide effort to raise awareness and resources to help survivors of the hurricanes rebuild their lives and communities. The fundraising goal was \$5 million.
Role of Global Impact in the partnership	To manage and account for donations and ensure that all funding goes to trusted organizations that work closely with the U.S. and Lebanon governments to meet the people’s needs as quickly as possible.	To manage fundraising and disbursement activities.

Global Impact's Best Practices in Corporate-Humanitarian Partnerships

Global Impact has identified nine best practices employed in the corporate-humanitarian responses in Lebanon and Central America:

- 1 Determine the goal and scope
- 2 Define and agree on clear expectations, roles, and responsibilities
- 3 Agree to financial practices
- 4 Determine the lead partners
- 5 Assess relationship and reputation capital of each partner
- 6 Establish a system for frequent and meaningful communications
- 7 Discuss openly and agree on how credit and acknowledgment will be given publicly
- 8 Establish an exit strategy for all partners
- 9 Evaluate the project

Global Impact believes that these best practices can be adapted as a basic framework to build successful corporate-humanitarian partnerships. Of the nine best practices, eight are related to the formation of a partnership, underscoring the importance of building a strong foundation from which to proceed. Among these, the pre-assessment of each member's involvement and the definition of roles are fundamental to success, says Acosta. However, when working in conditions as uncertain as those following a disaster, flexibility is also crucial to sustain the partnership.

A Partnership Model for Humanitarian Responses

To overcome these challenges, Global Impact is proposing a new partnership model to respond to humanitarian disasters. The projects in Lebanon and Central America, which contain a number of common elements, illustrate how this new model works.

In both cases, corporate partners took the lead and sought other partners for the project, avoiding the need for humanitarian organizations to find partners to match their needs. Specific criteria were established in each case to determine which charities received the money. Then a systematic process was put in place to manage resource collection and allocation. In both cases, Global Impact managed and distributed the funds. Donations to NGOs were based on their experience, expertise, and location.

Defining roles for better results

Before launching the corporate partnerships, the collective goals of the members were predefined, measured, and an exit strategy was devised. Members' roles were well defined from the start, with partners focusing on their areas of expertise and combining their resources to balance the partnerships' collective strengths and offset any weaknesses.

In both projects, the private sector contributed resources, NGOs delivered the humanitarian support, and governments in the countries affected were responsible for the safety, security, and stability of the region. Global Impact's role as a fiscal partner was to control the vetting of the recipients, ensure the process was transparent, and allocate the resources. As the broker between the donor (private sector) and the recipient (humanitarian sector), Global Impact was able to ensure that the funds reached organizations that could use them most effectively. As a result, both partnerships proved to be highly collaborative and evoked a strong commitment from the members.

Funding uncertainties

Humanitarian organizations often lack the resources to adequately prepare for a rapid disaster response, and the private sector is still unsure where its expertise and resources can be used most effectively. However, Global Impact believes that corporate commitment to resource allocation partnerships prior to a disaster, be it long term or short term, could ensure that rapid response programs are funded and prepared before crises occur.

Fleet Forum

Working Together to Enhance Operations

Over the past three years, the Fleet Forum, a joint initiative of three humanitarian organizations (IFRC, UN World Food Programme, and World Vision International), has brought together more than 40 UN agencies, international humanitarian organizations, and NGOs to work on improving the efficiency of their vehicle fleet management operations. During that time, it also secured two corporate partners—TNT, which supported the project from the outset, and AB Volvo, the truck, bus, and construction equipment manufacturer—and is now seen as an example of how humanitarian organizations can collaborate to address common challenges, share best practices, and develop appropriate solutions.

Until the formation of Fleet Forum, most humanitarian aid organizations' vehicle fleet management had changed little in 20 years. Typically, these organizations acquired and disposed of vehicles on a crisis-by-crisis basis and drove them until they broke down. They didn't have the time, money, or inclination to consider possible cost savings and efficiencies, even though vehicles represent the largest proportion of their capital assets and logistics represent their second highest expenditure item (after personnel).

Rob McConnell, Fleet Forum's coordinator, explains: "Humanitarian organizations are very conservative and reluctant to change their procedures." One of the main reasons, he says, is that these organizations are focused on providing aid—on saving lives—and rarely analyze how they might improve their operations and their performance.

Yet the potential savings identified by Fleet Forum for its associates' vehicle operations are significant. They amount to \$100 to \$200 million per year on a combined operating cost of about \$800 million per year (comprising depreciation, maintenance, fuel, and insurance) for a fleet in excess of 80,000 vehicles.

To realize these benefits, Fleet Forum has initiated a number of projects, including road safety training, leasing studies, and the development of standards of good practice in humanitarian fleet management. In each case, it acts as a facilitator, drawing input from all stakeholders, including the humanitarian community, the commercial sector, donor groups, and schools such as INSEAD to make the best use of available resources. Its role is similar to that of Global Impact's role as a broker.

Editor's note: This case study is based on Luk N. Van Wassenhove, Rolando Tomasini, and Gillian Khaw, *Fleet Forum: Rethinking Value Innovation*, INSEAD, 2006.

Speaking Two Languages: Building Trust and Understanding

Fleet Forum plays a vital role in increasing trust and understanding among stakeholders. The corporate and humanitarian sectors often lack a common language, which can limit communication and opportunities for joint partnerships. It is a role that has been developed by learning the corporate way of managing and its terminology, such as performance measures, quantitative assessment, and accountability. In turn, this has enabled Fleet Forum to educate humanitarian organizations, helping them to appeal successfully for funds.

Fleet Forum has also been instrumental in allaying some humanitarian agencies' deep distrust of companies and their motivations for seeking partnerships with the humanitarian sector. While humanitarian organizations are attracted by the prospect of increased funding from the corporate sector, they are wary of companies that are unable to appreciate the difference between being partners and merely preferred suppliers and those that aggressively seek publicity.

“Another big fear among humanitarian organizations is that companies will come in and tell them that everything they are doing is wrong, without appreciating or respecting what these organizations are doing,” says McConnell.

By being proficient in both humanitarian and corporate languages, Fleet Forum is able to advise companies on the necessary elements for a successful corporate-humanitarian partnership and also groom humanitarian organizations so that they will eventually be able to choose their corporate partners themselves and access the resources required to achieve their humanitarian transport objectives.

Volvo Helps Increase Awareness of Road Safety

AB Volvo's partnership with Fleet Forum, agreed to in a declaration of intent signed in May 2006, focuses on road safety. Under the terms of the cooperation, Volvo will assist Fleet Forum's associates in analyzing traffic accidents and will recommend safety measures to reduce the number of accidents in humanitarian organizations' aid transport.

Using customized data sheets to track traffic accidents, the organizations began collecting data in the middle of 2006, and the first report was presented in 2007. AB Volvo's own accident research team will analyze the causes of the accidents and present recommendations for measures to reduce the number of accidents and their consequences. The project will continue until 2009.

Insights from a Field Manager: Challenges in Capacity Building for Disaster Prevention

After the 2005 earthquake in Pakistan left 2.5 million people homeless, the UN Human Settlements Programme (UN-Habitat) developed a “build back better” strategy for the region by supporting the Earthquake Reconstruction and Rehabilitation Authority (ERRA) in the establishment of 11 Housing Reconstruction Centers (HRCs). The idea was that the HRCs would provide training on seismic-resistant building techniques to a multitude of partner organizations in the affected area, which would train local craftsmen and do-it-yourself builders. The training material was to be prepared by the National Society for Earthquake Technology-Nepal (NSET). The Swiss Agency for Development and Cooperation (SDC) intended to run two of the HRCs.

“Within the first couple of months it became apparent that the strategy had a serious flaw,” says Tom Schacher, architect, independent consultant, and technical advisor to SDC who was working in the field as manager of the housing reconstruction project. “It was based on the hypothesis that there would be enough partner organizations to ensure the training cascaded down to the level of local craftsmen. In reality, partner organizations were hard to come by, and after a few months, we had trained all the ‘master trainers’ in these organizations. If we wanted to remain operational, we had to change our strategy and start to train craftsmen and the public directly.”

But the training material had been prepared for engineers, not craftsmen. It had to be simplified and translated, which uncovered another problem: of the four proposed construction techniques, only one was used locally. To meet the needs of the people and for the “build back better” strategy to succeed, training material was required for the missing techniques.

“This meant that we would have to fight on two fronts,” says Schacher. “First, against the national engineering establishment, which would not accept traditional building methods for which there are no calculation standards, and second, against our employers, who wouldn’t understand the need for additional, out-of-budget experts. In the case of SDC, I was in charge of the entire housing reconstruction program and also the only one with the capacity to develop the missing material. But if I started developing training material, who would do the 60-hour-a-week management job?”

Finding local technical assistants to develop the training material was out of the question in a country where earthquake engineering has hardly featured in the training of young engineers. Similarly, finding an experienced local

program manager was difficult because well-trained managers prefer to stay in the cities. However, eight months into the project, a manager was found. Schacher then started developing appropriate training tools and construction techniques, but his contract with SDC is now coming to an end.

Schacher’s key findings include:

- Capacity building (efforts aimed at developing human skills or societal infrastructures within a community or organization needed to reduce the level of risk) must take into account local culture and already existing know-how; however, understanding the local context takes time.
- Humanitarian aid comes from a tradition of disaster relief in which basic human needs are covered and an in-depth knowledge of local culture and know-how is less important.
- Humanitarian organizations rarely have the time or the tools for effective capacity building.
- Aid organizations must come well prepared, which, in the case of capacity building, means developing training strategies and material in advance.
- To have the right training material and the right experts at hand, the aid organization must be specialized in that field.

Yet the reality is that humanitarian organizations that want to be active in more than disaster relief often have low levels of preparedness and professionalism. One of the main reasons for this is lack of funds. Donors give money after a catastrophe for use in the field and expect the aid organization to be accountable. “For an aid organization to get money up front is very difficult,” explains Schacher, “while funds for the technical preparation of field staff are almost nonexistent.”

Create Knowledge Pools

To overcome some of these capacity-building problems in risk management, Schacher suggests the development of specialized knowledge pools as intermediaries between the business and humanitarian sectors. He believes they would improve knowledge retention and management in aid organizations, allowing improved performance during rehabilitation programs. (For more on Schacher’s recommendations on creating knowledge pools in the area of earthquake-resistant construction methods, see Appendix 3 on page 40.)

Editor’s note: The views and ideas expressed in this case study are Tom Schacher’s and do not necessarily reflect those of SDC.

TNT and WFP

A Model Partnership

The partnership between TNT, the European market leader in express, logistics, and international mail delivery services, and the United Nations World Food Programme (WFP), the world's largest international food aid organization, demonstrates how two organizations can make a life-saving difference while increasing the corporate partner's competitiveness and improving its reputation.

Formally launched at the end of 2002 and supported by a memorandum of understanding, the partnership was a year in the making. Work started after TNT's chief executive, Peter Bakker, supported by senior managers, decided it was time TNT shifted from small and disparate philanthropic programs to a more strategic approach that capitalized on the company's core competencies and reinforced its position in the market and in society.

Deciding on a Cause

The company considered both internal and external environmental and people-oriented initiatives before it finally decided to concentrate on external humanitarian projects that would position TNT as a people-focused company capable of making a difference in society. It would also give TNT's employees a stronger sense of belonging and pride. In addition, it was a way of broadening the company's relations with the different stakeholders that could affect its business, including NGOs, advocacy groups, government, civil society, and the press.

Finding a suitable partner was the next challenge. In the nonprofit sector, each organization has a different structure, funding mechanism, mandate, ideology, and modus operandi. TNT realized that it was not possible to compare humanitarian organizations in a fair and objective manner using standard business indicators. Therefore, to filter suitable candidates, TNT focused on reputation and ideological neutrality. A potential partner's reputation had to be commensurate with TNT's global scale and have a

similar tone and message. It was important that the new partner reflected TNT's international presence without inhibiting its ability to do business globally.

Having narrowed the field, TNT then considered the remaining candidates' organizational fit to determine how their core competencies and future strategies matched those of TNT. At this stage, TNT had invested about four months in the selection process but, before it would commit to one partner, it spent even more time confirming candidates' emotional fit—their values, vision, and enthusiasm—and organizational readiness to engage in a large-scale, long-term partnership.

TNT finally chose WFP as its partner, but still had to secure support from TNT's board. An hour-long presentation was given explaining the need for the partnership, the candidate search process, and the potential benefits of choosing WFP. It stressed that the partnership would be based on an exchange of capabilities and expertise that would improve TNT's own long-term competitiveness in the industry.

While it was difficult to even estimate the return on investment, the presentation focused on potential gains from the program. The board's response was positive enough to move forward with rational skepticism. Members even agreed to personally adopt an initiative and to devote time to its development.

A Five-Year Commitment

Both TNT and WFP committed to a minimum of five years working together in three key areas:

- Hands-on support (e.g., sharing assets)
- Funding and awareness
- Knowledge transfer (e.g., on fleet management)

The first joint project was the reorganization of WFP's warehouse in Brindisi, Italy. TNT optimized the space by redesigning the layout, transferred its best practices, and trained personnel in inventory management. The annual savings to WFP were approximately €400,000. The project was also instrumental in building mutual trust and confidence between the partners.

Editor's note: This case study is based on Luk N. Van Wassenhove, and Rolando Tomasini, *Moving the World: The TPG-WFP Partnership—Looking for a Partner*, INSEAD 2004; Luk N. Van Wassenhove and Ramina Samii, *Moving the World: The TPG-WFP Partnership—Learning How to Dance*, INSEAD 2004; and Luk N. Van Wassenhove and Rolando Tomasini, "Overcoming the Barriers to a Successful Cross-Sector Partnership," *The Conference Board, Executive Action 189*, 2006.

Investment

Between 2003 and 2006, TNT invested more than €32.3 million—€7.3 million in hands-on support, €9.3 million in funding and awareness, €8.7 million in knowledge transfer, and €7 million in matching donations from employees. In 2007, it invested more than €8 million.

Main Benefits for TNT

Enhanced reputation In 2005, TNT ranked third in the Netherlands in terms of corporate reputation according to a reputation quotient survey undertaken by the American Reputation Institute in cooperation with Rotterdam Erasmus University and Harris Interactive.² In 2001, before the launch of the WFP partnership, it was ranked 26.

For two years running, 2005 and 2006, TNT was the industrial transportation industry leader in the Dow Jones Sustainability Index, a global index tracking the financial performance of the leading sustainability-driven companies worldwide. The company believes its partnership with WFP influenced its positioning.

Positive publicity At the outset of the WFP partnership, TNT agreed not to issue any independent press releases (other than one announcing the partnership) and not to use the partnership for advertising purposes. Despite this relatively under-the-radar approach, the company and CEO Peter Bakker have attracted considerable media coverage.

Employee pride A 2005 employee satisfaction survey showed that, as a result of the partnership with WFP, 68 percent of employees find TNT a more attractive company to work for. Greater employee morale often leads to greater job satisfaction and improved performance, says TNT.

Knowledge and experience gained By working with WFP, many of TNT's employees who have been involved in the partnership, either in disaster preparedness or disaster response, have gained new competencies by being faced with new and different experiences.

Lessons Learned

For TNT, the main lessons from its partnership with WFP are:

- Start with strong commitment from the top. Both TNT and WFP had strong leadership commitment, particularly from Peter Bakker and James Morris, WFP's executive director (and a former corporate executive), who shared values and a vision.
- Choose the right partner because many corporate-humanitarian partnerships fail.
- Take the time to learn to work together.
- Build trust, understanding, and confidence.
- Manage the partnership as a separate business unit with its own metrics and responsibilities to avoid possible conflicts of interest with commercial products and services.
- Prepare for disaster by having an inventory of global resources and points of contact, and trigger procedures for their use.
- Actual involvement in disaster response requires:
 - thorough preparedness;
 - quick and clear decision making; and
 - availability of staff and assets.

While many companies and agencies choose to formalize their collaboration through partnerships, there are numerous other ways to create value. For some companies and agencies, it makes more sense to focus on donations or projects demanding less investment from both sides.

The main idea from TNT's experience is that companies should not compete with humanitarian organizations to save lives. On the contrary, companies should work together with humanitarian organizations to provide their knowledge, expertise, and resources to help humanitarian organizations save lives. As Peter Bakker has said, it is important to remember that "businesses are not humanitarian organizations but they can make a difference."

² Harris Interactive Reputation Quotient Survey, American Reputation Institute with Rotterdam Erasmus University and Harris Interactive, 2005.

Next Steps

Building Successful Corporate-Humanitarian Partnerships

Before successful partnerships between the corporate and humanitarian sectors can be established and maintained, a number of important issues must be addressed by both sides. According to research working group members, these topics include:

- The motivations for corporate-humanitarian partnerships
- Choosing partners and managing the relationship
- Where and when to get involved
- Making the business case
- Measuring the impact
- Identifying and transferring best practices
- Moving from giving money to also transferring expertise

Why Partnerships?

Although corporate-humanitarian partnerships are a relatively new concept, and the rules of engagement are still being determined, both sectors are increasingly interested in forming them. From the corporate point of view, these partnerships are a means of demonstrating corporate social responsibility, which an increasing number of stakeholders expect. Moreover, many companies view these programs as making good business sense, leading to improved reputation, increased employee and customer loyalty, enhanced employee motivation, and a number of other benefits.

In addition, for companies that are already involved in philanthropic activities, corporate-humanitarian partnerships are a means of providing additional support (i.e., services and assets) rather than just cash. When this support is deployed in regions where companies have facilities, employees, suppliers, and customers, it not only shows their commitment to the community. It also helps to restore order in the aftermath of a disaster, which is another benefit to business.

Partnerships can also be a forum for learning and sharing knowledge, which is important for the development of a trusting relationship between organizations that are not the most likely of partners and often view each other with a degree of skepticism. In practice, the two sectors have many complementary skills. For example, businesses can offer advice on management techniques, cost savings, performance measures, etc., while humanitarian organizations are specialists at being agile and adaptable under high levels of uncertainty with limited resources (both human and capital).

From the humanitarian standpoint, partnerships are a source of additional funding (even if they are not the preferred source of funding), as well as resources, knowledge, and expertise at a time when the numbers of natural and man-made disasters are exceeding organizations' ability and capacity to respond to them. What's more, they can help to deliver not only effective disaster relief but also better disaster preparedness.

In a crisis, for example, business partners can assist humanitarian organizations with readily accessible assets (e.g., airplanes, forklift trucks, office and warehouse space) and skills (e.g., programmers, communication specialists, and pilots) to meet the demands in the field. In between disasters, corporate partners can also help by, for example, transferring knowledge and expertise that assists humanitarian organizations in developing agreements and establishing policies and processes so that they can operate swiftly with both existing and new supply chain partners when a disaster occurs.

But corporate-humanitarian partnerships take time and effort to develop, typically a year to 18 months, with no guarantee of success. While business can often assign dedicated resources to the development of such a partnership, many humanitarian organizations with limited resources cannot and, as a result, they are unable to explore, develop, and maintain more than a handful of partnerships.

Choosing Partners and Managing the Partnership

Companies have a vast choice of potential partners, even though some humanitarian organizations are not interested in partnering with the private sector. Deciding on the most appropriate agency is not straightforward and, as noted above, can take many months of resources.

One of the biggest obstacles for both sides in choosing a partner is the lack of understanding of each other's organizations—for example, what they do, how they operate, and how they are organized and managed. Overcoming this barrier is a particular problem because there is no common language between the partners.

Fleet Forum recognized this communication gap soon after its formation in 2003 and addressed it by systematically learning the corporate language of key performance indicators and quantitative assessments. Since then, it has become a broker for corporate-humanitarian partnerships, helping to ensure that the interested parties are well-matched and able to forge a lasting relationship.

The selection process

In the absence of a broker, companies need to be able to select and compare a shortlist of suitable partners that meet their needs. Using standard business indicators to compare not-for-profit humanitarian organizations fairly and objectively is difficult. When TNT was searching for a partner, it opted for an initial screening based on reputation and neutrality (in terms of politics, religion, etc.) to avoid humanitarian organizations that were too controversial.

The remaining candidates were then measured against four weighted selection criteria:

- Organizational fit to ensure the company's core competencies were of value to the humanitarian partner.
- Their interest and attitude to ensure the company could share the humanitarian partner's vision.
- Their effectiveness and overheads to ensure the company avoided partners that were consumed by bureaucracy.
- Their geographical scope.

Once a partner has been chosen, the partnership has to be managed so that each side is aware of and up to date on the other's activities. This requires a commitment of time and effort to communicate with one another on a regular basis. For humanitarian organizations with limited human resources, it is often more difficult to make this commitment than it is for companies that often have one or more people dedicated to CSR projects.

Some partnerships are governed by a formal agreement, such as a memorandum of understanding that covers important issues and leaves neither side in any doubt about what to expect from the partnership. (See Appendix 1 on page 35 for the ICRC's guidelines.)

Determining Where and When a Company Gets Involved

Corporate-humanitarian engagements, like many other CSR initiatives, pose another difficult challenge for companies and their partners: choosing projects that can provide value to the humanitarian organization while giving the highest return on investment for the company. Project selection therefore requires a strong sense of discipline and objectivity from both partners.

When deciding *where* to get involved, companies often opt for countries where they already have operations or relatively low-cost, low-risk areas where there is good visibility for their efforts. At present, companies also tend to choose disaster response over disaster mitigation and preparedness, partly because the former has a much greater PR value.

Humanitarian organizations, on the other hand, prefer to prioritize their actions based on need, and some of the greatest needs are found in neglected areas of the world where access, poverty, and security can be an issue. As a result, these areas are rarely considered for support by either the private sector or the media.

Humanitarian organizations are also sometimes reluctant to let private partners take on responsibilities that are critical for their operation or in areas where they feel they are the experts (e.g., deploying the first post-disaster team). Overall, the best value in corporate-humanitarian engagements is achieved when the private sector can complement the humanitarian operation rather than duplicate preexisting processes.

However, even when partners have identified joint projects, challenges remain. This was the case when TNT and WFP agreed that the focus of one of their joint projects would be logistics, an area of expertise common to both partners. It was initially difficult to decide how TNT could help because its logistics operations are so different from those of WFP. Each partner has different goals and objectives (speed, cost, lives saved, beneficiaries attended, etc.) and different decision-making processes (more or less bureaucracy or political sensitivity).

Another challenge is engaging employees in corporate-humanitarian partnerships, which invariably start from the top-down but grow from the bottom-up as operational levels work out ways to collaborate and overcome their differences. While corporate partners may be fully motivated and engaged at the executive level, they run the risk of having little buy-in from the rest of the organization.

Making the Business Case

A sound business case is a prerequisite for corporate involvement in partnerships with humanitarian organizations. This proposition must convince both the company's board of directors and its shareholders that such a partnership is beneficial to the humanitarian organization and adds value for the company.

Arguments in favor of corporate-humanitarian initiatives revolve around five main business benefits, which, although some are not directly linked to bottom-line financials, can have a major impact on the value of a company.

Enhancing a company's external reputation This is achieved through the positive free publicity generated in the media and has a number of knock-on effects (e.g., attracting new recruits). According to Global Impact, partnering with an established, reputable NGO is a low-risk way to improve a corporation's external profile.

Uniting employees around a common cause This may increase morale, motivation, and loyalty to the company and help with team building. If the company has a volunteer program, the company will benefit further from the experience and skills its staff will gain from working in challenging circumstances like disaster relief.

Increasing sales and customer loyalty Given the choice, customers are more likely to buy from companies they respect and that have a good reputation.

Identifying possible business opportunities in areas that would otherwise be hard to access

Encouraging growth and investment If companies can work with humanitarian organizations to help speed up the disaster recovery process, both businesses and the local economy will benefit.

Measuring the Impact

While the benefits of corporate-humanitarian partnerships are beginning to be acknowledged, measuring their exact value remains a challenge. As previously mentioned, there is some skepticism across both sectors about how much value is created and for whom. This raises the important question of how long such partnerships will, and can, last. From the corporate point of view, numerous attempts have been made to measure the financial impact of CSR initiatives like these, but the results are confusing and there is no general agreement on what methodology should be used.

Some measurements, however, are possible. Companies can track press coverage of their initiatives and try to calculate how much corporate advertising would have been required and how much it would have cost to deliver the same results. They can also conduct employee satisfaction surveys. TNT, for example, in its 2005 employee satisfaction survey, specifically asked whether its partnership with WFP had made TNT a more attractive company to work for (more than two-thirds said yes). They can also chart their annual progress in published league tables comparing companies' reputations (e.g., Harris Interactive's Reputation Quotient survey) or their approach to corporate sustainability (e.g., the FTSE4Good Index Series or the Dow Jones Sustainability Indexes).

Measuring the impact from the humanitarian standpoint usually revolves around the benefits to the beneficiaries (e.g., the number of lives saved, the number of people fed, the decrease in infant mortality, etc.). At present, very few humanitarian organizations have a results-based culture in terms of analyzing how well a project was executed, whether it achieved its goals, and how it could be improved in the future. One of the reasons for this is that aid workers in the field tend to move from one crisis to the next and are not available for a project review.

Passing It On: Best Practice Identification and Transfer

Much can be learned from corporate-humanitarian partnerships that, by their nature, are often addressing difficult problems in difficult and time-constrained circumstances. They can lead to new knowledge and new capabilities, but the challenge is to disseminate that knowledge, particularly best management practices, so that more effective partnerships can be established in the future and possibly new solutions found in the areas of disaster relief, disaster mitigation, and disaster prevention.

One of the first hurdles in disseminating knowledge is recognizing what knowledge is available and suitable for sharing. Then people have to be motivated to share it—to accept others’ ideas, understand how they can be applied, and see what the outcome may be. Next, channels of interaction have to be created that allow a two-way flow of knowledge, enabling both the sender and the receiver of the knowledge to create value within their organizations.

In general, according to Professor Gabriel Szulanski of INSEAD, the only barriers with statistical significance to the transfer of best practices fall into three categories: arduous relations (lack of intimacy), absorptive capacity (having the resources to accommodate the learning process), and causal ambiguity (understanding why it works for others).³

One of the most common complaints about knowledge transfer is that the knowledge is not suited to the recipient’s needs. While it is true that some level of adaptation is necessary to ensure the long-term success of the transfer, research shows that adaptation has no impact on the

recipient’s motivation to use the knowledge. Motivation tends to come when the best practice is well recognized, when there is enough time and resources to transfer it, and when the parties have developed a good working relationship.

The process of knowledge transfer can be seen as a four-step process:

Initiation When both the need and the best practice suitable to fulfill the need appear in the organization.

Implementation When the decision to proceed with the transfer is taken.

Ramp up When the best practice becomes operational at the recipient organization.

Integration When the recipient achieves satisfactory levels of performance.

Models for Collaboration

Corporate-humanitarian knowledge transfer is still in the initiation stage, although a few organizations have practices that are already achieving results. One of them is the Partnership for Quality Medical Donations, a non-profit membership organization of healthcare manufacturers and NGOs that is dedicated to the development, dissemination, and adherence to high standards in the delivery of medical products to underserved people and disaster victims around the world. One of its functions is to offer practical advice to organizations considering the management of drug and medical donations in a manner consistent with the World Health Organization Guidelines on Drug Donations (see the GlaxoSmithKline case study on page 15).

³ Gabriel Szulanski, *Sticky Knowledge: Barriers to Knowing in the Firm*, (London: Sage Publications, 2003).

Primary Barriers to Knowledge Transfer

Arduous relations

- Lack of trust and interface at all levels
- Insufficient knowledge of each other’s world
- Distance and difference in methodologies and environments
- Lack of confidence in long-term commitment and willingness to engage

Absorptive capacity

- Lack of resources
- Too few staff
- Lack of skills
- No recognition of need to learn

Causal ambiguity

- Insufficient contact
- Lack of common language
- Lack of understanding of transferable practices

Source: Gabriel Szulanski, *Sticky Knowledge: Barriers to Knowing in the Firm*, (London: Sage Publications, 2003).

Another association that has knowledge transfer as one of its objectives is the ICRC CSG, a partnership between the ICRC and a select group of Swiss-based companies initiated by the ICRC to expand its network by engaging with the private sector in the exchange of expertise and know-how (see Swiss Re case study on page 18).

A third is NetHope, a nonprofit information and communications technology (ICT) consortium of 18 NGOs that aims to help its members deliver aid more effectively to the developing world. By collaborating and sharing ICT knowledge, NetHope's members are able to collectively solve common problems and leverage their existing technology investment to achieve higher levels of efficiency, quality, and reach for their programs. One of the ways NetHope shares knowledge is through regular conference calls (that are recorded and stored in a database), during which members can document and share their field experiences about the effectiveness of their ICT and suggest ways to improve it.

Transferring Expertise

Until recently, most companies' response to humanitarian disasters was reactive. Typically, in the wake of a major disaster, they provided financial assistance and sometimes in-kind donations. Now they are considering how to provide expertise that will help both disaster relief efforts and disaster preparedness and prevention.

One of the biggest challenges for companies adopting an active approach to disaster management is its low profile from the PR point of view. Risk mitigation measures (like reinforcing buildings to earthquake resistant standards) are costly but, if successful, have the potential to minimize human and economic loss in the event of a disaster. However, in the absence of a disaster, the benefits of the investment are not visible. This tends to discourage investment in risk mitigation measures not only by the corporate sector but also by individuals in a disaster-prone area, regardless of how cost effective the measures are.

Disasters will continue to take place despite efforts to avert them. Increasing communities' resilience to such disasters is the cornerstone to minimizing the adverse impact. Where possible, in addition to the response phase, the corporate sector can and should contribute to the preparedness and mitigation phases. But it is less inclined to do this since preparedness and mitigation lack the media attention and community recognition of their support during and after a disaster. But if companies were to assume a role in preparedness and mitigation and succeed in demonstrating the positive impact they are having toward building a more resilient society, the long-term benefits for the companies and communities are likely to be greater than contributing to the response alone.

Overcoming Public Resistance to Disaster Mitigation

Research carried out by INSEAD following the 1999 Istanbul earthquake in Turkey found that risk mitigation measures that had a break-even period of about three years were not popular among Istanbul residents.*

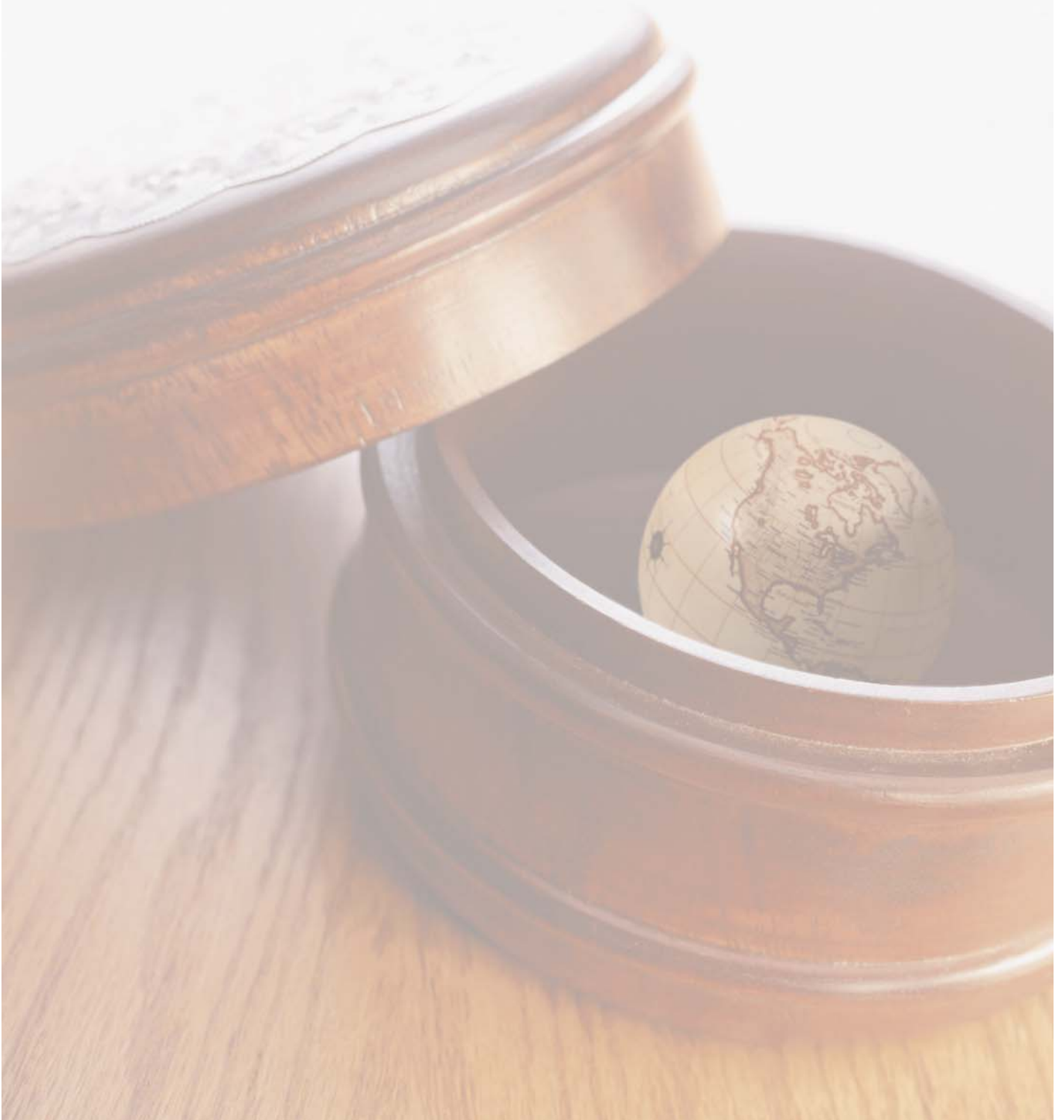
Ayse Öncüler, INSEAD assistant professor of decision sciences, says the main reasons are:

- Up-front expense
- The belief that "It can't happen to me"
- A human tendency not to look to the long term
- Mistrust of state officials and contractors that might be hired to implement the risk mitigation measures
- An expectation that assistance will be provided if a disaster does occur

To overcome this reluctance to consider risk mitigation measures, the Turkish authorities are considering a number of proposals, which include opportunities for corporate-humanitarian partnerships. For example, companies could participate in risk communication and training sessions about structural and nonstructural risk mitigation. In addition, they could also provide specialist expertise in areas such as catastrophe modeling, alternative risk transfer mechanisms like weather derivatives (financial instruments used to reduce the risk associated with adverse or unexpected weather), land-use planning, and supply chain disruption.

* "Turkish Homeowners' Willingness-to-Pay for Earthquake Mitigation Measures," IIASA Meeting on Integrated Disaster Risk Management Proceedings, Laxenburg, Austria, 2002.

Appendixes



Appendix 1

Ethical Principles Guiding ICRC's Partnerships with the Private Sector

I. Purpose

The aim of these guidelines is to establish a transparent framework for relationships between companies and the International Committee of the Red Cross (ICRC) that involve support from the private sector to the ICRC (e.g., donation in cash or in kind, sponsoring, cause-related marketing, technical assistance). The term “Companies” encompasses private firms and their foundations, as well as state-owned enterprises.

As a matter of principle, a partnership shall strengthen—but in no way undermine—the capacity of the organization to carry out its activities worldwide in accordance with its specific mandate and the principles of the International Red Cross and Red Crescent Movement (hereafter referred to as “the Movement”).

II. ICRC's Private Sector Strategy

Since its inception in 1863, the International Committee of the Red Cross (ICRC) has traditionally dealt with States. After World War II, the ICRC engaged more and more with nonstate actors such as opposition groups and nongovernmental organisations. With the advent of globalization, the private sector is playing an increasingly prominent role in international relations. In many States affected by internal violence or armed conflict, governments have lost part of their prerogatives while some multinational corporations bear more and more influence on the parties to the conflict. The ICRC has adopted a comprehensive strategy to develop its relations with the private sector in a coherent and coordinated fashion with the chief aim to keep providing effective protection and assistance to war victims under these new circumstances.

The strategy focuses two main avenues:

- First, the **promotion of humanitarian principles and humanitarian dialogue** with companies operating in conflict-prone areas. In this case, the ICRC seeks to establish relations with a company because it has a direct or indirect influence on the situation of war victims. The objective of the ICRC is then not to seek any material or financial support.

Companies are thus approached irrespective of whether their policies and activities are consistent with the guidelines below, and the **guidelines below do not apply to relations with the private sector established under this first objective**, and do not expand on the rationale and modalities underlying such relations.

- The second avenue consists in **seeking support from the private sector** to enhance the ICRC's capacity to operate in an efficient manner, recognising that the expertise and financial capacity of the business community has a great potential to help the ICRC achieve its humanitarian objectives. **The guidelines below do apply only in the case of relations with firms established under this second avenue.** Partnerships shall be established with companies whose policies and activities are consistent with the guidelines below.

The ICRC believes in the benefit of a coherent and principled approach while engaging with the private sector. At the level of the Movement, coherence is also regarded as important objective, especially when dealing with partnerships having an international coverage, which may have direct or indirect consequences in conflict-prone countries. Experience shows that in the current state of globalization, information about partnerships flows instantly across borders and may impact both on public opinion and political leaders. Experience further reveals that multinational corporations do not make much distinction between the different components of the Movement: they are primarily interested in an association with the Red Cross/Red Crescent “brand.”

III. Guiding Principles

The ICRC's selection criteria for corporate partners derive from three key sources:

- 1 The Movement's principles
- 2 The Movement's statutes
- 3 The specific mandate of the ICRC

1 The Movement's principles

Under the principle of *humanity*, the Movement's purpose is “to protect life and health and to ensure respect for the human being.”

Impartiality dictates that the Movement makes “no discrimination as to nationality, race, religious beliefs, class or political opinion.”

Independence requires that the ICRC “shall be able at all times to act in accordance with the principles of the Movement.” Partnership modalities shall preserve the independence of the organisation.

Neutrality means that “in order to enjoy the confidence of all, the Movement may not take sides in hostilities or engage at any time in controversies of political, racial, religious, or ideological nature.”

Universality means that the International Movement of the Red Cross and Red Crescent is and operates worldwide.

Unity means that there can be only one national Red Cross or one Red Crescent Society in any one country, which must be open to all and carry on its humanitarian work throughout its territory.

The different components of the Movement are all *not-for-profit* organizations.

2 The Movement's statutes

The statutes of the Movement state in their preamble that the purpose of the Red Cross/Red Crescent is “... to protect life and health and ensure respect for the human being (in particular in times of armed conflict and other emergencies) ... to work for the prevention of disease and for the promotion of health and social welfare.”

3 The ICRC's mandate

The ICRC's specific mandate is to promote international humanitarian law and to protect and assist war victims. The ICRC thus looks in particular at corporate conduct in war-prone areas and at corporate relations with host governments and local communities.

III.1 Ethical Criteria

The ICRC's ethical criteria for corporate partners are inspired by these three key sources. The decision to establish a relationship is guided by both negative and positive criteria. The decision is taken in three steps, in order of priority:

- 1 As a matter of absolute priority, the ICRC shall not accept any support from a company **if this may endanger the capacity of the organisation** to carry out its mandate in accordance with the principles above.
- 2 The ICRC shall seek or accept the support of companies only if their policies and activities do not fundamentally **contradict the guiding principles** above. This criterion addresses in particular the requirement contained in Article 23 of the Movement's regulations on the Use of the Red Cross/Red Crescent Emblem, which stipulates that: “[a business partner] ... *must in no way be engaged in activities running counter to the Movement's objectives and Principles or which might be regarded by the public as controversial.*”
- 3 The ICRC further shall assess the potential impact of a partnership with a company on its **public image** and reputation.

Based on the above, the ethical criteria are the following:

- A The ICRC does not seek nor accept support from companies involved in the direct manufacture or sale of **arms**, or having a majority stake in such companies.
- B The ICRC does not seek nor accept support from companies involved in violations of **international humanitarian law**, based on the information available to the ICRC through its worldwide presence in conflict-prone areas.
- C The ICRC does not seek nor accept support from companies which do not respect **internationally recognized human rights and fundamental labour standards**, including the Universal Declaration of Human Rights and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work.
- D The ICRC does not seek nor accept support from companies whose products are widely recognised as deleterious to **health**, or against which there are credible allegations of nonobservance of widely recognised rules and regulations such as those elaborated under the World Health Organization (WHO).

E The ICRC further pays attention as to whether there are **major public controversies** tied to the products, policies, or activities of a company, based on the reports and assessments provided by professional rating agencies and other information available from credible sources.

The ICRC encourages partnerships with companies that are committed to respecting and promoting the rights and standards above. The ICRC also favors partnerships with firms that adhere to basic principles of sustainable development and ecological management of environmental resources, as well as to those that actively supports sustainable development at the operational level.

IV. Information Sources

Globalization is characterised by series of mergers, acquisitions and complex portfolio investment that make it impossible for the ICRC to assess the scope of activities and ethical behaviour of corporations. Therefore, the ICRC relies on at least two professional and specialized ethical rating agencies, which shall be independent and not-for-profit organisations.

These rating agencies provide the ICRC with a detailed description of companies' activities and behaviour, such as the breakdown of sales by sector, social and environmental performance, relations with employees and host communities, transparency and disclosure policy, as well as issues relating to human rights principles. The ethical rating agencies further report on past and ongoing public controversies as well as on efforts by the company to resolve them.

When required, additional data are collected from relevant authoritative international bodies (e.g., WHO). In order to dispel any remaining doubt, the ICRC shall also raise issues directly with the company when establishing the dialogue leading to a potential partnership agreement.

V. Partnership Modalities

The principle of independence requires that the arrangement modality between the ICRC and a company does in no way lead to believe that the ICRC may endorse a company, its products, policies or services. The ICRC cannot grant formal "exclusivity" to any company in the framework of a partnership.

The ICRC "logo" is not a trademark, and is not registered as such nor is protected under trademark laws. The ICRC "logo" embodies the Red Cross emblem, which is protected under international law (Geneva Conventions). It is important to recall that the emblem is first and foremost an internationally recognised symbol of protection during armed conflicts. Each Movement component has a responsibility to help preserve the emblem's unique protective power. All agreements with companies must abide by the rules applying to the use of the ICRC "logo," as spelled out in the 1991 Movement's Regulations on the Use of the Emblem.

Corporate alliances where a company is permitted to use the ICRC name or "logo" must be put in writing, with the roles and responsibilities of each party clearly laid out. Such agreements shall contain a termination clause for both parties. The ICRC always reserves the right to withdraw from a partnership on very short notice upon evidence that a corporate partner does not fulfil the ethical criteria contained in section III anymore.

VI. Implementation

A "Corporate Partnership Cell" is established under the ICRC's Director General for the purpose of reviewing and implementing these guidelines. Decisions are taken based on an assessment of the consistency between a company's policies and practices and the criteria contained in section III. In exceptional cases where the "Corporate Partnership Cell" is unable to make a final recommendation, the issues will be brought to the ICRC's Assembly Council for final decision.

When dealing with long-term partnerships or in cases where there are new and major elements to be taken into account with regard to a corporate partner (e.g., merger or acquisition), there shall be reviews with the aim of assessing whether or not the corporate partners continue to meet with the above criteria, and whether a partnership shall be terminated.

Appendix 2

Philip Morris International

Humanitarian Aid Task Force Guidelines and Procedures

The Humanitarian Aid Task Force consists of a designated member(s) from a Company's contributions group and each operating company's contributions group, through whom relief efforts are coordinated.

Given the unpredictability of disasters, these guidelines were designed to be broad in nature so as to allow for flexibility within the Company, Operating Company 1 (OC1), and Operating Company 2 (OC2) contributions groups if and when the companies choose to respond. These guidelines do not supersede the Company's contributions policies, and all charitable contributions should follow the Company's contributions policies, standards, and principles, as well as any other applicable policy, including those set by each operating company's contributions group.

The Company and each operating company may also distribute more detailed processes related to their specific humanitarian aid/disaster relief programs.

Guidelines and Procedures

- A The Company's Contributions Group and each operating Company have designated a key person through whom relief efforts are coordinated.
- B Given the unpredictability of disasters, there may be one or several ways the Companies will respond.
- C The Task Force will continue, therefore, to treat each disaster on a case-by-case basis, recognizing both humanitarian needs and corporate interests, reviewing the given criteria, and any operating company humanitarian aid/disaster relief guidelines when making grants.
- D Traditionally, aid in the United States is in the form of cash and food. Given the logistical issues and high costs encountered when shipping product outside of the United States, the difficulty in assessing precise needs, and ensuring that foods are culturally sensitive, the preferred response outside of the United States is cash.

- E Responses can be collective, individual, or both. Corporate interests may dictate a parent company response different from those of the operating companies. At the same time, local or regional factors may dictate operating company responses different and independent from that of the parent company. Operating companies and regional representatives are asked to keep the parent company informed of their proposed and executed actions.
- F Task Force members strive to ensure that communications on the nature of the response are clear and specific, (i.e., amounts, size, value, receiving institution, etc.)
- G The Company, OC1, and OC2 contributions departments have lead responsibility for managing grants made through the humanitarian aid program. Each designated contributions member may also contact internal departments, such as government affairs and human resources, for additional information related to the disaster.
- H When employees of the Company are affected by a disaster, Human Resources should be included in all communications related to humanitarian aid, with Human Resources sharing information on employee communications, as well as employee human resource programs that may be instituted.

When disasters affect facilities and employees, it is up to the Company and each operating company to determine if their Special Situations Management Teams and/or Disaster Response Teams should become operational.

Types of Giving

- Cash grants made through relief agencies
- Nonperishable in-kind donations (primarily in the United States)
- Sharing of company expertise/core competencies (such as distribution networks, corporate aircraft)
- Volunteer efforts

Communication

Traditionally, the Company has not aggressively sought publicity for its actions. Communication on the companies' efforts beyond the organizations listed below will be handled on a case-by-case basis by The Company and the operating companies, together with their communications departments.

Employee Programs

There is no formal global volunteer program with paid time off. The different companies should consult with their contributions and human resources department regarding volunteer efforts (such as food, clothing, and blood drives) after a disaster. These are managed on a case-by-case basis.

Process for Responding to a Disaster

Within the United States

- 1 Disaster strikes; media reports
- 2 Responsibilities of Contributions' designated program manager
- 3 OC2 to activate its Disaster Response Team

The Company and OC2 contact:

- Internal government affairs representatives for specific state information (offices and facilities affected, Governor Funds, etc.); information relayed back to contributions.
- Humanitarian aid partner organizations for evaluation on disaster, how the nonprofit is responding, and what in-kind may be needed.
- Human Resources department for assessment on employee situation.

The Company and its Operating Companies will communicate findings to the humanitarian aid task force members; make grant recommendation (including if funds should come from the Company or operating company or both) to contributions senior management.

If the grant is \$50,000 or above, the Company's Chairman and CEO can give their approval either verbally or by email. Grant should then be included on the next approval process submission as an FYI.

- Once the grant has been communicated to the non-profit organization, keep the Humanitarian Aid Task Force members, government affairs, communications, and appropriate senior management advised of the grant details.

Humanitarian Aid program managers report all grants to the Company's contributions contact, who will track company-wide support.

Outside of the United States

- 1 Disaster strikes; media reports
- 2 Responsibilities of Contributions' designated program manager:

OC1 contacts:

- Internal government affairs representatives for specific country information (offices and facilities affected, special funds, etc.); information relayed back to contributions.
- Regional Human Resources department for assessment on employee situation.
- Humanitarian aid partner organizations for evaluation on disaster and how the nonprofit is responding.

Communicate findings to Humanitarian Aid Task Force members; make grant recommendation (including if funds should come from the Company or operating Company, or both) to contributions senior management.

- If grant is \$50,000 or above, approval by the Company's Chairman and CEO can be given either verbally or via email. Grant should then be included with the next approval process submission as an FYI.

Once the grant has been communicated to the non-profit organization, keep the Humanitarian Aid Task Force members, government affairs, communications, regional offices, and appropriate senior management advised of the grant details.

Humanitarian Aid program managers report all grants to the Company's contributions contact, who will track company-wide support.

Appendix 3

Building Knowledge

In the area of earthquake-resistant construction methods, Tom Schacher proposes the following knowledge pool:

Goals

- Promotion of low-cost and context-specific earthquake resistant construction know-how.
- Dissemination of project output among humanitarian organizations involved in post-disaster reconstruction as well as among authorities of low-income countries prone to earthquakes.

Objectives

- Collect, develop, and produce tools and provide training for aid organizations involved in earthquake-resistant reconstruction.
- Assessment and clearance of these tools, techniques, and standards by internationally recognized experts.
- Promote the output in low-income countries prone to earthquakes through the creation of institutional networks and collaboration with local partners.
- Output products must focus on nonengineered and/or low-tech structural solutions and traditional construction know-how.

Set-up

- Creation of a small application-oriented (rather than research-oriented) and full-time working group.
- The working group acts as an intermediary between private companies specialized or interested in the promotion of earthquake-resistant construction and humanitarian organizations that are regularly involved in reconstruction after earthquakes. (In this way, the knowledge pool reflects the interests of both partners.)

- The working group is loosely attached to a specialized technical university to ensure output quality and scientific credibility.
- The working group is part of an international network of like-minded institutions and individuals to increase its acceptance in target countries.
- These partners can become paid members of the institute on an on-and-off basis, according to project and output needs.
- Members of the working group should predominantly have a humanitarian aid background to ensure realistic (i.e., usable) outputs.

Benefits for the partners

- Humanitarian organizations have a structure (the knowledge pool) on which they can rely for professional expertise and training for their operations and staff.
- By working for a number of humanitarian organizations, the economy of scale of the pool ensures a higher quality output.
- Input from companies allows innovations and new, more cost-effective problem-solving strategies.
- Companies improve their public image and increase employee pride and satisfaction. Feedback from direct field experience may also provide valuable insights, allowing for the development of more appropriate products for a specific market.

About This Report

Recent major global disasters have prompted many companies to not only give cash and in-kind donations to support humanitarian relief efforts, but also to consider longer-term disaster response partnerships with the humanitarian sector. When successful, these partnerships have the potential to exploit core competencies of both businesses and humanitarian organizations, improving disaster preparedness and, in some cases, contributing to disaster mitigation. They can also act as an effective forum for the exchange of information, ideas, and best practices.

To examine changing corporate responses to humanitarian disasters and particularly how to build successful links with humanitarian organizations, The Conference Board convened the Corporate Responses to Humanitarian Disasters Research Working Group—Europe in June 2006. This report is based on research carried out by INSEAD and The Conference Board in addition to knowledge shared during working group meetings and interviews with working group members.

Note: All findings and conclusions presented in this report reflect input received from the research working group members listed below and others who are acknowledged, as well as independent research and writing by INSEAD and The Conference Board. The report should not be interpreted as representing the institutional views of any member organizations of the working group.

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