CHAPTER ONE

THE GLOBAL ROLE OF BUSINESS IN LEADING SOCIAL CHANGE: WORKING WITH GOVERNMENTS, SOCIAL ENTREPRENEURS AND CIVIL SOCIETY

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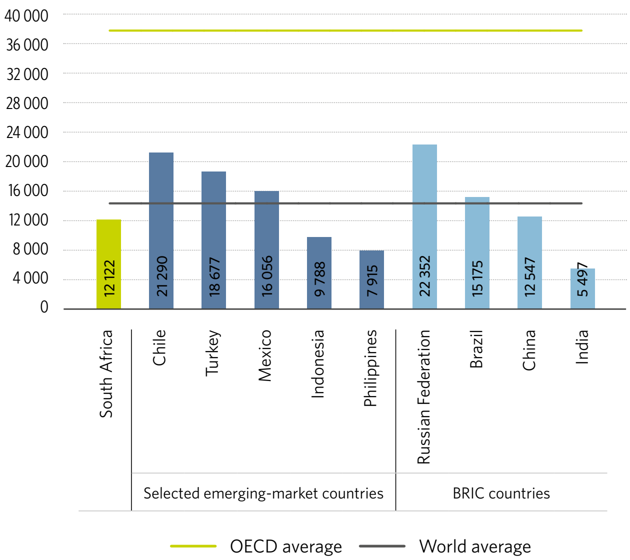
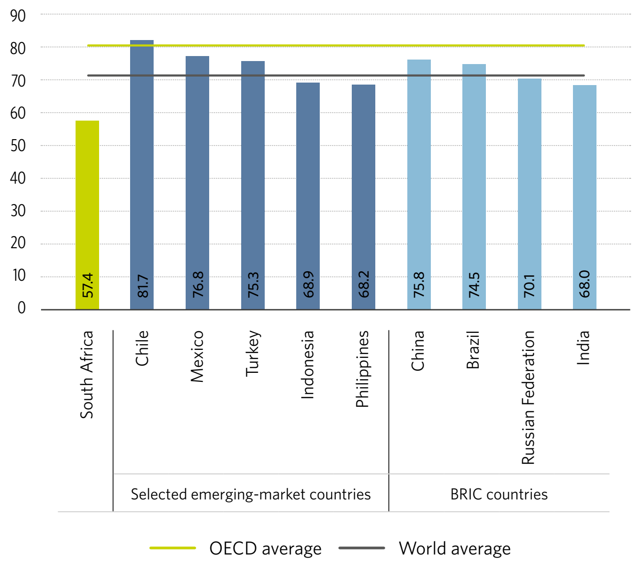
According to United Nations Development Programme (UNDP) data, South Africa performs relatively poorly in terms of its Human Development Index (HDI), ranking 116th out of 188 countries with a score of 0.666 out of 1. In terms of the measures that make up the HDI, and compared to its peers, South Africa performs strongly in education (measured in mean years of schooling received by its citizens), while its Gross National Income (GNI) is also comparable to that of other so-called Emerging Markets. It is in terms of health (measured by life expectancy), however, that the country falls drastically short.

Gross national income per capita, 2014
(US$ 2011 constant, PPP adjusted)



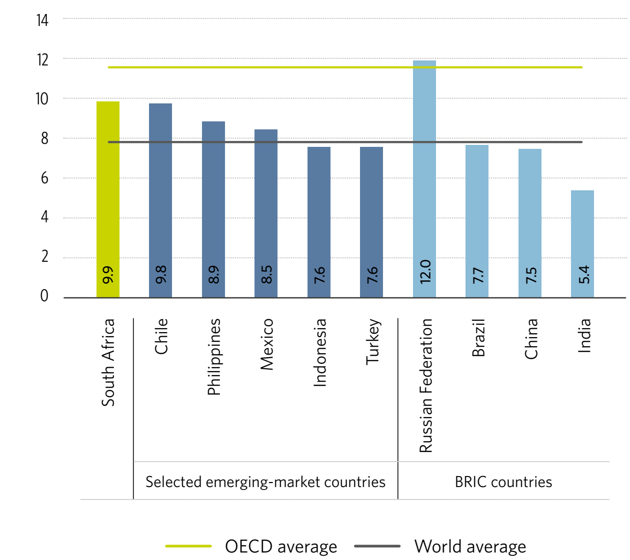
Source: UNDP Human Development Indicators Database

Life expectancy at birth (49.0–84.0), 2014
(years)



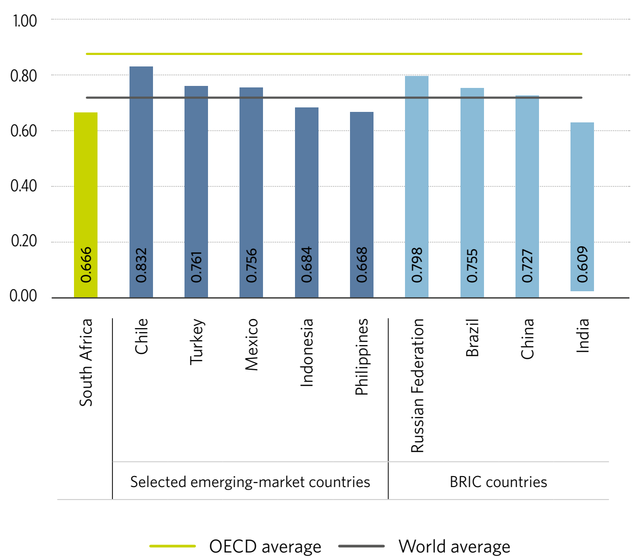
Source: UNDP Human Development Indicators Database

Mean years of schooling, 2014
(years)



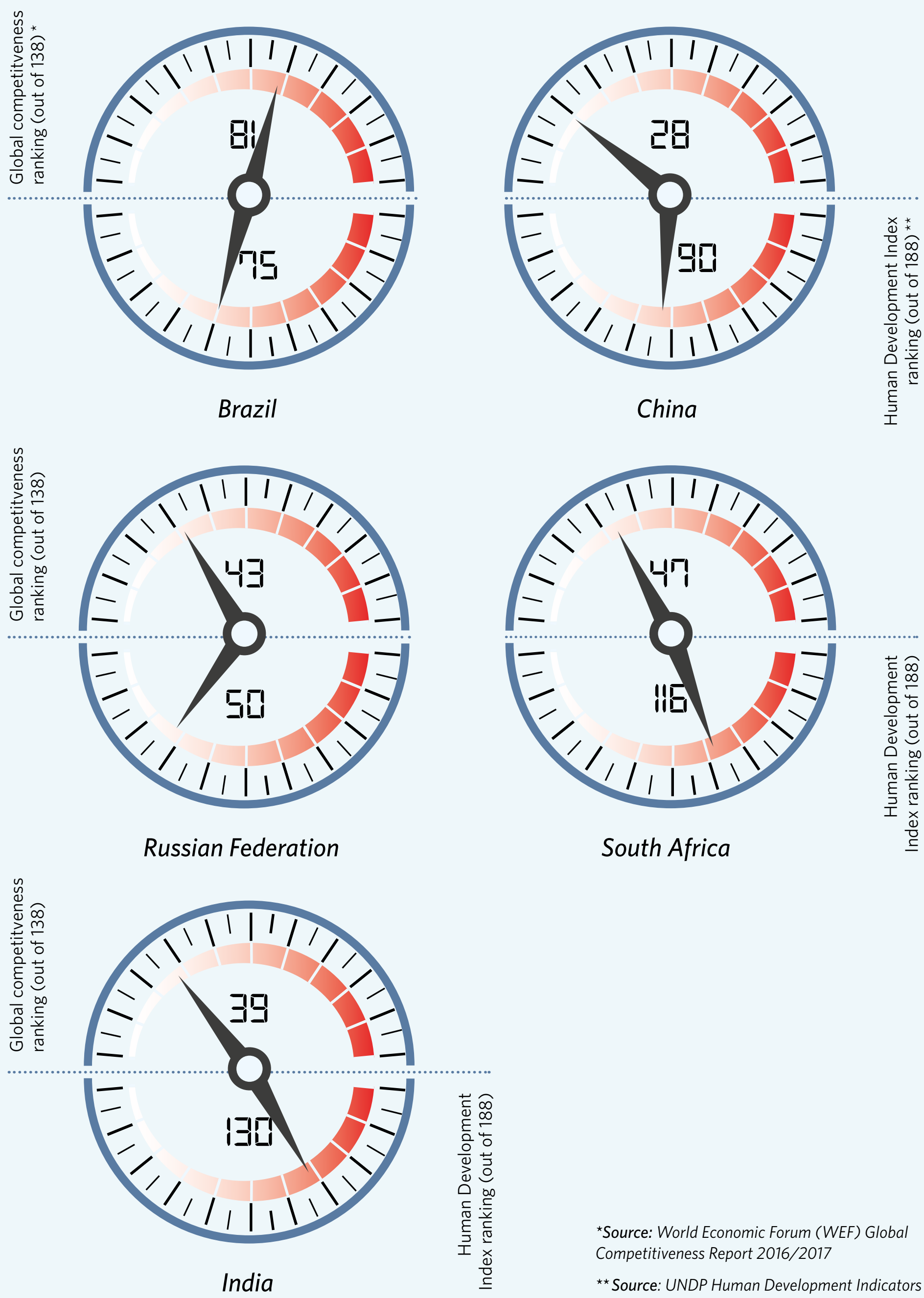
Source: UNDP Human Development Indicators Database

Human Development Index, 2014



Source: UNDP Human Development Indicators Database

COMPARING THE BRICS: HUMAN DEVELOPMENT AND GLOBAL COMPETITIVENESS

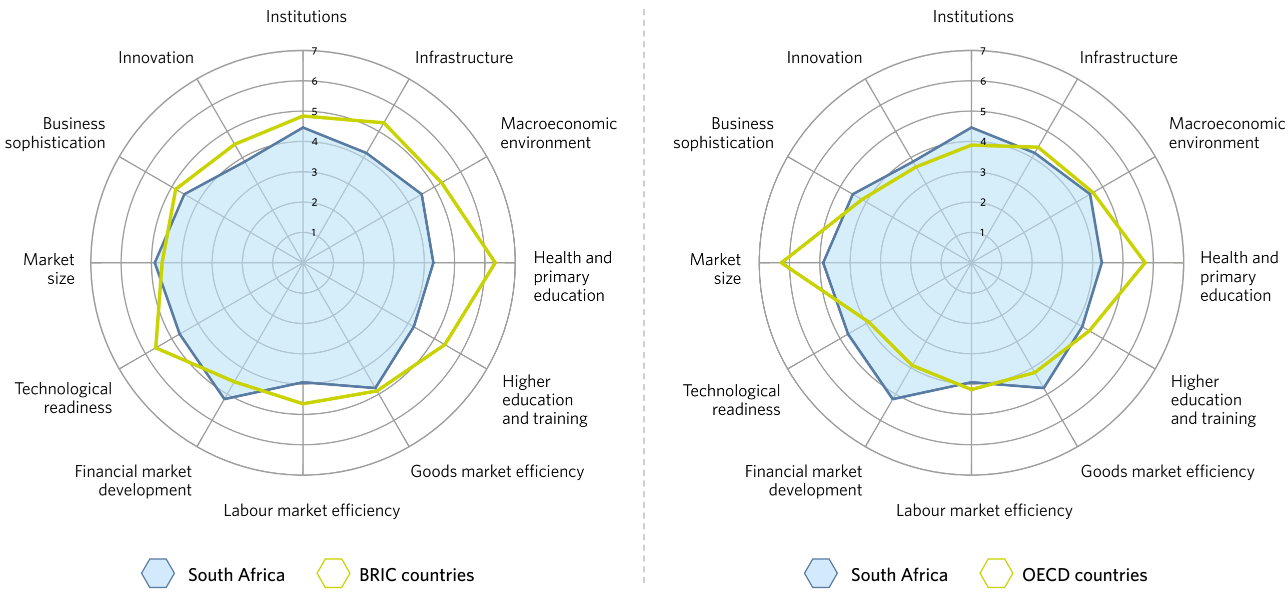


**Source:* World Economic Forum (WEF) Global Competitiveness Report 2016/2017

** *Source:* UNDP Human Development Indicators Database

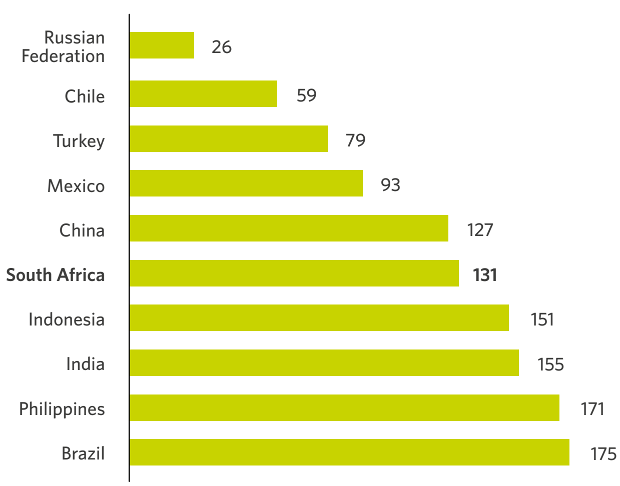
The World Economic Forum (WEF) ranks South Africa relatively high, at 47th out of 138 countries, in terms of its criteria for economic competitiveness. The country's particular strengths lie in its goods market efficiency (scoring 4.8 out of 7 and ranked 28th globally), its market size (4.9 and 30th), business sophistication (4.5 and 30th) and especially its financial market development (5.2 and 11th). Conversely, the country's major challenges lie in terms of labour market efficiency (3.9 and 97th) and health and primary education (4.3 and 123rd), themes that recur throughout the data on South Africa. Furthermore, while South Africa ranks 74th out of 190 countries in terms of the World Bank's doing business index, the same data indicate that it is a far greater challenge to start a business in the country (131st of 190).

WEF Global Competitiveness Indicators, 2016/2017



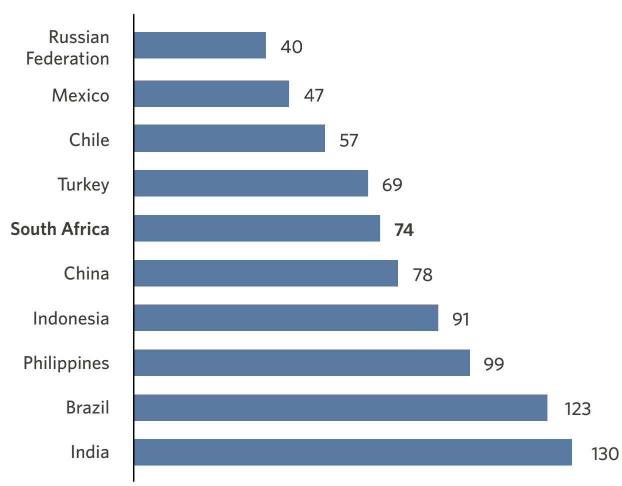
Source: Own calculations from WEF global competitiveness indicators, 2016/2017

Global ease of starting a business ranking (out of 190), selected emerging-market countries, 2017



Source: World Bank Ease of doing business index

Global ease of doing business ranking (out of 190), selected emerging-market countries, 2017



Source: World Bank Ease of doing business index

1/ KEY INSIGHTS

- Challenges such as energy deficiency, poor healthcare systems, weaknesses in education, water difficulties and social inequalities will not be solved only by the social policies of governments, but rather through collaborative thinking and coordination by all stakeholders controlling significant resources.
- It is no longer sufficient to see social engagement as a tick-box mechanism to obtain 'social licence' to operate without thinking seriously about the substantive difference that businesses make in society, both locally and globally.
- Notions of sustainability have become mainstream, with companies taking steps to improve the environmental and social consequences of their activities, often under the intense glare of non-governmental advocacy groups and the media.
- While measures such as CSR are very important in limiting negative externalities, or in extending the social reach of businesses to make them more responsive to social needs and a range of stakeholders that may be affected by the company's goods and services, these are certainly not sufficient to build a critical mass for solving society's complex challenges.
- While regulation is good for establishing rules of the game, and to pose a credible threat for non-compliance, the real achievement is when norms of good behaviour become an entrenched part of the business mindset.
- What is remarkable about the emerging collaborative economy is the recognition by governments and businesses that power is more diffused and laterally organised, and that partnerships are required to crack tough challenges in society.
- The new wave of philanthro-capitalism is spearheaded by business elites, a blend of elders and youth, who have accumulated massive wealth and are now collectively coordinating efforts, on a global level, to tackle systemic challenges, especially those associated with energy deficits in poor countries.
- Be it in shifting the pattern of industrial development and consumption towards cleaner energy, or changing the way transportation systems, education and healthcare are structured and delivered, there is a need for various stakeholders to work together in generating momentum towards a better society.

Introduction

With many corporate behemoths today commanding more resources (and possibly greater influence) than some nation states, the idea of excluding business from the search for global solutions to the major challenges of our time is almost unfathomable. Whether we talk about climate change, public health, natural resources management, education, infrastructure, inequality or the deepening digital divide, the participation of commercial enterprises alongside governments and civil society is critical in the search for sustainable solutions.

There is, however, a need for greater coordination amongst these key actors so as to avoid the dominance of any one stakeholder, or the duplication of resources, in trying to tackle common challenges. In the context of global power shifts over the past decade, it is in any case not possible for a single social actor to provide comprehensive solutions to complex social challenges. These shifts are evident across different dimensions: wealth and power are shifting from advanced to emerging economies; changes are also visible in the way that power is diffusing, not so much from one group of countries to another, but in its very composition, with a range of role-players acting laterally and on a smaller scale to outdo big actors, be they governments or corporates.

Apart from the shifting power dynamics, expectations are growing as to the role of business in effecting social change. New ways of thinking about the social role of businesses and investors are emerging. These include social investment, impact investing and innovation-focused philanthropy. There are still the compliance-driven corporate governance standards and practices, such as corporate social responsibility (CSR), which major corporates are expected to implement as part of their social licence to operate. However, thinking about the role of business in society goes beyond the ethic of 'thou shall do no harm' in the course of doing business, to 'thou shall proactively cultivate social good, because it is good for you'.

There was a time when businesses pursued the maximisation of profits with scant regard for the social impact of their dealings – where the definition of 'stakeholder' was limited to those owning a stake in the enterprise. Granted, this mindset is still prevalent in many ventures, but it is fast losing ground against a more inclusive understanding that sees the fortunes of corporates as being intertwined with the broader societies where they do business.

The celebrated conservative economist Milton Friedman once famously remarked that 'the role of business is business'. In Friedman's mind, there was nothing more that business could do to contribute to society beyond creating jobs and paying taxes. In this schema of thinking, business leaders only had to mind their businesses. Even when their operations had a harmful effect on the environment and human health, many business leaders simply turned a blind eye, hoping that their actions would not be detected. While this still happens, many now fear the detrimental impact that exposure can have on their brand. Taking care of the interests of customers, employees, suppliers and communities, or at least the perception of doing so, has now become the norm in corporate culture.

While these normative changes represent a major shift, the main thrust of this paper is that corporates, innovators and investors can still do much more to contribute to social change. There is a need to move beyond the tick-box approach of CSR, where 'doing good' is an afterthought, to consider business practices that yield both monetary and social value. Its financial muscle makes the private sector an influential stakeholder, alongside governments, in the pursuit of inclusive and cohesive societies. This shift in thinking requires a different way of conceiving corporate identity and responsibility, especially in a global system that is extremely fluid. Further, beyond large corporates there are wealthy individuals who, through their philanthropy, have invested in innovative solutions at the local and global levels, thereby reaching further than many governments and big companies can in directing the course of change. Challenges such as energy deficiency, poor healthcare systems, weaknesses in education, water challenges and social inequalities will not be solved only by the social policies of governments, but rather through collaborative thinking and coordination by all stakeholders controlling significant resources.

The first of the four sections that follow takes a critical look at CSR, providing perspectives on the utility of this framework, as well as its limits. The second reflects on corporates and their ethical frameworks. Ethical weaknesses in various large companies limit the extent to which businesses can be embedded productively in their social environment and gain social respect. The third examines the possibilities that lie in social enterprise. It is noted that the limitations of CSR require a new mindset and ways of driving social change through social enterprises, as a distinct form of engagement. The fourth section suggests that a new wave of philanthrocapitalism holds possibilities for tackling both local and global challenges.

Corporate social responsibility as minimalism

For a long time, CSR was viewed as the only way that businesses could express a legitimate social purpose and have a positive effect on a broad range of societal stakeholders. This approach refers to a host of activities undertaken by businesses: adequate corporate governance structures, implementation of workplace safety standards, establishment of environmentally sustainable procedures, and philanthropy (Schwab 2008).

Some hold that CSR encapsulates dual objectives – the pursuit of benefits for the business and for society (Keys, Malnight & Graaf 2009). From a societal point of view, companies now generally accept that they cannot ignore the environmental factors that could indirectly affect them. Creating benefits for society may be just what is needed to secure business sustainability. There is also a growing awareness of the importance of CSR as a means to establish social legitimacy and, possibly, political recognition amongst policymakers. At the heart of CSR is the idea that Hart (2007: 69) refers to as 'product stewardship', which 'integrates the voice of the stakeholder into business processes by allowing the firm to interact with external parties such as suppliers, customers, regulators, communities, NGOs, and the media'. According to Hart, this lowers environmental impacts across the value chain and enhances the firm's legitimacy and reputation.

At the same time, there exists a view that CSR has perhaps reached its limits, that new ways of thinking about the role of business in society are required. It is no longer sufficient to see social engagement as a tick-box mechanism to obtain 'social licence' to operate without thinking seriously about the substantive difference that businesses make in society, both locally and globally.

As Klaus Schwab (2008), the founder of the World Economic Forum, points out, there is a new imperative for corporates, which he calls 'global corporate citizenship', in terms of which corporates are stakeholders alongside governments and civil society in solving societal challenges. Back in 1971, the World Economic Forum pioneered the stakeholder concept to underline important ways in which businesses can conceive of their role beyond maximising shareholder returns, and engage with wider society to solve problems.

The 1973 Davos Declaration was a very enlightened step for that time, and gave currency to the notion of stakeholder capitalism. This was a bold move in view of the fact that the golden age of capitalism was in its final throes as a result of a spike in energy prices, declining profitability, and growing inflation and unemployment. There was very little cause to be optimistic, as many countries in both the developed and developing world entered a long period of recession. The March 1987 Brundtland Report titled 'Our Common Future' upped the ante on sustainability issues. The report was a result of an independent commission established by the United Nations Secretary-General in December 1983, chaired by Gro Harlem Brundtland of Norway. Its objectives were to identify realistic strategies for dealing with environmental and developmental concerns, to propose new means of international cooperation, and to raise the level of understanding, and commitment to action, of individuals, voluntary organisations, businesses, institutes and governments (UN 1987). Although the work of the Brundtland Commission focused mainly on the mobilisation of countries to advance international cooperation on environmental issues, it added to calls for greater environmental stewardship by businesses. The idea that businesses could and should play a bigger role in society became popularised by growing calls for sustainability, as well as through pronouncements such as the Davos Declaration.

Since then, notions of sustainability have become mainstream, with companies taking steps to improve the environmental and social consequences of their activities, often under the intense glare of non-governmental advocacy groups and the media. Schwab (2008) contends that business engagement with social issues can be expressed according to the following five pillars: corporate governance, corporate philanthropy, CSR, corporate social entrepreneurship, and corporate global citizenship. He defines corporate governance as 'how a company behaves when no one is looking' (Schwab 2008: 110). This dimension of business is essentially about promoting ethics and socially acceptable practices. The

UN Global Compact (established in 2000), for example, emphasises that corporate sustainability has to concern itself, mainly, with a company's value system and a principled approach to doing business.[1]

This framework sets out the following principles – that companies should:

- support and respect the protection of internationally proclaimed human rights;
- not be complicit in human rights abuses;
- uphold the freedom of association and the effective recognition of the right to collective bargaining;
- eliminate all forms of forced and compulsory labour;
- abolish child labour;
- eliminate discrimination in respect of employment and occupation;
- support a precautionary approach to environmental challenges;
- undertake initiatives to promote greater environmental responsibility;
- encourage the development and diffusion of environmentally friendly technologies; and
- work against corruption in all its forms, including extortion and bribery.

This mechanism, established in July 2000, is aimed at encouraging business to adopt sustainability measures globally, and has 1 300 corporate affiliates and stakeholders from 170 countries. It was set out as the clearest indication at the beginning of the new millennium of the importance of corporate sustainability as a problem-solving measure. Yet, as important as this thinking is, it is not sufficient for mobilising greater business action to solve major social and economic challenges of the day.

Efforts such as those of the Global Reporting Initiative (launched in 2000) have also played a useful role in encouraging businesses to be accountable to both internal and external stakeholders. More specifically, the Global Reporting Initiative seeks to ensure that sustainability reporting provides 'a balanced and reasonable representation of the sustainability performance of a reporting organisation – including both positive and negative reporting'.[2] Over and above financial reporting or reporting on internal factors, organisations are expected to report on external factors as they pertain to economic, environmental and social impacts. These standards are all aimed at embedding a social consciousness in the machinations of business. They give new meaning to the relationship between the environment and social benefits, on the one hand, and the perceived private costs of pursuing sustainability goals, on the other.

While minimalist in effect, these are not just passive measures. For example, they require organisations to demonstrate their understanding of their stakeholders and to report on how they have responded to their reasonable expectations and interests. Stakeholders may include employees, shareholders and suppliers that could potentially be affected by the organisation's activities, products and services. For the purpose of reporting, a distinction has to be made between factors that drive global impacts, such as climate change, and those that are more local, such as community development.

The emergence of these instruments has made it abundantly clear that stakeholder capitalism is the optimal way of doing business in a complete manner – emphasising both profitability and sustainability measures. As Porter (2008: 348) points out, this thinking should not be seen as eroding competitiveness, since 'properly designed environmental standards can trigger innovations that lower the total cost of a product or improve its value', and that 'enhanced resource productivity can make companies more competitive, not less'. This is also true for other social goals businesses contribute towards.

Porter (2008: 455) argues that, 'companies do not function in isolation from the society around them. In fact, their ability to compete depends heavily on the circumstances of the locations where they operate.' He uses education as an example, noting that investment in education has social and economic utility, especially with respect to increased human capital, which potentially has a positive effect on a company's competitiveness. Porter (2008) further contends that how the company uses labour, capital and natural resources to produce high-quality goods and services determines its competitiveness, and that productivity depends on creating an environment in which workers are educated, safe, decently housed and motivated by the availability of opportunities. The case for good corporate behaviour to promote sustainability objectives is solid. From this perspective, it is simply counterproductive for corporates to be parochial and only have a short-term view on their business.

Ultimately, being a responsible corporate citizen is good for business. Not only does it obviate the need for costly regulation, it can also help in strengthening an

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organisation's brand equity. When a company loses a business or competitive advantage in the short-term because it adheres to high ethical standards, it has a lot to gain in the long run from having cultivated a clean reputation and for credible corporate citizenship (George 2003).

Most importantly, CSR could enable the company to realise a greater role for itself as a critical stakeholder that is attuned to the challenges of society, and to possibilities that lie in the future. Yet, companies still need to do more in helping governments solve social and economic challenges that may, if left unattended, induce conditions for social instability. One of Porter's (2008) sharpest criticisms of CSR approaches is that they tend to be fragmented, disconnected from business and strategy, and their design limits the extent to which they create sustained benefits for society. In some instances, the pet interests of business leaders could also overshadow the need for a more strategically orientated corporate social investment. It is important for the private sector to realise its power to effect change in societies. As the World Economic Forum points out, a productive, competitive, well-diversified and responsible private sector can play a powerful role in 'underpinning economic growth and wealth-creation, but also supporting other key pillars of development' (WEF 2005). Indeed, a socially engaged company is likely to be internally healthy, with employees who have a greater sense of pride in associating with the company.

Charity begins at home. Companies have to hold values that are non-negotiable and cultivate an organisational culture that aspires to high ethical standards. In their study on the differentiators between good and great companies, Jim Collins and Jerry Porras (2000) make a powerful case that great companies are undergirded by idealism, expressed in the form of core values that go beyond watching the bottom line. Such companies, as Collins and Porras observe, do not pursue the single objective of making money, but rather a cluster of goals, of which profitability is but one. Other accounts hold that in some instances pursuing growth can cause a corporation to crash (Christensen & Raynor 2003: 1). Below, we explore the terrain of ethics, and show how pursuit of profitability at all costs can induce ethical lapses, with adverse implications for a social compact between the government, business and other stakeholders.

Corporates and weak ethical frameworks

While measures such as CSR are very important in limiting negative externalities, or in extending the social reach of businesses to make them more responsive to social needs and a range of stakeholders that may be affected by the company's goods and services, these are certainly not sufficient to build a critical mass for solving society's complex challenges. The approach to CSR – often characterised as triple bottom-up, encompassing people, profit and the planet – tends to be compliance-focused rather than principle- or value-driven. It tends to be about what to do right when everyone is watching, and not caring much about the impact of irresponsible actions when no one is looking.

There has been plenty of corporate malfeasance, ranging from weak ethics to downright criminality, both in South Africa and abroad, which has demonstrated a conditional acceptance of norms within the business sector. In South Africa, one of the more prominent corporate scandals of the past decade involved Fidentia Asset Management in 2007. The company was placed under curatorship, following fraud masterminded by the company's owners, which led to the loss of over R1 billion belonging to more than 47 000 widows and orphans of mineworkers. Fidentia Asset Management was responsible for the trust (the Mineworkers Provident Fund) in which this money was held. Even though the founder and chairman, J Arthur Brown was sentenced to 15 years' imprisonment, this incident showed the extent to which companies can circumvent requirements for corporate governance and stakeholder obligations.

Ethical norms were also breached in the construction sector, when various large construction firms, such as Grinaker LTA, WBHO, Murray & Roberts, Group Five, Concor, Basil Read and Stefanutti agreed to divide procurement (tender) opportunities amongst themselves for the construction of six stadiums for the 2010 World Cup. As a result of their collusion, each corporate entity managed to strike a comfortable profit margin of 17.5 per cent. Quite clearly, their preoccupation was greed rather than offering a service and delivering at fair value. As a result of their rigging, the market mechanism and the principle of fair value were undermined. This meant that the government devoted more public funds than would have been necessary, had such underhanded dealings not taken place.

This practice went against the country's competition laws, and in the end 15 firms were fined a total of R1.46 billion by the Competition Commission – a penalty that many viewed as too lenient.[3] In addition, the companies were obliged to implement competition law compliance programmes and to educate their managers on South Africa's competition law. Although it was the six largest construction firms that were in the limelight, there were various other companies that engaged in similar practices in 300 infrastructure projects across the country, including in the Gauteng Freeway Improvement project and the Gautrain development project (Competition Commission 2014). The organisations that were involved in this cartel behaviour were not just victims of unscrupulous behaviour by lower level employees.

As the former chair of the Competition Tribunal, Dave Lewis (2012) points out, this cartel had been in existence for over 34 years, something that suggests that a succession of leaders in the industry were socialised into this unethical conduct and the structure of operations that permits it. Such practices and their persistence, even when fines have been imposed on others, shows the extent to which ethics are weakly embedded in many corporations, but also their imperviousness to the social cost of their behaviour. While regulation is good for establishing rules of the game, and to pose a credible threat for non-compliance, the real achievement is when norms of good behaviour become an entrenched part of the business mindset.

Outside South Africa, there have been several recent examples of corporate scandals where commitment to good corporate governance and sustainability has been exposed as lip service. The global auto brand Volkswagen admitted in 2016 to US authorities that it had equipped 11 million vehicles with software designed purposefully to cheat on emissions tests. Millions of customers were misled into buying cars that they believed were eco-friendly.

What makes this offence even more reprehensible is the fact that the relevant pollutant (nitrogen oxide) is a major cause of emphysema, bronchitis and other respiratory diseases. Some of the customers had bought the vehicles with this marketed feature because they had suffered symptoms of these illnesses. Volkswagen, therefore, created an impression that they were playing their part in reducing the causes of these illness and showing fidelity to the environment, when the contrary was the case. In some instances, authorities found that

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when tested on the road, Volkswagen cars with the device installed emitted almost 40 times the permitted levels of nitrogen oxide (Gates et al. 2017). Ultimately the automaker reached an agreement with US authorities to either fix or buy back all affected vehicles, and to compensate the owners who had fallen victim to this fraud. Apart from being blatantly unethical, Volkswagen had violated fidelity to very important stakeholders, its customers.

There are many other iconic global brands that have engaged in behaviour that has undermined the public interest. One such practice that largely continues to go unpunished is the creative shifting of profits to low-tax jurisdictions, away from the countries where they are generated. In so doing, these companies are aggressively avoiding payment of their fair share of tax, and leaving ordinary citizens to pick up the tab. This includes practices such as claiming interest deductions for payments made by a company to its own subsidiaries, and what appear to be arm's-length transactions, but which are between related parties. All of this is designed for profit-shifting. High-profile cases of Western companies involved in tax avoidance schemes, such as Google, Starbucks, Apple, Ikea, Amazon, Gap and Microsoft, have made the headlines in recent years.

A study conducted by the European Parliamentary Research Service in 2015 found that large corporates dodged their tax obligations to the tune of between US$54.5 billion and US$76 billion a year by funnelling their profits made in Europe to low-tax countries such as Ireland and Luxembourg (European Parliament 2015). In 2016, Google agreed to a deal with British authorities to pay back GBP130 million in taxes and to bear a greater tax burden in the future.

Crucially, these tax avoidance schemes by large corporates erode the efficacy of public services, at a time of forced public spending cuts and austerity in the wake of the global financial crisis. These practices are less about playing in the grey zone between legality and illegality than they are about bad ethics that potentially have socio-economic implications.

Sometimes, their size makes corporate behemoths ill-equipped to organise themselves into agencies for social change that act ethically and for the greater good. This may explain why some delegate the function of social change to corporate foundations that operate autonomously to drive corporate philanthropy. In some instances, these foundations channel their support to social enterprises that are mission-driven and capable of acting with the agility that is lacking in large organisations.

The new collaborative economy through social enterprise

Weak ethics in large corporates aside, what large companies are struggling to accomplish due to their complex bureaucratic structures, social innovators and entrepreneurs are realising, sometimes with government support. This is not to write off the important role that big companies can play in unleashing their resources to create positive change. Major companies are able to play a positive role through their foundations. Many are already doing so. These include the Packard Foundation that has made more than 250 investments totalling US$750 million since it was founded in 1980 (Larson 2017). Since its establishment in 1999, the Michael and Susan Dell Foundation has focused on urban education, family economic stability, and health and wellness, with committed funds to the tune of US$1.32 billion.

Another of the newly emergent funders of social enterprise is Jeffrey Skoll, an engineer and tech billionaire who has the audacious goal of achieving a sustainable world of peace through the Skoll Foundation established in 1999. His foundation focuses on promoting social entrepreneurship as a catalyst for achieving his goals, and has invested approximately US$400 million around the world. The well-known Bill and Melinda Gates Foundation was formed in 2000 with the goal of improving health and well-being. It has spearheaded solutions to malaria and other public health concerns in Africa. There are many other similar foundations, also in the developing world. Increasingly, there is a growing interconnection between philanthropic initiatives through foundations, and social impact, especially in the non-profit sector.

According to the Bain & Company report on philanthropy in India, there has emerged a sophisticated brand of philanthropists who work with sophisticated NGOs. They do not just donate money, but also provide know-how (Bain & Company 2015). This emerging ecosystem of collaboration helps the non-profit sector to increase its capacity and scale its projects, thereby augmenting social impact. As Hart (2007) notes, corporations possess rare capabilities in the form of technology, resources, capacity and global reach. He further contends that 'properly focused, the profit motive can *accelerate* (not inhibit) the transformation towards global sustainability, with nonprofits, governments, and multilateral agencies all playing crucial roles as collaborators and watchdogs' (Hart 2007: 3). These strategic linkages are important since social impact depends largely on the effectiveness of the delivery mechanism which, in this case, is the non-profit sector. As Porter (2008: 469) counsels, 'by improving the effectiveness of nonprofits, corporations create value for society, increasing the social impact achieved per dollar expended'.

Market infrastructure for investing in social impact has been on the rise recently, and is pursued with greater vigour by countries around the world. It is said that the field of social or impact investment is valued at $3 trillion (Abib-Pech 2013). What is remarkable about the emerging collaborative economy is the recognition by governments and businesses that power is more diffused and laterally organised, and that partnerships are required to crack tough challenges in society. Both actors – government and corporate – acknowledge their limitations and unique strengths. For example, in 2014, India launched a US$1 billion inclusive innovation fund, aimed at spurring private sector solutions to some of the country's knottiest problems. This initiative was given the go-ahead by Cabinet, and was described as 'a unique concept that seeks to combine innovation and the dynamism of enterprise to solve the problem of citizens at the base of the economic pyramid' (*The Hindu* 27 January 2014). This fund sought to leverage the model of venture capital to transform the lives of those at the bottom of the social ladder.

In *Abundance: the Future is Better than you Think*, Peter Diamandis and Steven Kotler (2014) categorise the problem of those at the base of the pyramid as essentially about survival – food, water, sanitation and shelter, the absence of which constrains the enjoyment of freedom. In a solutions economy where collaboration is a primary driver of progress, a concerted effort between the government and the private sector is necessary to unleash positive change. India's initiative represents an attempt at removing these barriers to freedom. It is an initiative that is anchored by the National Innovation Council and the Ministry of Micro, Small and Medium Enterprises.

Western economies have also created their own social innovation drivers. In 2011, the former British Prime Minister David Cameron launched a GBP600 million fund, which was aimed at funding social innovation, and this work is located under the Ministry of Civil Society.

This was one of the pillars of his vision of building 'a bigger society'. The target of support was innovative social sector organisations that can drive change at the local level. Social impact, including delivering better services to the public, is the goal of this initiative. Social enterprise would fit into the category of what Naim (2013) calls micro powers, which are horizontal organisations that are set up on a small scale and can effect change, sometimes more emphatically than big players.

The UK government believes that creating a dynamic social investment market would help to deliver solutions in areas where the government's reach is exhausted. Social ventures supported through this initiative would help to: empower local communities by running their own amenities; open up public services by using social ventures as partners for service delivery; offer a stronger conduit for social action through a system of rewards for participation in the creation of solutions to local challenges; and open up new markets (HM Government 2011). It is also envisaged that this approach will offer large businesses and banks a new product through which to invest for social impact.

In April 2009, Barack Obama introduced a US$50 million social innovation fund and a new office of social innovation in the US, initially headed by an executive from Google with a background in philanthropy. This initiative is located in the White House Office of Social Innovation and Civic Participation, and is predicated on the notion of partnership between the government, private capital and social entrepreneurs to unlock opportunities that would empower communities, reduce inequality and create social change. Its aim is to strengthen and support the social sector, which includes not-for-profit organisations, foundations, social entrepreneurs, mission-driven businesses and multilateral development banks.

The major goal is to maximise private sector investment for greater social impact. Potentially, it has another effect – that of limiting the sub-contracting of government services to consultants and companies driven purely by the profit motive. Instead, it focuses on building an ethos of innovation in delivering public services by engaging social entrepreneurs and community organisations that work at the coalface of community challenges. The government's role in this initiative is to unlock human and financial capital to address social problems, and to support solutions that are already making an impact in transforming communities. This would happen through identifying and scaling up successful not-for-profit organisations, businesses and philanthropists. Their primary goals are to encourage greater civic participation and national service.

In July 2010, the Obama administration announced the 11 initiatives supported under the Social Innovation Fund across healthcare, financial education for communities, helping young people from poor backgrounds to transition to colleges, and creating employment for young people (*The Economist* 2010). The following year, Obama announced the National Robotics Initiative, which was a US$70 million multi-stakeholder effort to accelerate the development and use of robots that could work cooperatively with people (Diamandis & Kotler 2014: 67). There are several similar initiatives around the world, many of which are tapping into the growing social consciousness about finding better ways of tackling social problems. All are founded on the recognition that governments can no longer act alone as providers of public services, and solve vexing social problems on their own. The scale of the challenge is becoming more daunting, and more social actors working in concert are needed to push back, create new possibilities for driving social change.

Rifkin (2009) emphasises the importance of a rich civic space as a way to enhance quality of life. In his view:

> *promoting a quality-of-life society requires a collaborative commitment at two levels: civic minded engagement in the community and a willingness to have one's tax money used to promote public initiatives and services that advance the well-being of everyone in the society.* (Rifkin 2009: 549)

Such initiatives are not fixated on the GDP measure as a magic wand – often expected to be waved by governments – to cure social ills. Rather, they are aimed at maximising quality of life and creating possibilities, however incremental, for the emergence of what Fioramonti (2013: 49) refers to as 'a new model of society'.

The rise of corporate philanthropy

Corporate philanthropy represents another instrument to push for social transformation. This mechanism has a very old lineage. In the wake of the US industrial revolution at the end of the Civil War, titans such as John

D Rockefeller, an oil magnate, Andrew Carnegie, a steel magnate, and Cornelius Vanderbilt, who pioneered railroads, demonstrated a great deal of enlightened self-interest and commitment to enriching the public spirit, at a time when the US was finding its feet as an industrial power with nascent political institutions. Their acquisitive spirit ignited a flame of social consciousness. These businessmen created foundations that would light a path for corporate philanthropy for over a century (Naim 2013: 42).

Rockefeller, for example, committed his largesse to six areas of impact: government and law; language and literature; art and refinement; science and philosophy; morality and religion; and social upliftment (Chernow 1998). Apart from financing the establishment of the University of Chicago, Rockefeller funded new frontiers of knowledge in medical research, and contributed towards education and social upliftment in poor Southern states.

For his part, Carnegie devoted the bulk of his wealth to funding public libraries, institutes dedicated to improving the social conditions of African-Americans, the establishment of the Peace Palace in The Hague, which houses the International Court of Justice, and The Carnegie Trust for the Universities of Scotland, the country of his birth (Nasaw 2007). Carnegie's (2006) tract, the *Gospel of Wealth*, sets out his philosophy of social contribution, and lists areas that were close to his heart, such as public libraries, literature and the arts, and international justice (Carnegie 2006). This earlier generation of philanthropists inspired the recent wave, dubbed by some as philanthro-capitalism (see Bishop & Green 2009) or techno-capitalism (see Diamandis & Kotler 2014). They are so characterised because they are redefining the outlines and commitments of capitalism, and many of the wealthy individuals who are driving this initiative have amassed their wealth in technology sectors.

While the old generation was driven largely by the impulse to atone for their misdeeds and battered reputations, and often signed hefty cheques as individuals towards the end of their business careers, it would seem that the new generation is focused on collectively pooling their wealth while they are still in their prime to address shared social problems. Some wealthy businessmen and women have stepped down from their active business involvement to give their time fully to running the activities of their philanthropic foundations. The old wave of philanthropy by the founding fathers of

WHILE THE OLD GENERATION WAS DRIVEN LARGELY BY THE IMPULSE TO ATONE FOR THEIR MISDEEDS AND BATTERED REPUTATIONS, IT WOULD SEEM THAT THE NEW GENERATION IS FOCUSED ON COLLECTIVELY POOLING THEIR WEALTH WHILE THEY ARE STILL IN THEIR PRIME TO ADDRESS SHARED SOCIAL PROBLEMS.

American capitalism was built on the back of wealth generated, in particular, from steel, railroads and oil. However, many of today's philanthropists hail from sectors such as information technology, communications and life sciences (Naim 2013). In part because of the forward-leaning nature of their sectors, they tend to have a more futurist perspective about social change, and often see innovation and technology as powerful drivers.

According to Bishop and Green (2009: 1), '[Warren] Buffett and [Bill] Gates are leading a revival and reinvention of an old tradition that has the potential to solve many of the biggest problems facing humanity today'. This wave has built up gradually over time. Back in 1997, Ted Turner, the founder of CNN cable news, had thrown down the gauntlet to Buffet and Gates while announcing his donation of US$1 billion to the United Nations, with the challenge to 'give the money away that you have no idea what you're going to do with' (Bishop and Green 2009: 4). While the US dominates the philanthropic movement, countries such as India and China have witnessed growth in the number of billionaires featuring in Forbes 2000 ranking, and have also been riding the wave of philanthropy.

The new wave of philanthro-capitalism is spearheaded by business elites, a blend of elders and youth, who have accumulated massive wealth and are now collectively coordinating efforts, on a global level, to tackle systemic challenges, especially those associated with energy deficits in poor countries. They seek to work with not-for-profit organisations and to harness the profit motive to achieve greater social good (Bishop & Green 2009: 4). One of the remarkable features of this kind of philanthropy is its level of engagement; rather than just throwing money at a problem, it is deeply involved in seeking to apply business strategies to solving social challenges. Foundations established by philanthropists are also acting on their own in identifying critical challenges, such as in health and education, and are combining money and ingenuity in creating positive change. Over and above the well-known figures such as Bill Gates and Warren Buffett, a new class of innovators is blending profit-making with a social mission in seeking to create breakthrough solutions. These business leaders, new and old, leverage their business acumen, capital and networks to get results.

There are currently 158 wealthy individuals who have pledged to give a large portion of their wealth to social good. This philanthro-capitalism enterprise was initiated in May 2009 by Warren Buffett and Bill and Melinda Gates, and included about 40 wealthy individuals and families in the US who collectively were worth US$125 billion. This act of generosity shone like sunlight against the dark backdrop of a global financial crisis. Although most of the pledgers are still in the US, this has since spread across the globe.

This pledging initiative was followed by another mission-focused initiative – the Breakthrough Energy Coalition – masterminded by Bill Gates in the wake of the climate change negotiations in Paris in 2015, where a group of 28 billionaires came together on the sidelines of COP21 to push for an increase in funding for clean energy technologies. An investor-led fund to the value of US$1 billion, with a 20-year horizon, was created in December 2016 in order to invest in 'developing new ways to live, eat, travel, and build'.[4] Its focus is on five grand challenges: electricity, buildings, manufacturing, transport and food. It is founded on the idea that technology will help solve humanity's challenges, and this will be done through fostering partnerships between governments, research institutions and investors. The major focus is on investing in scientific breakthroughs that have the potential to deliver cheap and reliable clean energy to the world. Energy deficiencies are a constraint to business, but they also have health effects, since reliance on biomass in the developing world is one of the major causes of respiratory problems.

This initiative is being driven by large group of high-net-worth individuals (beyond the immediate circle of Western billionaires around Buffett and Gates), including entrepreneurs from China, India, South Africa and Nigeria. South Africa's Patrice Motsepe and Nigeria's Aliko Dangote, for example, are active participants in the Breakthrough Energy initiative. Although not part of this group, another African, Tony Elumelu from Nigeria has committed himself to promoting the growth of entrepreneurship across the African continent and to changing the economic paradigm to one that he refers to as 'Africapitalism'. In his view, the private sector (and not aid) should be the driving force for social change on the continent. He led by example when he seeded his foundation with US$100 million, with a goal to identify and grow 10 000 African entrepreneurs, create 1 million jobs, and add US$10 billion in annual revenue across Africa over the next decade.

There are many less celebrated entrepreneurs and innovators on the African continent, who are operating on a smaller scale. Diamandis and Kotler (2014: 156) describe these as a new 'cheetah generation' of Africans who are fast-moving, entrepreneurial leaders. It is just as well that there are African champions, especially since access to electricity is a major constraint in overcoming poverty. About 600 million Africans have no access to electricity, and it is estimated that poor energy infrastructure in Africa shaves 2–4 per cent off continental GDP on an annual basis (Power Africa 2014).

The Breakthrough Energy Coalition is built on the knowledge that in the 21st century governments cannot produce miracles for societies. Partnerships between the government, business and society are key to creating lasting change. Be it in shifting the pattern of industrial development and consumption towards cleaner energy, or changing the way transportation systems, education and healthcare are structured and delivered, there is a need for various stakeholders to work together in generating momentum towards a better society. As Porter (2008) points out, 'boosting social and economic conditions in developing countries can create more productive locations for a company's operations, as well as new markets for its products'. George (2003) makes a powerful case in observing that companies' employees live in communities, and that it is, therefore, in the companies' best interests to ensure that such communities offer a high quality of life, good educational opportunities and a safe environment.

Values-based thinking, which is not too deeply rooted in an exchange or transactional mindset, is sufficient to motivate a sense of higher purpose. There is also the existential reality of the interconnectedness of various national economies and societies, and the growing realisation that social instability, pandemics and poverty afflicting one part of our planet will eventually affect other parts, by way of rapid spread of diseases or surges in migration.

The Breakthrough Energy Coalition offers one example of how the wealthy, acting collectively outside the bureaucratic structures of their companies, can do more to tackle the challenges facing humanity. It is here that corporate philanthropy can have a far-reaching effect. Bishop and Green (2009: 7) stress that this kind of philanthropy potentially ignites a 'system innovation' or 'creative capitalism', and is different to traditional philanthropy which gave relatively small sums of money to draw attention to itself. Without doubt, governments need to play their part in creating the right environment to attract greater private sector investment; ultimately, however, success will hinge on collaboration.

The Breakthrough Energy Coalition is complemented by another initiative, called Mission Innovation, which comprises 22 countries plus the European Union.[5] They are not colluding to fix prices, increase margins or divide the market amongst themselves, but to explore the best ways of making the world a better place. These countries have pledged to double their investment in clean energy research to US$30 billion by 2021. Although South Africa has a self-enlightened businessman, Motsepe, at the Breakthrough Energy Coalition, the country is absent from the Mission Innovation initiative. Yet, this platform has value for the diffusion of ideas about creating an alternative future through greater investment in research and development, and new technologies, by leveraging the private sector, and addressing crucial challenges related to energy.

The Mission Innovation initiative is made up of countries from both the developing and the developed world, motivated by a shared concern about resource constraints and the need to create a low-carbon future. The action commitments of this initiative are: to encourage mutually beneficial engagement with other partner countries in international collaborations; to share information on national clean energy needs and support energy innovation; and to work closely with the private sector as it increases investment in the early stage clean energy companies that emerge from government research and development programmes.[6]

This symbiosis between government's public research and development support and scaling up of innovation through investment by the private sector is extensively discussed by Mazzucato (2015). She refers to 'transformational public investments', which are harvested from mission-orientated policies based on big-picture thinking, including envisioning the direction of economic development and technical change (Mazzucato 2015). The Mission Innovation platform could help to nurture such thinking and create a sense of urgency for governments to contribute towards technology-driven social change.

Several lessons can be drawn from the Mission Innovation and Breakthrough Energy initiatives. Individual philanthropists or governments working independently of the private sector cannot address major national and global challenges on their own. Collaboration is the future of innovation. Collaboration and networks are likely to

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be the most effective instruments for tackling social problems from health to food security to climate change and a host of other collective problems that confront us in the 21st century. As Bishop and Green (2009: 11) note, 'division of labour is needed between governments, businesses, charitable NGOs and philanthropists'. Increasingly, investors are teaming up with innovators to develop ideas to shift the paradigm for conceiving and developing solutions to energy, transport, food, education and health challenges.

In today's global system, power to effect change is more laterally organised, and diffused across states, businesses, wealthy individuals and other influential non-state actors (Naim 2013). There is also a gradual shift towards recognising the importance of stakeholder capitalism as a better way of organising society. Solutions to major social challenges at the domestic and global level hinge on co-funding, co-design of solutions and harnessing of will across the private and public sectors.

Conclusion

As much as society lives in an age of uncertainty, with social ills that are multiplying, there are also great opportunities for corporates, wealthy individuals, innovators and governments to come together in finding solutions. Old tick-box notions of CSR generally have minimal practical effect. While some companies have been able to use such an approach to make a genuine difference to their stakeholders and to build their legitimacy at the same time, many others have failed with efforts amounting to little more than public relations exercises.

Even at its best, CSR is not designed to tackle large-scale challenges. It is important for organisations to go beyond CSR and to realise a much richer role for themselves in the societies in which they operate. When corporates have a global reach, they should position themselves as part of the global solution to major social risks facing the world. In looking at the positive role of corporates in a changing world, Abib-Pech (2013: 28) lays down the challenge: 'There is an emerging call for corporations to rediscover themselves, a re-affirmation that their primary role is to create value while serving a community.'

In the context of power shifts, the solution may lie in drawing laterally upon productive networks, which include a wide range of actors. It is, however, clear that businesses can no longer be blind to the social challenges around them; they need to find ways to make a positive difference. As has been argued above, collaboration is key to delivering sustained social outcomes.

Given that corporates are massive bureaucratic organisations, they may not have the latitude or the agility required to tackle major social challenges. From a bureaucratic perspective, they are not too dissimilar from governments. Yet, they possess critical dimensions of capital that may enable them to offer a complementary perspective and reach beyond the capacity of governments. There is also a recognition on the part of some governments that they need the contribution of the private sector in tackling social challenges, which include areas such as health, energy, education and water. Crucially, the corporate sector must embrace good corporate citizenship and social action as an ethic to create a lasting difference. Legislation cannot force companies to be good corporate citizens, let alone agents for social change. The organisational culture must be socialised into such an ethic, and this thinking needs to permeate the behaviour and activities of the company.

There is also a great opportunity for a new kind of actor to do much more than companies are able to achieve through their limited CSR. This is the domain of social enterprises, innovators and foundations that are driven by enlightened individuals. Many of these are already parlaying resources towards solving local challenges where their companies have operations.

Some are part of the collective efforts to confront global challenges related to energy, health, education, water and transportation. The outcomes of their work may take time to be realised. They can, however, partner with governments and tap into publicly supported research and development to bring such research to full commercialisation for addressing social challenges.

They can also work with social entrepreneurs to help scale up innovation to solve local challenges and empower communities. In the final instance, these initiatives could make donor funding, which often carries political baggage, obsolete. As Eggers and Macmillan (2013: 4) remind us: 'Today, the landscape has changed dramatically. Citizens, businesses, entrepreneurs, and foundations often turn to each other rather than relying solely on the public sector to coordinate solutions to every problem.' Enlightened philanthro-capitalism can help to unleash a new society characterised by improved capabilities, able to overcome structural constraints, nurture conditions for social inclusion and broaden the spaces for substantive freedom.

ENDNOTES

1 See https://www.unglobalcompact.org/
2 See https://www.globalreporting.org/Pages/default.aspx
3 Murray & Roberts was fined R309m, WBHO R311m, Stefanutti R307m and Aveng R307m (see Duncan 2014).
4 See http://www.b-t.energy/
5 The countries participating in the Mission Innovation initiative are Australia, Brazil, Canada, Chile, China, Denmark, the EU, Finland, France, Germany, India, Indonesia, Italy, Japan, Mexico, Netherlands, Norway, Republic of Korea, Saudi Arabia, Sweden, United Arab Emirates, UK and the US.
6 See http://mission-innovation.net/our-work/

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