



TSIC FUSE

THE FUTURE OF BUSINESS



Prepared by

The **Social Investment Consultancy**

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About TSIC

The Social Investment Consultancy (TSIC) is a strategy consulting firm operating at the intersection of the for- and non-profit worlds.

Our consultants have in-depth experience of working in-house for and consulting to many of the world's leading private and charitable organisations. The integration of skills and expertise from across the public, private and third sector forms the basis for a range of professional services that drive social impact and organisational change.

We provide businesses, foundations, philanthropists, charities and social enterprises with the advice and support they need to reach scale and maximise their social impact.

For more information on our research and services, or to connect with our teams in London, Dubai or New York, please visit www.tsiconsultancy.com, or follow us on Twitter @tsiclondon.

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Foreword

Stripping an organisation down to its constituent parts is always an intriguing process. It is an exercise all top CEOs go through regularly to check they are on mission and maximising their strengths. What's even more fascinating is that the more organisations you break down, the more you see commonalities not just within industries but also across sectors.

Organisations with completely distinct remits in the private, public and third sectors can bear remarkable similarities, and why shouldn't they? To transport goods is to transport goods, whether they be malaria nets or items of clothing; to research and develop new pharmaceuticals for sale or for free distribution is essentially the same activity; to build a trusted brand that people want to engage with as donors rather than consumers relies on the same skillset, just utilised to serve a different aim.

Through TSIC Fuse, The Social Investment Consultancy is launching the first iteration of an open process that shows how to de-construct a business and put the pieces back together in a way that can deliver social change as well as make profits.

The first open-source process of its kind, TSIC Fuse is designed to inspire individuals, businesses and industries that social change platforms—which leverage business strengths and cross-sector partners to deliver new approaches to tackling social issues—are not moments of genius achieved by others, but rather the result of commonplace strategic activities that can originate from the heart of any business.

These social change platforms are designed to complement the core commercial activities of a business, leveraging existing communication platforms and contributing to the core brand. It is an approach that will inspire staff, galvanise cross-sector partners and make a lasting impression on communities.

The proposition that businesses can have a transformative social impact that also benefits their brand and key stakeholders has long been discussed, but only realised in small doses by the most forward-thinking organisations. This tide is turning and we hope that the launch of TSIC Fuse will be a key contributor to that change.

Ad-hoc charitable donations, philanthropy and unfocused and unstructured volunteering will continue. But their value to business and their value to society will be dwarfed by organisations who have CEOs and boards who understand the unique strength of their businesses, want to be more effective and recognise that social action will be an essential component in their quest to maximise long-term, shareholder value.

For any questions on our research and our services, please contact me on jake@tsiconsultancy.com.

Jake Hayman
CEO, The Social Investment Consultancy

“**From my work at Cadbury, Green and Blacks and now Kettle Foods, I know business can be a force for good. The art for me is to find the sweet spot between doing the right thing for the business and the right thing for our communities. Our support for the Fairtrade cocoa cooperative in Belize at Green & Blacks was a case in point. I'm very excited to bring the TSIC Fuse process to Kettle Foods to find that point of intersection for Kettle where we can be a force for good and at the same time do good business.**”

*Dominic Lowe, Managing Director,
Kettle Foods and TSIC Fuse client*



Introduction

Imagine a business that is so exceptional at something that it not only makes money out of its work, but changes the world with it.

Pret A Manger has invested in building up a fleet of delivery vans to transport leftover food at the end of each day to homeless shelters across London, ensuring the maximum number of people in need can access fresh meals and preventing food from ending up in landfill.

IKEA is donating its expertise in product design, transportation and logistics to help the UNHCR build more sustainable and transportable temporary housing, improving efficiencies across the organisation and helping it reach more refugees in need worldwide.

Thomson Reuters is making profits in a previously untapped market in India through providing an affordably-priced, professional information service that is increasing livelihoods for rural farmers.

What these initiatives have in common is that they leverage core business assets—such as a company’s consumer reach and communications, its information base, or its product development expertise—to address critical social and environmental challenges in new ways (See Figure 3). Such innovative programmes evolve from consideration of how a business can best meet community needs through creatively applying its business model, rather than from a ‘business-first’ consideration of how the company can best offset harm or enhance its brand through acting in the community.

These transformative programmes are the vanguard of corporate community engagement. Whether corporate philanthropy is replaced or simply outpaced by this fusion of corporate strength and social need, such approaches are the future for forward-thinking companies that want to stay competitive and connected in the marketplace.

The TSIC Fuse Methodology

To be successful, businesses have to be best in class in their specific area— to have a competitive edge in applying

expertise in research and development, branding or their supply chain. At TSIC we believe that whatever that talent is, it can be creatively applied to social change as much as to making profits.

“**Over 90% of senior corporate leaders believe they could have a greater or equal social impact by leveraging their business for change than by giving to charity.**”

TSIC-YouGovStone Poll

To help businesses realise their opportunity, The Social Investment Consultancy is launching ‘TSIC Fuse’, a new methodology which helps businesses map how they can fuse their core assets with community needs to develop platforms for change that disrupt traditional approaches. TSIC Fuse envisions a balancing of a business’ talents and some of the most critical challenges facing society — revealing areas of convergence where the business can best effect change. The outcome is a strategy for community engagement that leverages assets across the business to build platforms and partnerships that are meaningful to the community, transformative to the business and authentic to consumers.

With TSIC Fuse, businesses have the opportunity to embed social change alongside profit into the heart of what they do. This will in turn help to maximise long-term shareholder value as employee recruitment and retention improve— 92% of millennials believe businesses should be measured by more than profitsⁱ while 58% of graduating students in 2012 stated they would take a 15% pay cut to work for an organisation that shares their valuesⁱⁱ—and as the brand benefits from increasing consumer advocacy. 76% of global consumers will recommend the products and services of a company that actively supports a good cause.ⁱⁱⁱ



The Evolution in Thinking

Corporate engagement in the community has evolved significantly over the past 60 years.

Since Howard Bowen first coined the term corporate social responsibility (CSR) in 1953, thinking and business practice in the area have moved from being primarily defensive—seeking to react to pressure from NGOs^{iv} and comply with basic legal and operational requirements—to being led by more altruistic impulses, as well as risk-management and strategic considerations.

Figure 1 provides an overview of evolving trends in CSR. After an early defensive and crisis-led approach, many corporations' engagement with the community came to be characterised by philanthropic giving.^v Businesses began to roll out cheque donations and sponsorships to support a range of causes under the ethos that business should accomplish something positive with a portion of its profits.

As globalisation extended the impact and reach of corporations, the idea of 'corporate citizenship' gained traction in the 1980s as businesses recognised they were operating in country under license, and this implied certain behaviours and responsibilities on their part. Businesses began to develop their own labour and environmental standards to mitigate risks and avoid the potentially harmful, knock-on effects of global business operations.

The early 1990s witnessed a step-change as CSR shifted from being primarily a means of avoiding costs to a strategy to increase the profitability of a company. CSR began to be viewed as a strategic opportunity to enhance the brand or corporate reputation through clever marketing to socially-conscious consumers. However, over time, such PR-led initiatives came to be seen as superficial. Many CSR and marketing heads were accused of 'greenwashing' their businesses—essentially using positive CSR spin on their environmental or social activities to hide wider, negative impacts of the business on workers' rights, its environmental damage or its effect on individuals and society.

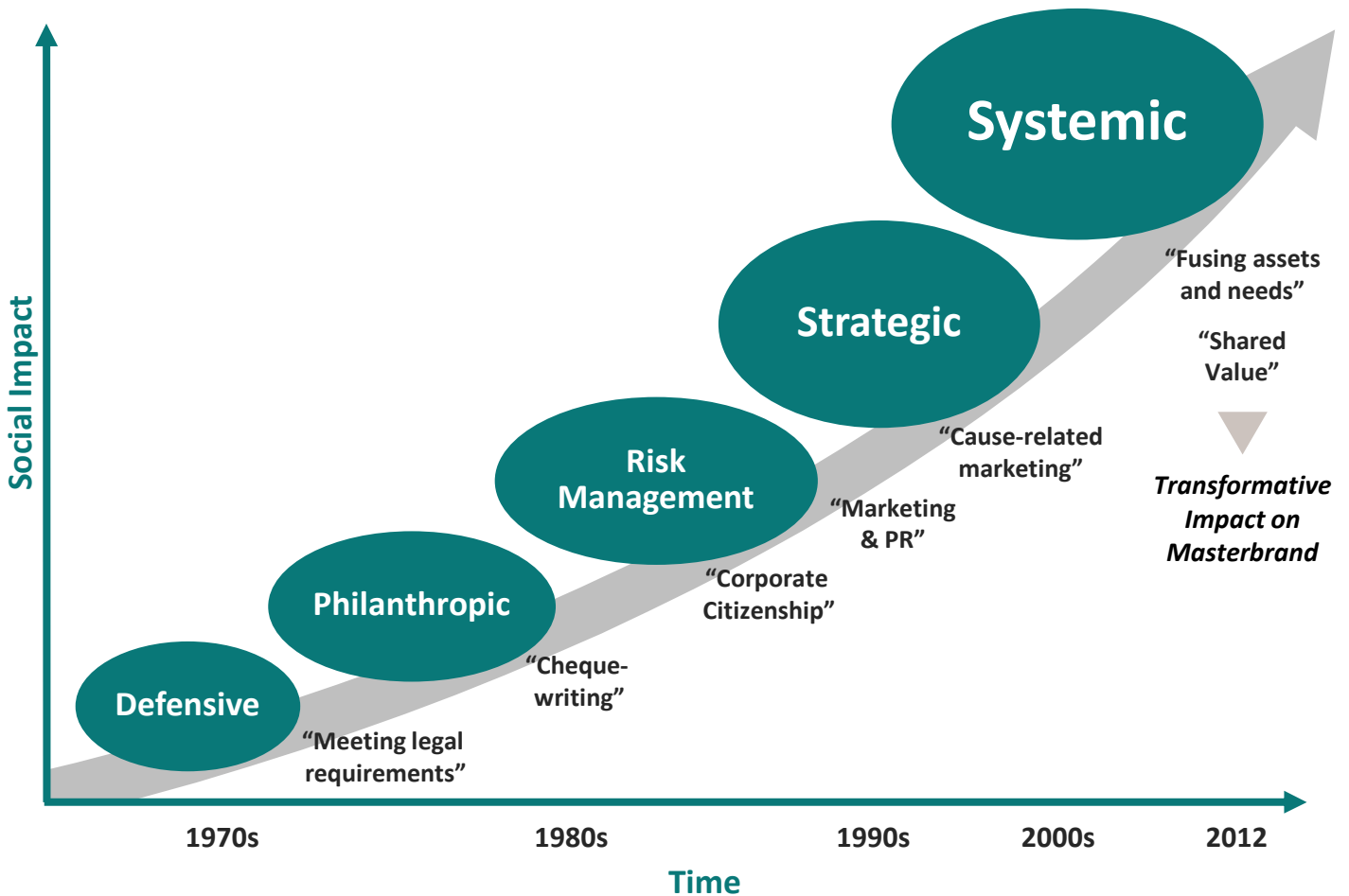
Given today's information-savvy consumer environment—in which social media and ever-expanding news sources have ended PR managers' monopoly over the messages being broadcast about their business—companies have made some progress in making their CSR more credible by integrating a concern for workers' rights and environmental impact throughout their supply chain. However, business' social action has tended to get left behind as an afterthought, often focused on charitable donations or activities such as staff team-building through community volunteering.



Most recently, there has been a movement towards making socially-focused CSR systemic through integrating a concern for creating social and economic value into every aspect of business practice. In the middle of the last decade, Michael Porter and Mark Kramer proposed the concept of ‘creating shared value’—which involves identifying opportunities for furthering economic as well as

societal progress throughout a business’ policies and operating practices. Porter and Kramer argue that when companies pursue competitiveness together with societal benefit, they create ‘a positive cycle of company and community prosperity’ that leads to sustainable profits.^{vi} Such approaches also have a transformative impact on the business’ masterbrand.

Figure 1: Evolving trends in Corporate Social Responsibility





Where We're At Today

Board rooms and CSR heads have made real progress on aspects of the CSR agenda, but corporate social action too often has been left behind.

Social action is typically lower on the agenda for CSR Managers, who tend to prioritise environmental and supply chain issues. Supporting social change frequently is packaged into 'associated philanthropy' – giving to a cause that has some relevance to the products and services, or consumers and staff of a business, and undertaking some volunteering. It is often done without expert advice, apart from those who are looking to secure donations. It is also frequently done without the creative energy and insight from the senior leadership of a business—instead delegated to an overburdened CSR Manager who may miss opportunities to contribute through mobilising the full assets of the business.

As a result, while notable exceptions exist, the social action undertaken by most businesses is done with a limited understanding of the true value that could be added to both the business and community through a more strategic approach.

A YouGovStone poll commissioned by TSIC in April 2012 of 142 corporate leaders in the UK with influence over CSR budgets found that 31% felt giving money to charity or leveraging corporate strengths would be equally effective approaches to delivering social change. More interestingly, 60% of respondents felt business budgets would be better spent on using their strengths to effect change as compared with donating to charity.

However, of the corporate leaders who believed businesses would be more effective in delivering change through using their strengths, only 64% were currently focusing on using their business in this manner, indicating there are many frustrated forward-thinkers out there.

Similarly, a recent Accenture-UN Global Compact survey of 766 global business leaders across 25 countries and 100 industries found that 78% of CEOs believe their company should be engaged in multi-stakeholder partnerships to address development goals. However, the gap between those CEOs who believed their business should be engaged in multi-stakeholder partnerships for change, and those whose businesses actually were, was as wide as 31% in certain industries.^{vii}

Aspirations evidently aren't being met, and opportunities will continue to be missed until business budgets for social action are allocated beyond a CSR function and mainstreamed into core strategy or business units.

Bringing the Community In

80% of all corporate giving in the UK is already in the form of products and services, while cash donations represent less than 5% of all private philanthropy.^{viii} In order for it to make a unique impact in communities, corporate social action must be about more than money. It needs to be based around leveraging business assets for social change, with a focus on innovation.

In order for this to be done meaningfully, a focus on what communities actually need is essential. It must be an equally important starting point for developing strategy alongside business considerations. Platforms for engagement and strategic partnerships can then be developed within the area(s) where a business' assets, goals and community needs converge most strongly, and where the business can have the greatest impact.



Introducing TSIC Fuse

The TSIC Fuse methodology is a creative process that bridges business and community expertise.

TSIC Fuse helps define opportunities and designs unique social change platforms to transform business assets into social progress. Figure 2 provides an overview of the TSIC Fuse methodology.

Stage 1: Define Business Goals

TSIC Fuse begins by working with a business to understand how it could benefit from introducing a flagship corporate community engagement programme. Such benefits could include facilitating entry into a new market, increasing consumer advocacy and positive brand differentiation. Other key benefits may include attracting and retaining talented staff, as well as improving relationships with regulators and investors. Businesses will come to TSIC Fuse with a range of bottom-line objectives which a considered engagement strategy can help them meet.

Stage 2: Audit Corporate Assets

In the second stage of the process, an audit of the business' assets is conducted to understand unique strengths and capacities in seven key areas:

- **Brand:** including consumer reputation and global reach
- **Products & Services:** the business' core products and/or services
- **People & Expertise:** including staff and organisational expertise (e.g. service delivery models and processes, research and advocacy expertise)
- **Knowledge, Research & Development:** information and data (e.g. client or market research, statistics), product research and development
- **Infrastructure:** physical infrastructure (e.g. offices, labs), supply chain infrastructure (e.g. storage facilities, delivery trucks) and IT infrastructure
- **Communications & Networks:** the audiences and networks within the reach of the business (including customers, employees, supply and retail networks and

partners), and supporting communications capabilities and channels

- **Investments:** upstream and downstream investments in the business, as well as financial investment strategies

This exercise provides a clear assessment of where the business possesses unique talents.

Stage 3: Map Assets against Needs

In the third stage of the process, the relevant local, national and/or international communities the business impacts are identified. Socio-economic statistics and expertise from relevant government and third-sector organisations are examined to identify areas of greatest need which are also relevant to the business' assets and strategy. The strengths and weaknesses of current government, business and third sector interventions are assessed to learn and build from the experience of others.

Stage 4: Design Potential Platforms

With a considered understanding of where the business can make a definitive contribution in the community, top minds and business leadership are brought together to creatively brainstorm how assets could be deployed to help address the identified issues—imagining innovative and disruptive platforms which could address social challenges in new ways.

Stage 5: Identify Additional Resources and Partners

After generating potential ideas, the relevant partners and resources needed to make these platforms work are assessed. The receptivity of—for example—local government and NGO partners are examined to understand the feasibility of launching the platform, as well as what additional resources and investments the business would need to make to ensure the platform would be successful.

Stage 6: Develop Strategy and Plan

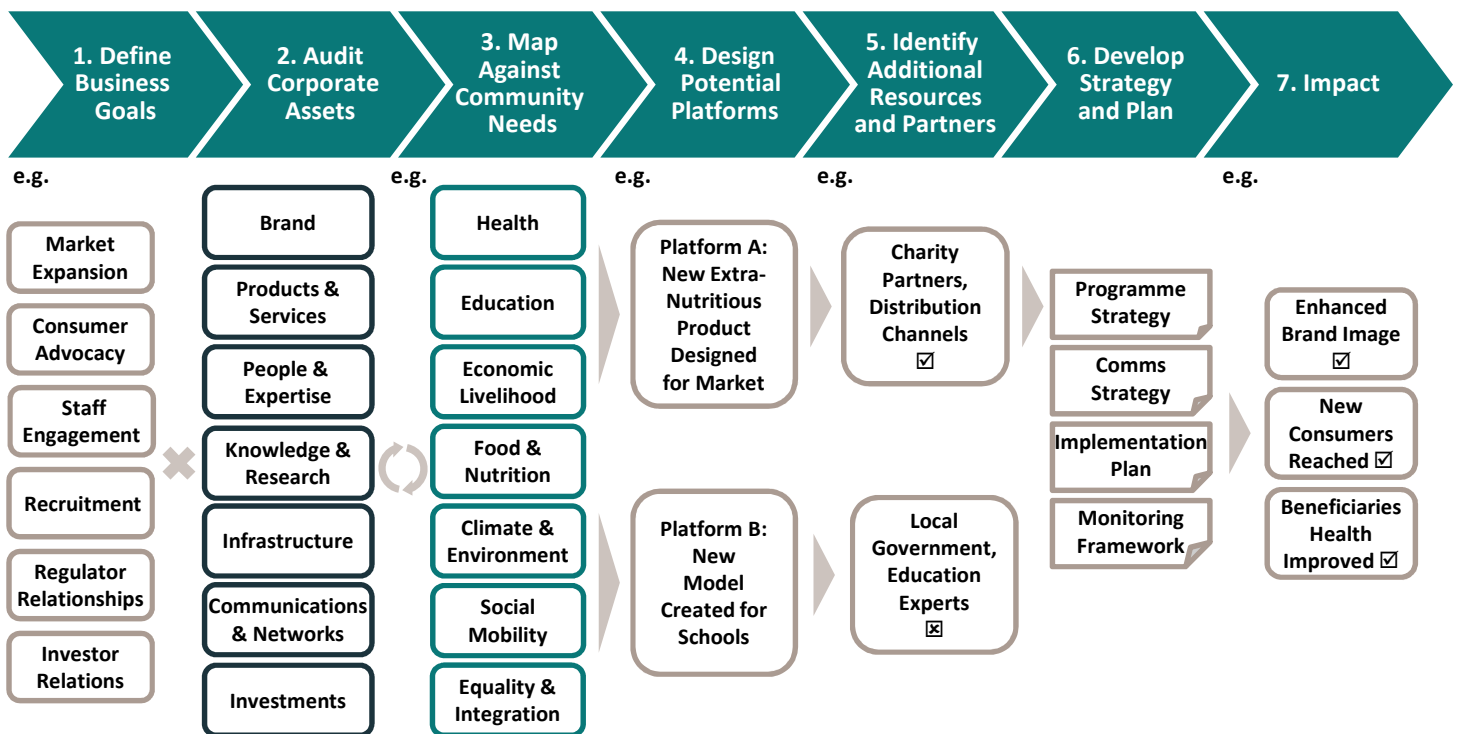
After identifying the opportunity which will best harness the business' resources to make a meaningful impact and help achieve its strategic goals, TSIC Fuse works to develop a detailed plan for execution. A multi-year strategy is designed with a roadmap for implementation including a potential pilot phase, key milestones, interim goals and activities. A risk assessment is undertaken and a monitoring framework developed to evaluate progress in meeting programme and business goals. TSIC would advise

businesses to integrate messages into wider brand marketing and communication strategies.

Stage 7: Impact

Once the programme is implemented, the business is able to evaluate progress against identified strategic goals such as increased levels of consumer advocacy, media reach or employee retention. A separate framework also monitors and evaluates impact on target beneficiaries, giving a complete view of the value of the programme to key stakeholders.

Figure 2: TSIC Fuse Overview



Activities	Outputs
<ul style="list-style-type: none"> Review strategy and understand business benefits of programme 	Articulated business goals for programme
<ul style="list-style-type: none"> Conduct audit of organisational assets in seven key areas 	Detailed assessment of core strengths and capacities
<ul style="list-style-type: none"> Identify relevant communities Conduct research, consult local policy & third sector expertise Examine existing interventions 	Identification of 3-5 critical social issues where business could have an impact
<ul style="list-style-type: none"> Brainstorm potential platforms for social action with leadership 	Outline of 2-3 new, potential platforms for social action
<ul style="list-style-type: none"> Identify additional partners and resources needed Assess receptivity of partners Calculate additional investments required 	Identification of key business opportunity
<ul style="list-style-type: none"> Develop strategy and implementation plan Conduct risk assessment Design communications strategy and monitoring framework 	Flagship programme for disruptive innovation in tackling social issues
<ul style="list-style-type: none"> Track progress against identified business goals Assess impact on target beneficiaries 	Articulated view of programme value to key stakeholders



The Value of TSIC Fuse

The benefit of applying TSIC Fuse is that it will make a significant impact on stakeholders and a lasting impression on the core brand.

Even in a cash-strapped time for businesses, TSIC Fuse will engage key staff and build their pride in working for an organisation that has social values to match its commercial acumen. Figure 3 provides some examples of innovative social change platforms envisioned through the TSIC Fuse methodology.

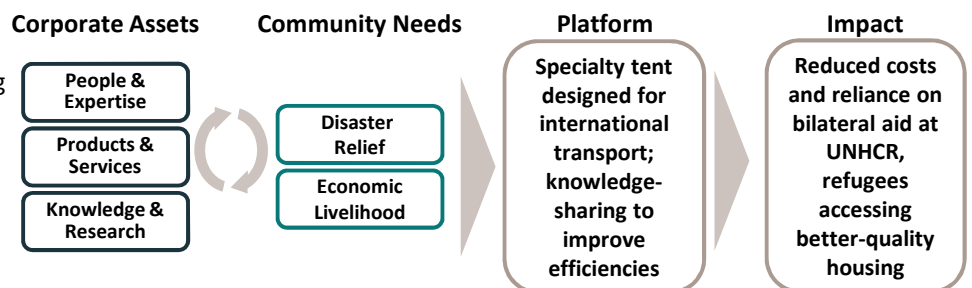
IKEA has moved beyond simply donating money to help the UNHCR provide more effective support to refugees. As a result of donating their expertise, IKEA has been able to showcase their core business in efficient design and engage more staff in the partnership, while ensuring more refugees will be able to access decent housing than if they had given money only.

Pret A Manger has invested in building a dedicated supply chain to redistribute food at the end of each day, reducing waste and ensuring the maximum number of people in need can benefit from their unused products.

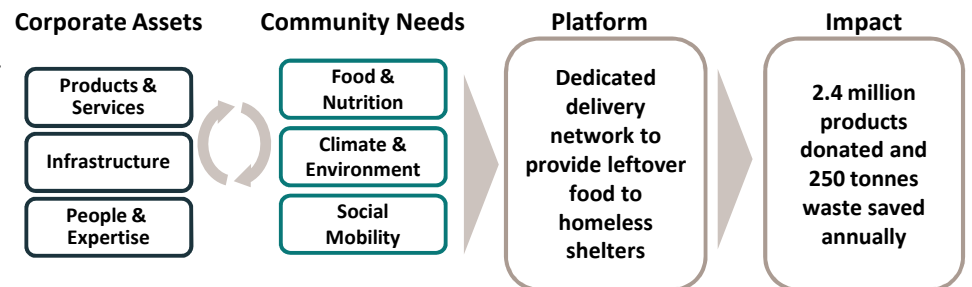
Thomson Reuters’ belief that ‘the right information in the right hands leads to amazing things’ has led them into their own social endeavours, creating profitable synergies with their core business. The market data and news content from their rural crop advisory service in India has come into high demand with their primary commodities & energy customers.^{ix} Staff can walk into work knowing that their expertise serves populations in need as much as it supports the world’s business elite.

Figure 3: Innovative Examples

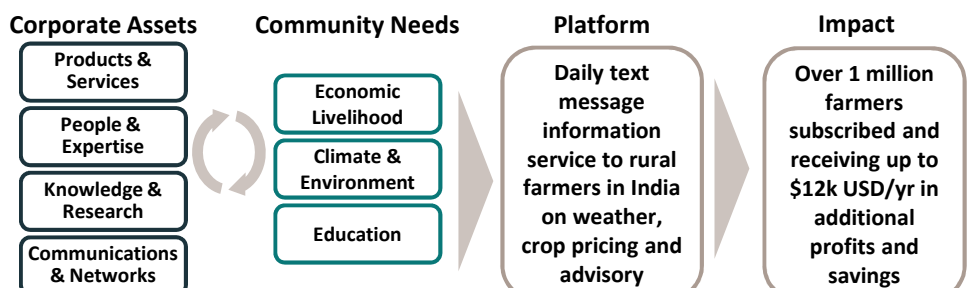
IKEA is working with the UNHCR to develop more sustainable and transportable emergency housing, and is delivering training on improving efficiencies across the organisation—lending IKEA’s expertise in product design, packaging, procurement, transportation and warehouse management to reduce costs and help the UNHCR provide decent housing to more refugees in need.



Pret A Manger is re-deploying delivery trucks at the end of each day to provide over 12,000 fresh meals to homeless shelters across London weekly. While ensuring the maximum number of individuals in need can access fresh, healthy food, the programme is also hugely reducing the business’ waste to landfill.



Thomson Reuters is making a profit in a previously untapped market through providing an affordably-priced, professional information service to rural farmers in India. The service is improving lives for thousands of farmers and their families by increasing their incomes, reducing crop waste, and furthering Thomson Reuters’ reach.



With a few exceptions, giving to an associated cause is expensive and short term—something that is quickly overshadowed by the next wave of cheque-writing. By contrast, integrating social impact into the business can build lasting brand value. Marks & Spencer's 2011 sales increase and rise to 2nd in Interbrand's 2012 Best UK Retail Brands ranking was attributed to its Plan A approach,^x which has resulted in partnerships such as Clothes Exchange with Oxfam to reward consumers for donating old M&S clothes to raise money for those in need.

Many businesses began their CSR engagement in the 1970s-80s by responding to charity requests for donations, and then progressed to supporting charities that had some connection to their core business. Currently they spend their time seeking charity partners who can make some use of their business. The next iteration will be for businesses to build their own social change platforms to tackle critical challenges and invite charities to participate – with the lead coming from businesses doing what they do best.

“The transactional Corporate Social Responsibility Model is an outdated model. It is being replaced by a more integrated transformational approach to providing social benefit... We want a .com not a .org relationship with our partners, where we use our scale and expertise from our core business and marry it with the expertise of NGOs to develop scalable solutions.

Keith Weed, Unilever Chief Marketing & Communication Officer^{xi}

Whether businesses invest internally or work with TSIC to realise their potential, greater expertise must be brought to bridging corporate and community acumen. At TSIC, we are excited about helping businesses drive disruptive innovation.

“Many believe that businesses, rather than governments, hold the key to building a prosperous and sustainable society, which is certainly the view of the millennial generation. [Business-led innovation] has far-reaching benefits, beyond the business and its immediate stakeholders, and is ultimately the force that drives society forward to tackle the biggest challenges we face globally.

Barry Salzberg, CEO of Deloitte^{xii}

Polling Methodology: YouGovStone, part of leading online polling company YouGov plc, interviewed 142 UK business people who have influence over their company's CSR budget. Respondents were interviewed online between 29 March and 5 April 2012 and were recruited from YouGovStone's panel of over 4,000 influential people in the UK. Results are unweighted.

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