The Global Business Coalition:

A Decade of Bold Leadership

Analyzing strategy and performance for the last decade while peeking into the future for new directions

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PREFACE

Acknowledgements

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Personal Motivations

Corporate Social Responsibility and Health are themes very dear to me. My academic background is related with the health sector, more specifically mental health. Therefore the opportunity to combine interest with past experience was very appealing to me. The organization analyzed in this dissertation, the Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria; is closely related with these areas, combining both. The Coalition has been facing some financial constraints resulting from the global financial crisis. This fact makes it interesting from an academic and management perspective, in order to understand how a nonprofit can keep its sustainability; how it can adapt to a changing world with some strategic decisions that will foster its competitive advantage. Furthermore, the organization also showed interest in having a case study written about it.

ABSTRACT

Corporate Social Responsibility (CSR) is already reckoned as important for companies, mostly due to public perception and consequently the impact on brand image. However, there has been an increasing tendency towards integrating CSR in companies' strategy. Strategic CSR occurs when shared value is created, i.e. when both society and companies gain something. For companies, the premise of strategic CSR is gained benefits and it might even become a competitive advantage.

Despite all the progress made in medicine the world is still facing important health problems and epidemics, which undermine not only human development but also economic growth and therefore affect businesses in multiple ways. Health should therefore be one of the issues addressed by CSR, particularly strategic CSR. The Global Business Coalition (GBC) is a nonprofit organization that brings businesses to the global fight against HIV/AIDS, tuberculosis and malaria, building on the private sector's assets and expertise. As so, for companies GBC represents an investment in CSR, and it also is, or has the potential to be, a source of strategic CSR – aligning business interests with society's health issues.

GBC had been experiencing a consistent growth since its inception in 2001, however with the global financial crisis this tendency changed and GBC started facing important budget constraints. This study goes through the implications of this crisis to the Coalition, trying to understand not only the impact it has had but also what can be done to overcome the current difficulties and what can be expected in the future. The analysis shows that GBC is worth investing in for companies' future sustainability; its business model is adequate though some small changes are suggested; it can render greater strategic significance for companies if slightly adapted; and its membership basis is expected to grow in the future. The case study also shows that GBC is already preparing to make some changes, in line with what is discussed in the analysis, in order to overcome the constraints posed by the current financial crisis. GBC will soon be expanding its mandate, changing its mission, name, logo and strategy.

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I. INTRODUCTION

The purpose of this thesis is to present the case of the nonprofit organization "Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria" (GBC), which is currently undergoing significant internal changes in order to face the new challenges brought up by the recent global financial crisis.

The Coalition, which was launched in 2001, is a movement of businesses that are engaged in the fight against HIV/AIDS, tuberculosis and malaria by leveraging the assets and expertise of the private sector. The goal is to help terminate these diseases faster through high impact collective actions for a common cause.

This work tries to identify the Coalition's main difficulties and suggest a set of actions to overcome them, taking into consideration GBC's evolution until today, while trying to achieve long-term sustainability. It describes how the organization evolved, analyzes the actions taken by GBC in order to recover from adversity, and also analyzes other alternatives to regain and further improve its positioning and sustainability.

Therefore, the problem statement for this dissertation is: **"**The aim of this research is to understand the impact of the global financial crisis on GBC's actions, structure and sustainability".

In order to better structure the understanding of the problem statement and help solving it, some research questions were elaborated for guidance:

1. **Will GBC be able to maintain its membership basis?**
   The purpose of this question is to understand how GBC's membership was affected by the crisis and how it is likely to evolve in the future. This is an important issue given that the Coalition depends greatly on members' fees to run its operations.

2. **To what extent was GBC's budget affected and what was the resultant impact in terms of current/future programs and initiatives?**
   The aim of this question is to understand whether and how GBC's budget was affected and the direct consequences to the development and implementation of activities that are at the core of GBC's work.

3. **Will GBC be sustainable with its current business model? Will it have to change it? And is it worth it?**

   The trends in memberships and budget following the crisis have direct implications to the continuity of the business model. This question is important because it analyzes its future viability and weights the pros and cons of keeping the current model or shifting to another.

The structure of this thesis is divided in five chapters. The present chapter introduces the master thesis and identifies the problem statement and research questions. The second chapter encompasses a literature review on the most relevant topics associated with the problem at hand; namely the relationship between health and economics, and the raising importance of corporate social responsibility for businesses in a world that has been increasingly devoting more attention to social issues. This theoretical overview will be the basis for the case study analysis and discussion. The third chapter presents the case study elaborated with the help of GBC staff. It includes an explanation of the context in which the organization operates, a thorough description of its characteristics, activities and strategy, and also the future path it wants to follow. The fourth chapter presents the teaching notes, intended to help teachers or students guide themselves in the analysis of the case. And, finally, the fifth chapter covers the major conclusions reached after completing this work (guided by the problem stated), while acknowledging its most important limitations and suggesting future research.

II. LITERATURE REVIEW

1. Health & Business

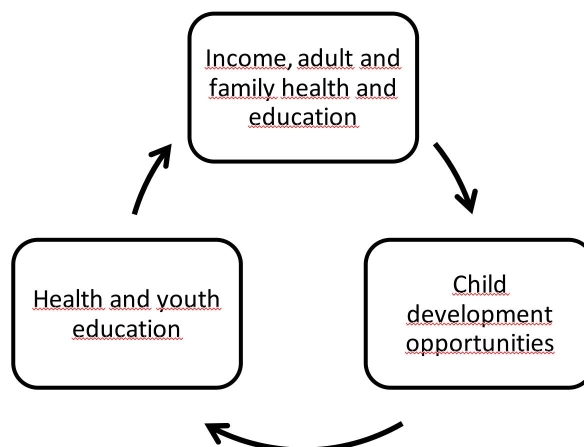
1.1. Health, Human Development and Economic Growth

Health is perceived by humanity as a major asset, truly important and being regarded as the basis for a long and flourishing life (Aguayo-Rico et al., 2005; Sachs, 2001); economists on the other hand regard it to be, along with education, a determinant of "human capital" (Aguayo-Rico et al., 2005; Mexican Commission on Macroeconomics and Health, 2004), which is the driver for economic growth (Finlay, 2007; López-Casasnovas et al., 2005).

A healthy individual is not simply someone who does not present illness, it is someone who, in addition to that, is also physically, mentally and socially apt. Being healthy gives individuals the capacity to fully develop their intellectual, physical, social and emotional potential. Health allows individuals to be productive in their work, to be able to learn and to allocate their financial resources to other needs; therefore health is determinant for future income, wealth and consumption (Aguayo-Rico et al., 2005; Mexican Commission on Macroeconomics and Health, 2004; Sachs, 2001).

In the so-called intergenerational cycle (see Figure 2) child development in terms of health and education has implications in the adult future health, education and income. As an adult, these socioeconomic constraints will be passed on to the next generation, perpetuating the cycle in the absence of other incidents (Mayer-Foulkes, 2004; Mexican Commission on Macroeconomics and Health, 2004).

Figure 1 – Intergenerational Cycle of Human Capital Formation



Source: Mayer (2004) in Mexican Commission on Macroeconomics and Health (2004)

Indeed, health and poverty do seem to be linked, therefore by improving health one is also helping reduce poverty. As at the individual level, at the society level health is also strictly related with reduced poverty, economic growth and long-term economic development (Aguayo-Rico et al., 2005; Mexican Commission on Macroeconomics and Health, 2004; Sachs, 2001). Robert Fogel (2002 cit. in Mayer-Foulkes, 2004; Mexican Commission on Macroeconomics and Health, 2004; Sachs, 2001) found a strong correlation between health and economic growth. His studies show that in the past two centuries Europe's economic growth was enhanced by a decrease in mortality subsequent to an improvement in the diet and medicine related advances. Specifically, he attributes around 33% to 50% of England's economic growth to these factors.

Further data shows that countries with better health indicators have greater economic growth and development (Pollara, 2009). Thus, not surprisingly, the poorest countries, in particular sub-Saharan Africa, are those most affected by diseases which consequently impede their economic growth and reduce their annual income. (Sachs, 2001). Furthermore, disease has also much more striking economic consequences among the poor, for generally they rely much more on physical work (Mexican Commission on Macroeconomics and Health, 2004). The poor are also immensely more fustigated by communicable diseases, maternity mortality and malnutrition than the rich, vastly due to lack of access to proper living conditions, health care and information on prevention. As so, strategies for reducing the incidence of such diseases are also a way to reduce poverty (Aguayo-Rico et al., 2005; Sachs, 2001). Indeed, the health of the poorest billion people could be easily improved by addressing a small number of diseases that include HIV/AIDS, malaria, tuberculosis, maternal and perinatal conditions and malnutrition (Pollara, 2009; Sachs, 2001). Moreover, the Millennium Development Goals (MDGs) focus on both the reduction of poverty and specific health improvements (decrease in child and maternal mortality and in the incidence of HIV/AIDS, malaria and other major diseases) in order to take advantage of the existing connection and achieve better results (Sachs, 2001).

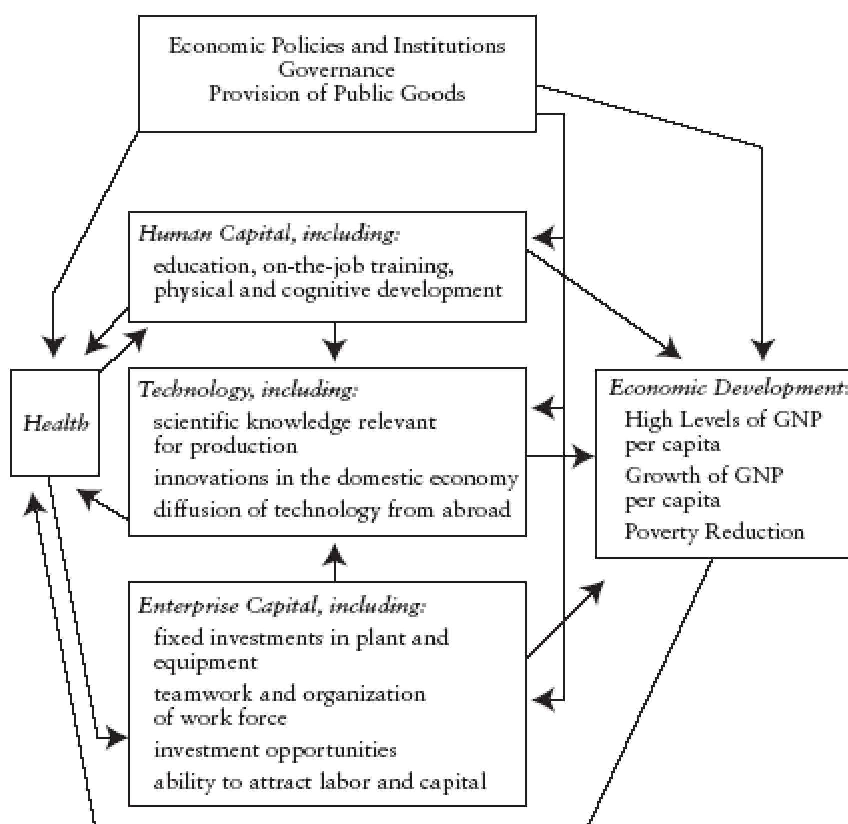
Cross-country studies also support the positive relationship between health and economic growth (Finlay, 2007; Sachs, 2001). When life expectancy at birth increases by 10% economic growth is also expected to increase by 0.3% to 0.4% per year. High incidence of diseases like malaria and HIV/AIDS is also related to continuous and significant declines in economic growth rates. Even if AIDS did not affect GDP per capita, it would still have an effect on economic welfare for shortening longevity. Also, by 2015 AIDS is expected to cost a total of $22 billion with prevention, OI treatment and antiretroviral therapy. As for malaria, it is known to reduce economic growth in at least 1% per year (Sachs, 2001). Thus not surprisingly, a 10%

reduction in the number of malaria cases also leads to 0.3% annual growth increase (Gallup & Sachs 2000 cit. in Mexican Commission on Macroeconomics and Health, 2004).

Given the enormous impact that health has on economic development, investment in this area is crucial for an overall development strategy, particularly in low-income countries with high disease incidence (Sachs, 2001). Although Sorkin (1977 cit. in Aguayo-Rico et al., 2005), finds that health improvements in developed countries will have minimal consequences on economic growth, he ascertains that this is not the case in developing countries.

Figure 1 demonstrates how economic development depends on economic policies and institutions; and on aspects directly and indirectly affected by health, respectively human and enterprise capital, and technology. It also shows that health itself is influenced by economic policies and institutions and economic development both directly and indirectly, therefore highlighting its cyclical, interdependent nature.

Figure 2 – Health as an Input into Economic Development



Source: Sachs (2001)

Disease hinders economic development mainly through (1) preventable diseases that reduce healthy life expectancy, (2) parents' short investment in their children, and (3) undermining business returns and infrastructure investment. The first issue has to do with

preventable mortality and chronic disability that affect people of working age, resulting in the loss of billions of dollars every year. Point (2) accounts for the high rates of infant and child mortality that lead to higher fertility rates, as parents try to assure the survival of at least part of their offspring. Naturally this disables low-income families from properly investing in their children's health and education. Data reveals that a decrease in child mortality is followed by a decrease in fertility rates and population growth, conducting to a higher average age – with an increased percentage of working age people GDP per capita also increases. Finally, the last topic concerns the counterproductive impact of disease in entire industries, either through workforce impairment (e.g. agriculture) or clients alienation (e.g. tourism); and relevant infrastructure projects (Sachs, 2001)

At the individual level, disease prevents economic security mainly due to (1) reduced market income because of medical care costs, loss of salary succeeding an illness episode, childhood disease hampering adult working ability (mentally or physically) and early death impeding future income; (2) shorter life expectancy; and (3) poor psychological welfare despite the absence of (1) and (2) (Sachs, 2001).

In terms of families and life cycle, an unhealthy individual can have a negative impact on family members' development. A sick parent is less able to take care of his children, to teach and educate them, and will probably have more difficulty in providing financial support. As a result, children may be forced to start working, having to drop out of school (Sachs, 2001).

The private sector has thus an important role to play in this field, namely fostering R&D, for complementing government action which should include investments in health and education, law enforcement and environmental protection. These investments seem particularly important and potentially most effective given that 87% of child mortality (under 5 years of age) is estimated to be avoidable, as well as 60% and 82% of mortality among males and females aged 5 to 29 correspondingly, and 69% female and 43% male mortality among individuals aged 30 to 69 (Sachs, 2001).

1.2. Health and Business Sustainability

A society that has a high rate of disease has additional problems when it comes to managing business. An obvious problem has to do with the workforce. Apart from the negative impact on productivity, companies also have to deal with higher than usual workforce absenteeism and turnover. This impels companies to spend more time and money hiring and

training workers, with evident strong repercussions on their profitability (López-Casasnovas et al., 2005; Sachs, 2001).

High disease threat can also harm business sustainability from a client and investor perspective. Tropical parasitic diseases, as is the case of malaria, are a strong deterrent for tourism and otherwise lucrative investments, since they make regions unattractive for certain activities or even unlivable (Sachs, 2001). Ainsworth and Over (2004 cit. in Aguayo-Rico et al., 2005) also state that AIDS affects domestic saving rates, reducing individuals buying power.

According to the World Economic Forum's Executive Opinion Survey in 2004, 22% of business leaders say that malaria affects their business, with 10% revealing severe impacts. However, once focus is set in Sub-Saharan Africa these numbers rise to 72% acknowledging negative effects, with 39% revealing severe impacts (Bloom et al., 2006).

1.3. Benefits from Improved Support

Macroeconomic Level

If key health interventions are implemented, in 2015 a total of 8 million deaths for infectious diseases and maternal conditions are expected to be avoided, implying at least direct economic savings of $186 billion per year. Considering that better health improves economic growth, as discussed above, then the benefits attributable to key health interventions would be much wider. When taking the two factors under consideration Sachs (2001) finds a value of no less than $360 billion per year in economic benefits, for the period between 2015 and 2020.

Business Level

By increasing the support given to fight diseases and improve health, companies get multiple benefits. One of them is having a healthy workforce, which prevents absenteeism and improves productivity. Also, if a worker's family member is ill, he will have increased responsibilities at home, which can lead to emotional burnout. Healthy workers also have better cognitive status, being better able to learn and teach. As abovementioned, health is positively related with education, which is of the utmost importance for business (Aguayo-Rico et al., 2005; Mexican Commission on Macroeconomics and Health, 2004; Sachs, 2001). In addition, socially responsible firms are better perceived by employees, helping to attract and retain local and global talent. Customers' perception also plays a major role in their loyalty; the majority of consumers prefer socially responsible brands. And stakeholders expect companies'

to contribute to societies where they operate, therefore earning their "license to operate"[1]. Furthermore, a firm's social responsibility reputation can even improve stock performance, as suggested by evidence (Over, 1999).

"For-profit companies, nonprofit organizations, and social enterprises, along with insurers, providers, and manufacturers, already play an important role in providing health care to the region (sub-Saharan Africa). They account for as much as 50% of health care provision, and their role is growing" (International Finance Corporation 2007, p. vii).

2. Corporate Social Responsibility

2.1. The Rise of CSR

In the 19th century, long before the term corporate social responsibility (CSR) was widespread and turned into common terminology, business was already considered to have societal obligations. Some of the first known cases go back to the Industrial Revolution, when companies built housing for their workers, who would otherwise be likely to live in slums (Crawford, 1995). However, it was in the 20th century that CSR truly began to receive attention and the concept was developed. Important changes in the world, such as economic prosperity, and in the way of doing business were key factors in the shift towards CSR. With economic prosperity, having more money to spend, the level of interest in CSR seems to grow, while diminishing at times of recession (Smith, 2003). With globalization, the power of business escalated and it also became more pervasive. Companies operating in several countries had to adapt to very different realities in terms of living standards between host and home countries. Business started facing an ever-growing, unprecedented criticism, with worldwide reach. In the beginning of the 21st century, with new information technologies and increased media reach, several corporate scandals (Enron, WorldCom, Tyco) were made public, further damaging the business image (Dhiman, 2008; Porter & Kramer, 2006; Smith, 2003). As a result, society started demanding more from business and business action was also called upon to fill the gap left by governments, unable to meet certain social needs. Today, corporations are not only expected to correct their wrongs, but to take social responsibility to a higher engagement level as well. As a matter of fact, better or worse, many multinational corporations have embraced the challenge (Smith, 2003). Other factors contributing to this stepping up are therefore a greater than ever reputational vulnerability, due to increased visibility and a stronger public

[1] http://www.gbcimpact.org

pressure brought upon them by third parties, namely NGOs. Reputation and brand image have become important market assets, as companies may be harmed if perceived by consumers as not socially responsible (Porter & Kramer, 2006; Spar & Mure, 2003). Thus, according to Porter & Kramer (2006) and Smith (2003), the reasons for CSR's rise and current importance can be summarized in the following way:

- Increased societal expectations publicly stated – License to operate
- Reduction in governments' power and scope
- Globalization
- Increased media reach resulting from progress in information technology - Reputation
- Greater spread of democracy in the world
- More government regulation demanding social responsibility reporting

2.2. CSR Key Characteristics

CSR occurs when firms take actions that directly target furthering social goods, beyond their direct interests and what is required by law (McWilliams & Siegel, 2001 cit. in Doh & Guay, 2006).

The central idea in CSR is that business must work for improving social conditions, of society in general and stakeholders in particular (Doh & Guay, 2006; Smith, 2003). The underlying assumption to this current belief is the triple bottom-line sustainability imperative, which ascertains that companies should pursue sustainable development in three different dimensions: economic, social and environmental. CSR acts directly on social and environmental dimensions, which also impact the economic dimension (Dhiman, 2008; Henderson, 2009). In other words, CSR means a proper management of firms' resources in order to guarantee an overall positive impact on society.

Porter & Kramer (2006) believe that CSR can offer gains that clearly surpass the costs. In his view, it can originate previously unimagined opportunities, innovation and turn into a competitive advantage. This means that CSR's positive impact on society is also extended to the firm itself.

Depending on firms' reasons to engage in CSR there are two distinctive motivations that can be drawn; the first is an intrinsic desire to help others - "normative case", the second is based on self-interest – "business case". The two cases are not mutually exclusive, meaning that companies' motivation for CSR can stem from a combination of the two (Smith, 2003).

2.3. Strategic CSR

Companies and society are linked in an interdependent cycle – firms' daily operations have an influence on society (inside-out linkages); external social conditions have an impact on firms (outside-in linkages). This means that business decisions and social policies can have a direct impact in each other. For that reason, they should be guided by the principle of shared value – mutually beneficial decisions. Companies and society must understand that a short-term gain that puts the other at risk will necessarily have long-term negative consequences on both. To be able to take advantage from this principle, companies must guide their strategy based on a social perspective of its repercussions. They should only engage in CSR activities that allow the creation of shared value. Certain social issues will prove to have a significantly larger effect on a firm's competitiveness, providing good opportunities for strategic CSR activities (Porter & Kramer, 2006). Figure 3 provides information on how to differentiate between social issues that have and have not a direct impact on companies' performance, and which therefore justify, or not, companies' action.

Figure 3 – Prioritizing Social Issues

Prioritizing Social Issues		
Generic Social Issues	**Value Chain Social Impacts**	**Social Dimensions of Competitive Context**
Social issues that are not significantly affected by a company's operations nor materially affect its long-term competitiveness.	Social issues that are significantly affected by a company's activities in the ordinary course of business.	Social issues in the external environment that significantly affect the underlying drivers of a company's competitiveness in the locations where it operates.

Source: Porter & Kramer (2006)

Companies must sort social issues into one of these three categories for each of their business units and locations, since they may differ accordingly, and afterwards evaluate them in terms of potential impact to society and the company. The results from such analysis should support the creation of a corporate social agenda, where CSR initiatives are clearly defined (Porter & Kramer, 2006). Smith (2003) believes this, the development of a CSR plan consistent with companies' strategic objectives, is undoubtedly one of their biggest challenges.

The corporate social agenda, as Porter & Kramer (2006) propose it, should be mainly composed of strategic CSR initiatives, rather than responsive CSR ones (see Figure 4 - Corporate Involvement in Society: A Strategic Approach). Responsive CSR can be described as a more basic, less ambitious approach. It comprises only acting as a good corporate citizen and mitigating the adverse effects generated by companies' activities. Strategic CSR, on the other hand, is far more ambitious, it is not about quantity but instead key actions that render the most significant benefits. Strategic CSR aspires to create maximum shared value, and relies on initiatives that comprise both inside-out and outside-in dimensions in order to be able to achieve it (Porter and Kramer, 2006).

Figure 4 – Corporate Involvement in Society: A Strategic Approach

Corporate Involvement in Society: A Strategic Approach		
Generic Social Impacts	**Value Chain Social Impacts**	**Social Dimensions of Competitive Context**
Good citizenship	Mitigate harm from value chain activities	Strategic philanthropy that leverages capabilities to improve salient areas of competitive context
Responsive CSR	Transform value-chain activities to benefit society while reinforcing strategy	**Strategic CSR**

Source: Porter & Kramer (2006)

In conclusion, companies should identify the social issues with which they are more closely related, for which their capabilities are most adequate and from which they can get competitive benefits. To create a unique positioning and distance themselves from competitors companies must be proactive and coherent, developing CSR initiatives in agreement with their strategy (Porter & Kramer, 2006). In a similar perspective, Smith (2003) points out that given the high competitiveness evident in the current world, at the margin, CSR might well be a differentiation factor, and as so an important source of competitive advantage (Smith, 2003).

2.4. Philanthropy

The social agenda is sought by various entities. Although when talking about the private sector our minds go straight to corporations, it includes all activities controlled by someone other than the state, including charitable foundations. These foundations and individual donors are a part of philanthropy, which is regarded with the idea of doing good by providing financial support to social enterprises (Porter & Kramer, 1999). Social enterprises develop innovative ideas with a social goal and can belong to the for-profit sector (e.g. social-purpose commercial ventures, corporate social entrepreneurship); to the nonprofit sector or even to hybrid structures of the two (Austin et al., 2006).

Comparing philanthropy agents, the reach of individual donors and foundations is substantially different. Foundations, which are funded by donors, can more effectively create societal benefits because they have the scale, time-horizon and professional management that individual donors cannot have. However, most foundations do not provide non-financial resources, neither do they measure performance because they consider it to be out of their scope and responsibility. Performance measurement can be hold as an undesired burden, especially to those whose motivations rely mainly on tax benefits. Therefore it is only natural that most foundations' work relies solely in giving money, and few are the ones who provide social services themselves (Porter & Kramer, 1999).

Philanthropy creates values when the social benefits they produce *"go beyond the mere purchasing power of their grants"* (Porter & Kramer 1999, p. 123). These authors suggest four different successive approaches for creating value and sort it by the ascending resource leverage they create – impact shifts from the single grant recipient to an entire field. The four approaches, by ascending value creation, are:

I. Selecting the best grantees – Each dollar will earn more social return than if given by a less informed donor, performance measurement plays a central role;
II. Signaling other funders – By attracting third parties they are able to improve the return on a larger pool of philanthropic assets;
III. Improving the performance of grant recipients – Foundations become engaged partners by helping to improve grantees' capabilities, which improves their effectiveness leading to higher returns on money spent;
IV. Advancing the state of the knowledge and practice – New frameworks can arise by funding research and a systematic progression of projects that create more effective manners of dealing with social issues.

Philanthropy's future directions should therefore be towards a more strategic and engaged approach, sometimes called engaged philanthropy or venture philanthropy. This strongly rising idea of philanthropy assumes a long-term high level of engagement in the grantee's organization, providing skills and services instead of only financial support (John, 2006).

2.5. Nonprofit Organizations

A nonprofit is an organization that does not distribute its surplus funds to owners or shareholders, it invests them in order to achieve its objectives. Governments and government agencies are not considered to be nonprofits (Grobman, 2008).

A study conducted by Arenas et al. (2009) found that NGOs, for instance, are perceived as being key players in CSR but their role is also considered to be controversial and their legitimacy contested. For that reason, nonprofits should pay attention to the image they pass and to people's perception, since it can undermine their work. Particularly important to this matter is the relationships established with businesses, which can improve of deteriorate their accomplishments.

The impact of activism is still an understudied issue, however recently more studies have been carried out and the results suggest that it has a strong impact on firms. The pressure felt by firms seems to oblige them to respond and take action; they reckon that public protest can change consumer preference. More research is needed to understand activism's impact in more quantitative terms (Spar & Mure, 2003).

The traditional nonprofit model is one of "dependency", usually relying on philanthropy, voluntarism and government subsidy (Boschee & McClurg, 2003; Elkington & Hartigan, 2008). A nonprofit will only be sustainable and self-sufficient if it generates earned income from its activities. But there are some differences. Sustainability can be achieved by combining earned revenue with the traditional model, while self-sufficiency, which is clearly more ambitious, requires relying solely on earned revenue (Boschee & McClurg, 2003).

Leading social enterprises follow one of the three business models described next. The "leverage nonprofit" model refers to ventures that provide public goods[2] to people economically vulnerable and at the same time allow them to assume ownership of the initiative, hence improving its long-term sustainability. The organization is still supported financially, politically and in kind by external partners. This model is followed for example by the Barefoot College. In the "hybrid nonprofit" model, similarly to the previous one, public

[2] A public good is one whose consumption by an individual does not reduce the amount available for consumption by others.

goods are provided to those economically vulnerable but the idea of making money and reinvesting it exists. As so, at least part of the costs can be recovered by selling goods or services. Funds from public, private and philanthropic organizations can still be mobilized. The Aravind Eye Care System is an example of this model. The "social business" model is characterized by being for-profit but focusing on social missions, as happens with the enterprise La Fageda. The profits made are destined to support the poor and reinvestment to grow the venture. Investors do not simply give funding but actually seek both financial and social returns (Elkington & Hartigan, 2008).

The latter model can have unprecedented gains but it also has downsides, such as difficulty in surviving if they do not become profitable. Therefore many nonprofits are not interested in changing to being for-profits, nor is it their aspiration (Elkington & Hartigan, 2008).

2.6. The Case for CSR

Bad practices by companies sometimes negatively impact their economic performance. For example, the well-known American retail chain Wal-Mart accused of putting small retailers out of business, not providing fair compensation for their workers and suppliers, among other things. Consumers' reactions led to an estimated loss of 8% in market share. Contrarily, companies committed to CSR are expected to have higher revenues, more satisfied employees and consumer and greater productivity (Dhiman, 2008). One example is the multinational Starbucks, with a three times lower than average employee turnover the company has managed to reduce the corresponding costs, thus improving economic performance. Starbucks low employee turnover has to do with its socially responsible practices being positively perceived between the staff. Studies prove that employees prefer to work for more socially responsible companies and are also more likely to start good word of mouth when this happens (Smith, 2003).

When CSR joins different entities that show concern for the same social issue, through cooperation and collective action their initiatives become more powerful, further improving their results (Porter & Kramer, 2006).

Finally, having either a direct or indirect impact in economic efficiencies (Smith, 2003), sustainability seems to lead to profitability, innovation and growth (Dhiman, 2008). Smith (2007, p. 186) actually states that *"the prolonged advantage of corporate social responsibility ensures sustainable economic advantage and should be long-term objective of any organization"*.

2.7. The Case against CSR

As stated above, one of the main drivers for CSR is society's expectations. This has to be considered with proper care, since not always are these expectations reasonable and well-substantiated. When this is the case, companies should distance themselves to avoid the pitfalls of entering in areas that are out of their scope and ability (Henderson, 2009).

Some people argue that CSR might make managers lose focus from what is truly important to reach desired economic performance, therefore impairing performance in addition to increasing costs – profits are jeopardized. They even consider that the impact of firms' CSR activities in social well-being is not necessarily positive (Henderson, 2009; Smith, 2003).

Another important stand when advocating against CSR is the over-regulation bias. For instance, imposing uniform environmental or social norms and standards regardless of each country's specific features can have a powerful detrimental effect in trade and investment flows (Henderson, 2009).

One thing that is not so much against CSR but more not *pro* CSR is the lack of strong supportive data. One of the major problems with CSR is precisely the lack of reliable studies and evidence showing the financial value of its initiatives (Dhiman, 2008). Measuring the effectiveness of CSR is still a somewhat disregarded matter, especially in what concerns to its more quantitative, financial, return. Developing measures that adequately measure social and environmental performance should be a future target. Another issue has to do with inappropriate allocation of resources, some firms spend more money in advertizing for their social initiatives than in the initiatives themselves (Smith, 2003).

As Henderson (2009, p.15) puts it, *"businesses do not aim to further economic progress, nor even to serve the general welfare"*.

III. METHODOLOGY

Even though part of the information present in the case study was retrieved from public sources, such as GBC's website and others referenced in the case study; a great part of the information collected was provided directly by GBC, not being publicly available at the moment.

Interviews were held with GBC's Vice President for Membership and Advisory Services, Pamela Bolton, who clarified any doubts regarding the company and its activities, provided data and documents. The interviews were carried out through Skype, given that GBC's head office location is in New York, USA.

The case study is therefore based in information retrieved from these various sources, but mostly on what was shared by GBC.

IV. CASE STUDY - The Global Business Coalition: A Decade of Bold Leadership

Case Introduction

In the turning of the century the number of AIDS related deaths had finally begun to decline in developed countries as a result of new drug treatments[3]. However, in developing countries, those that are most affected by disease, very few people had access to the new HIV treatments, that due to patents were simply too expensive to afford.

When the Global Business Coalition first started in 2001, business was doing relatively little on HIV/AIDS (its sole focus until 2006), despite of its clear impact on world economy. Many companies did not have policies around HIV, as for instance nondiscrimination, access to education or care. In the last 10 years, however, there has been great progress in the fight against HIV/AIDS, malaria and tuberculosis. Today, many companies look at health from a more comprehensive perspective, and even GBC will soon be expanding its mandate.

GBC has its share of responsibility in the progress made in the last decade. "The Coalition is a movement of businesses that bring private sector assets and expertise to the global fight against HIV/AIDS, tuberculosis and malaria. By joining forces with governments, international agencies and nonprofits, the Coalition will reach more people, more quickly, more effectively"[4]. GBC wants to help ending these diseases more rapidly through collective actions for a common cause, which have the ability to achieve greater impact. GBC guides companies through projects where the use of their core competencies can maximize impact, furthermore the Coalition shares knowledge and best practices.

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[3] http://www.avert.org/AIDS-timeline.htm

[4] Bolton, P. (2010). How the private sector is speeding global progress toward MDG 6. *Millennium Development Goals Review*, Oct, p. 20-21.

HIV/AIDS, Malaria & TB

HIV/AIDS

According to UNAIDS (United Nations Programme on HIV/AIDS), in 2009 there were 2.6 million new HIV infections, this corresponds to 21% fewer cases than in 1997, when the number of new infections peaked. However, in some countries the number of new infections has increased more than 25%.

Globally, the number of AIDS-related deaths has decreased, from 2.1 million deaths in 2004 (maximum ever) to about 1.8 million in 2009 (72% of which in sub-Saharan Africa). In total, since its discovery, more than 25 million people have died from AIDS.

According to UNAIDS, in 2009 33.3 million people lived with HIV. According to GBC 2 million people are expected to die this year for lack of access to treatment. The majority of those infected are of working age, making business directly related to them, for being either employees or their relatives. Business accountability can also be extended to the communities where it operates and their stakeholders.

Whichever way, business has definitely a major role in fighting HIV/AIDS. For every Coalition member, the motivation comes not only from saving lives, but also from protecting their interests by protecting their employees and their families, attracting and retaining talent and earning their social license to operate. Some companies might even find new opportunities in markets at the bottom of the pyramid.

Malaria

Although malaria is a preventable and curable disease, in 2009 there were still 225 million cases and 781,000 deaths caused by the disease. However, this represents a clear improvement compared with the 244 million cases in 2005 and the 985,000 deaths in 2000. Africa had the largest absolute decline in deaths.

According to GBC malaria is a major threat to global health and economic welfare, it is responsible for employee absenteeism hence affecting productivity. The major challenges to fighting malaria are lack of resources and effectively implementing control activities, treatment and R&D. Business action is thus crucial in this fight, having the ability to go beyond bed nets distribution, to improve awareness, education, diagnosis and treatment components.

Tuberculosis

In 2009 there were 9.4 million new TB cases and close to 2 million deaths. In absolute terms TB incidence is actually increasing while in relative terms it is decreasing about 1% each year.

TB is strongly related with HIV, individuals with HIV account for over 10% of TB cases every year and are much more likely to develop TB than those HIV-negative.

In addition, each year about 0.5 million cases are multidrug-resistant TB (MDR-TB), this form of TB has been increasing and has lower cure rates, between 50% and 70%.

TB's impact on business is huge, the World Economic Forum estimates a resultant loss of $16 billion in countries' annual incomes. Much like HIV/AIDS and malaria, TB leads to absenteeism, high health insurance costs and reduced productivity.

For further data on these three diseases please see Exhibit 1 - Information on HIV/AIDS, Malaria & TB. Exhibits 2 to 5 provide data on these diseases from a geographical perspective of the world.

The Global Business Coalition

History

In 1997, at the World Economic Forum annual meeting in Switzerland (the biggest gathering of economic and political dignitaries), Nelson Mandela condemned political leaders for their scarce efforts against the AIDS pandemic and, together with the head of UNAIDS and the chairman of Glaxo Wellcome, called for the business community active action on the fight against HIV/AIDS[5]. In response to the appeal, 17 companies stepped up and formed the nonprofit Global Business Council.

In 2001, UN Secretary General, Kofi Annan, stated the United Nations commitment to fighting global epidemics and appealed to a broader and deeper business engagement. In September of that same year, after leaving the position of U.S. Ambassador to the UN, Richard Holbrooke re-launched the Global Business Council as a Coalition with support from the UN Foundation, UNAIDS, and philanthropists Bill Gates (Gates Foundation), George Soros and Ted Turner. The organization's network grew considerably, reaching the milestone of 100 member companies.

[5]Based on information sent by GBC staff and retrieved from www.ncbi.nlm.nih.gov/pubmed/12321752.

Presently, lead by CEO John Tedstrom, GBC comprises over 200 members among corporate and non-corporate partners, including 26% of Fortune 100 and 28% of Global 100 companies. The Coalition expansion model now includes captivating global health players and medium size enterprises. Furthermore, in 2010 GBC membership was expanded to include leading international NGOs. This decision was made based on the opportunities these leading organizations represented in terms of establishing knowledge, providing technical guidance and on-the-ground assistance to corporate members operating in endemic regions.

Mission

The Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria's *raison d'être* is to mobilize the power of the global business community in order to fight the HIV/AIDS, Tuberculosis and Malaria epidemics.

Values[6]

In 2010 GBC set the following Guiding Principles:

1. Collective servicing;
2. Everything will have multiple value;
3. Everything will have specified, concrete outcomes;
4. Efficient and effective project management;
5. Consistently strengthen the GBC brand;
6. Build culture of accountability.

Objectives[7]

In order to fulfill its mission, GBC pursuits the following goals:

- Build coordinated capacity to fight global epidemics, such as HIV/AIDS, Tuberculosis and Malaria;
- Promote innovation in global health, by leveraging the core competencies of its business partners;
- Raise companies' awareness and engagement in promoting global health, by strengthening policies and resources;
- Increase access to prevention, treatment and care through the implementation of programs in the community and workplace;

[6] Based on documents sent by GBC staff
[7] Based on documents sent by GBC staff

- Share research and educational content in order to help improve the results of companies' global health programs;
- Provide external recognition and third-party validation for the private sector's health programs and investments.

In addition to these objectives, in 2011 the Coalition has also set a number of top priorities. These are, one can say, more internally directed and are as follows:

1. Exceed revenue targets and end 2011 with a surplus
2. Strengthen GBC's brand through excellent delivery on current commitments that keeps core members engaged
3. Confident, professional introductions and execution of mandate that attracts new members and revenues
4. Focus ruthlessly on our key core competencies:
   - Convene and mobilize members, partners, governments, for high-impact partnerships
   - Provide recognition and visibility to members to outside stakeholders, governments and employees
   - Spread best practices throughout the Coalition
   - Represent business in key settings
5. Continue to build Board and Corporate Advisory Board

Strategy and Business Model

GBC fulfills its mission and goals by playing a central role in the guidance and advisory of the business sector towards actively and effectively promoting global health. It links different organizations; it assures the creation of public-private partnerships and the coordination of their efforts, this way accomplishing more positive outcomes. Moreover, GBC decides which global health issues are in greater need of their support and action, once these are defined, it seeks corporate collaboration among the companies that present the most suited core competencies to deal with the problem at hand and helps allocating their resources. In other words, the Coalition develops *high-impact collective actions* for currently unmet needs, by bringing together and coordinating companies, nonprofits and governments.

GBC offers companies different types of services, apart from those stated above, the Coalition also develops smaller scale activities. For instance contributing with its expertise for the creation and implementation of workplace disease prevention programs; supporting

companies' self-evaluation and assessment of improvement opportunities; providing guidance for case studies and sample strategies.

When comparing GBC's early beginning to the work developed today, a shift can be perceived in its action. While before GBC was more focused on providing technical support and guidance, today its focus is set more on networking activities for companies and NGOs, raising awareness to companies' projects.

GBC is a membership organization, with most revenue in the form of dues paid by member companies and other organizations. Currently there are two types of membership: Premier members who pay $30,000 per year and have access to an account manager, and affiliates who pay $5,000 per year and follow a self-service model. Other important sources of revenue are grants and special events (e.g.: annual conference). The majority of this money is channeled to program services and the rest to supporting services, including fundraising.

Until 2008 both GBC's revenues and expenses were steadily increasing, however in 2009, with the global financial crisis, there was a significant decrease in revenue (memberships dropped; USAID funding cut substantially), which led also to a significant cut in the Coalition's expenses (see Exhibit 6 - Key Financials).

Strengths

For ten years GBC has been developing and perfecting its own core competencies and strengths. The Coalition is unevenly positioned to establish relationships, to promote and support business action and partnerships. It has become expert in actively seeking and addressing the most critic health related issues in various ways, such as:

- Finding, generating and managing engagement opportunities;
- Creating a network of non-corporate partners and supporters;
- Promoting and defending good government policies;
- Developing the capacity of businesses;
- Leading companies to projects where their impact can be maximized.

Organizational structure

Crucial to the triumph of any organization is, among core competencies and strategy, the excellence of its leaders and how they structure the organization. The way organization's mechanisms are set in action, how information flows within the organization and decision power is distributed, can have either a positive, neutral or negative impact on the outcomes of

their activities. GBC has chosen a fairly simple structure, on top we have the Board of Directors, assisted by the Corporate Advisory Board and, finally, supported by the Global Leadership Team.

The Board of Directors currently consists of eight people, between co-chairmen, directors and a president & CEO; however the number of Board members can range between one and twenty. With the exception of GBC's president & CEO, all other Board members are leaders of member companies. These meet at least once a year and GBC requires a minimum of one third of the Board for validation of decision making. The Coalition also discloses the salaries of the Board members, in order to assure transparency and credibility.

The Corporate Advisory Board plays the role of advising GBC on the strategic direction to follow in leading the business fight against global epidemics. Currently there are sixteen members in the Corporate Advisory Board, representing member companies and reflecting their geographical and sectoral diversity. The Advisory Board's members are either the Chief Executive or Chairman of member companies who are directly invited by GBC's President. However, the Advisory Board might also have representatives of companies that directly applied to the job by contacting GBC's office in New York.

The Global Leadership Team, actual GBC staff, develops and implements the work that sustains the organization. It is divided in several offices according to the field of expertise, namely Strategy & Regional Affairs; Finance, Legal and Operations; and Membership & Advisory Services, which includes two others – Communications and Impact Initiatives (See Exhibit 7 – GBC Organizational Structure).

Global presence

Although GBC's headquarters are in New York (USA) the Coalition has several other offices around the world, being each one of them responsible for serving and managing members within its geographic region. Nonetheless, the Coalition is a global team and therefore all offices join their forces and work together towards the same goals, thus maximizing their resources and improving performance.

Currently, GBC is organized in geographic regions and corresponding offices, which are as follows:

- GBC Russia: Moscow – Responsible for Russian Federation and the Commonwealth of Independent States;
- GBC China: Beijing – Responsible for China and East Asia;
- GBC East & Central Africa: Nairobi – Responsible for Central Africa and Middle East;

- GBC Southern Africa: Johannesburg – Responsible for Southern Africa.

Following the cuts from USAID funding that supported the Russian and Ukraine programs, GBC closed its office in Kyiv. Recently it also closed its European office in Paris and established a strategic alliance with the European social enterprise Local InSight Global Impact. This strategic partnership increases the capacity for broad impact by leveraging business skills. As a result of the offices closure, current member accounts are now managed by staff located in New York.

Memberships

GBC has chosen a membership base with the purpose of creating an extensive network of both corporate and non-corporate partners. Since its inception, GBC members came from different backgrounds (location, industry, size). Originally there were 17 member companies and currently, as of April 2011, GBC has 226 members (See Exhibit 8 - Members by Industry and Region 2001/2011) distributed over five continents (See Exhibit 9 - GBC Member Companies by HQ location). These companies are involved in a variety of matters that range from agriculture to financial/bank/insurance as well as healthcare/medical. This diversity allows the exploration of very different core competencies and a wider number of synergies for its collaborative actions programs. Some of the resources members may contribute with are:

- Planning, management, marketing and/or financial expertise and assistance;
- Experienced and dedicated experts for specific projects;
- Preventive and curative medical services (for employees, families, communities), whether directly provided or subsidized;
- Infrastructure, namely distribution channels;
- Access to employees and customers;
- Strong local, national and global brand power;
- Marketing and communication channels;
- Relationships with suppliers, governments and other businesses;
- In-kind contributions of products and other resources.

For companies committed in promoting global health, by being a GBC member they have the opportunity to improve their effectiveness and performance in a well-designed and cost-effective way - GBC helps members getting focus and finding partners.

For non-corporate members, GBC's most important role is to bring together players, resources and capabilities, hence leveraging public-private partnerships. Partnerships are one-to-one joint ventures based on collective action and cost-sharing. For instance, a company might contract with an NGO for specific advice or services, thus the relationship established is one of purchasing between only one company and one NGO.

Though not all members are actively fighting diseases in the field, each one of them wants to contribute to global health. Therefore, *"to be a coalition member is to support strategies that bring businesses, civil society, and governments together in common cause"* (in www.gbcimpact.com, 15th April 2011).

Setting initiatives

GBC offers a range of services, including helping companies implementing strong workplace policies and programs and expanding them into the broader community. However, at times, the Coalition undertakes an "initiative", which can be described as a major effort such as an event or collective action. Initiatives are usually developed with several objectives in mind, including expected member demand.

Acknowledging that certain types of challenges can be better coped with collective action, GBC also offers what it calls "Impact Initiatives". Impact Initiatives move companies from unilateral to multilateral action. Sharing a common objective these companies form global work teams which are cross-functional and differ on characteristics such as being public or private, global or local.

Impact Initiatives undergo several stages of development. The first stage is, obviously, the idea generation, which might come from companies, partners or GBC staff and must fulfill three key criteria:

1. Meet one of GBC's five strategic priorities (workplace policies, supply chain, media and public awareness, sustainable funding sources, health care systems);
2. Its potential for major impact is boosted by collective action;
3. Be sustainable and long-lasting.

The next stage is followed by an assessment of the needs, opportunities and potential partners, which is done by GBC staff. Once partners are defined (action team), they work with GBC in order to determine the extent of their action. An initial meeting to define roles and responsibilities is arranged with leading member companies, partners and government representatives. The action team then identifies needs and searches for partners who can

effectively sort them out and a business plan is made. The team (businesses and partners) works together to guarantee proper implementation and success of the defined plan. While the initiative is executed assessments are made, allowing for the recognition of progress made and of arising needs and opportunities. Finally, GBC will make communications based on the knowledge and insights brought up during the Impact Initiative that can maximize the effectiveness of the global fight. Furthermore, communicating the progress and impact achieved will also help raising awareness to the importance of business and partnerships in the fight for global health.

Despite what was described above, most Impact Initiatives are not based on member demand but mainly developed by GBC. This has to do with companies' specific objectives, which may differ from GBC's. The Coalition's objective is to get more input from companies, but also acknowledges that, to a certain degree, it may not be a realistic expectation.

Current programs

GBC's current programmatic agenda can be divided into three main groups: Impact Initiatives, Working Groups and Events. Five Impact Initiatives are currently ongoing in Russia, China, Kenya and the United States. These impact initiatives are:

- Russian Media Partnership[8]: Reaching people with critical HIV/AIDS messages;
- China HIV/AIDS Media Partnership (CHAMP): Awareness campaign that so far has reached over 670 million Chinese ;
- Health at Home/Kenya: Home-based HIV Testing expected to reach over 1 million people;
- Collective Action Against AIDS in the USA: Hairdressers trained to educate 100 million about HIV/AIDS; enabling millions of consumers and employees to find HIV testing resources; bringing corporate voices to Capitol Hill to improve key policies;
- Healthy Women, Healthy Economies - Private-Public Partnerships on Women and Girls: Investing in women's and girls' health and on their economic empowerment, education, involving men and boys, and reducing gender-based violence. As part of this impact initiative, a new initiative to improve gender equity through male workforce engagement will begin in June 2011. It is expected that the initial founding group reaches a minimum of 100,000 men, growing throughout the two years of the Healthy Women, Healthy Economies initiative. The importance of this action grounds

[8] A media partnership integrates different business expertise, such as in consumer market research, design, government relations, news coverage and media production; in order to better reach its target and prevent the dissemination of HIV.

on the gender-based external pressures men face to act in certain ways that reveal to be inappropriate and which undermine the health of their family, friends, co-workers and virtually every female that interacts with them, in addition to their own. Examples include gender-based violence and HIV.

Working groups, which are based on specific topics, join competitors and other stakeholders, as for instance suppliers. These groups cooperate to set specific lines of action and to create the necessary tools for achieving common objectives. The existing working groups are Next Generation Strategies, Travel & Tourism, Oil & Gas, Bed Net Industry Dialogue, Private Sector Delegation to the Global Fund, and Corporate Alliance on Malaria in Africa (CAMA).

Lastly, current events include Corporate Connection calls with Global Fund, UNAIDS & US Global AIDS Coordinator; Members Meetings with USA Department of State, White House Office for National AIDS Policy, UNAIDS; Regional Members' Forums in Europe, Asia and Africa; Technical workshops in Ghana, Kenya, Russia and Ukraine; White House Public-Private Partnership Meeting for Selected Members; 1,500 corporate, government and nonprofit personnel trained at GBC workshops; and finally, CAMA Entomology workshops in West Africa.

Results so far

By 2010 the Coalition has reached 1 million people through members' workplace programs for HIV, TB and Malaria. GBC has also established Public Private Partnership engagements with 7 national governments (Angola, China, Ghana, Kenya, Russia, South Africa, U.S.A.).

AIDS: 116 CEOs have already signed the Coalition's HIV/AIDS non-discrimination pledge, covering a total of 5,000,000 employees with this declaration. CHAMPS' public service announcements (PSAs) with movie stars alerting for AIDS prevention and stigma reached 750,000 Chinese, and GBC's Russia Media Partnership drove 30 million Russians to use protection, preventing AIDS. Furthermore, GBC gave antiretroviral treatment to 2.8 million people with AIDS, mother-to-child HIV transmission prevention treatment to 930,000 HIV-positive pregnant women, basic care and support services to 4.9 million orphans and other children affected by AIDS.

Malaria: An assessment of GBC's 2007 malaria partnership in Zambia demonstrated that the distribution of 500,000 bed nets prevented 130,000 child malaria cases. Moreover, through GBC's supported programs 122 million nets were distributed, 108 million malaria cases were treated and home indoor residual spraying was made over 19 million times. And on

the aftermath of the bed net dialogue (focused on finding an efficient bed net procurement system), global bed net delivery can now be made 6 months sooner as a result of agreements made.

Tuberculosis: The Eli Lilly MDR-TB Partnership, a member intervention supported by GBC, by 2009 had given treatment access for nearly 50,000 patients worldwide. Public awareness and antistigma campaigns made with the help of Red Cross in Kazakhstan, Romania, South Africa and Uzbekistan reached more than 15,000 people. In another intervention, the Chevron Corporation tested 1,884 patients for TB in Angola, resulting in 539 positive TB diagnoses. A 97% cure rate was achieved among the ones who received treatment.

Measuring Performance and Impact

Though evaluation is regarded as an important issue, for guiding future actions, it is also acknowledged as a difficult effort. The Coalition is therefore not always able to assess companies' and its own programs as thoroughly as desired, mostly due to limited power, resources and inherent costs. Since GBC creates and develops programs but is not an implementing organization itself (members are the ones who implement them), it does not have the power to demand companies to evaluate their actions and present the results.

However, GBC makes sure to at least assess companies' projects and their impact through their annual awards competition. Companies that wish to apply fill an application form with a set of criteria which is then evaluated by a jury. The jury is formed by external judges drawn from four groups - last year's winners; business people (experts in member companies); representatives of government and multi-lateral organizations (e.g.: Global Fund, US Agency for International Development); experts from NGOs, academia and foundations. The awards are given based on business involvement under four categories: Workplace/workforce; Community (often an extension of initiatives for the workplace); Core Competence (where companies apply their skills, resources, networks and so on, to address global health challenges); and Advocacy/Leadership (companies that make their voices heard on behalf of important health issues or challenges).

Some of GBC's original members have progressed immensely, as stated on the short case studies of award winners and commended companies. Some examples are Chevron, Anglo American, Pfizer, Standard Chartered Bank and Accor hotels.

Nonetheless, GBC has established measurable key outcomes for 2011[9], these relate much more to its organizational effectiveness and financial health than with actual health outcomes, and are the following:

1. Membership revenue of 10% above 2011 budget
2. Less than 5% unplanned employee turnover
3. 20% increase in revenue from Conference and Dinner (CAD)
4. In addition to CAD and membership revenues, exceed 2011 general operating support revenue target by $300K
5. Roll out of "new GBC" at CAD with clear mandate/mission/identity
6. Improvement upon baseline member satisfaction (established in late-2010)

Future directions

The Coalition has already set some new goals for the near future, such as starting executive study tours, an affiliate membership program, increased Hong Kong and China networking, employee engagement programs, U.S. office of National AIDS Policy, US initiative expansion into Houston, a new Awards format. These are important and bold goals, particularly given the current economic environment. The financial crisis had a clear impact on GBC's memberships in 2009/2010 and, consequently, on its budget. Though the Coalition was able to maintain all the impact initiatives other smaller and less urgent projects, still in the development process, were postponed. GBC also had to undertake some cuts in internal costs, as for instance not replacing positions and closing the offices in France and Ukraine.

GBC is determined in keeping its current business model, but being aware of its current financial challenges it is setting new income strategies. Apart from focusing in attracting new members and keeping current ones, the Coalition is finding out how to better appeal to companies through new price points (membership fees and corresponding services) and other types of membership. Also, GBC wants to bring in more revenue from sources other than membership fees. One of these sources will be an "experience" auction, with the help of its members GBC will offer experiences as for example a visit to a TV station.

But much more importantly, GBC will soon be repositioning with a new messaging around global health with a new name, new logo, and new vision and mission. As of June 2,

[9] The financial goals stated are "stretch goals" grounded in concrete plans. They exceed revenue figures contained in the 2011 budget.

2011, at the 10th Anniversary Dinner and Conference, GBC on HIV/AIDS, Tuberculosis and Malaria will become GBCHealth and will have an extended mandate that will allow it to work in the whole spectrum of health issues, rather than only AIDS, TB and malaria. These three diseases will continue to be the core of its work but the mandate will expand according to member interest and demand. As so, non-communicable diseases, such as diabetes, obesity and cardiovascular disease; will now be among the areas in which the Coalition can support company programs. It is expected that this change will help enlarge GBC's membership significantly because there are many companies interested in health and wellness more generally that might now be attracted to join the Coalition. As a matter of fact companies like Intel and Dow Chemical have already joined the Coalition as a result of its announced mandate expansion. On the other hand GBC will stop working with the tobacco industry in order to be consistent with what it advocates – the new mandate includes diseases directly and irrevocably caused by tobacco's consumption. GBC's future mission and vision are:

- **Mission Statement:** The mission of GBCHealth is to leverage the power and resources of the business community for positive impact on global health challenges.
- **Vision Statement:** The vision of GBCHealth is a global business community that is fully contributing its assets, skills, influence and reach to making a healthier world for workers, their families and their communities.

But the question remains, *given GBC's evolution until today will these changes be enough to face the sustainability challenge derived from the current financial crisis? What does the future hold for GBC? What priorities and what changes?*

Case Study References

WHO – www.who.int

UNAIDS – www.unaids.org

GBC – www.gbcimpact.org

World Economic Forum – www.weforum.org

Exhibits

Exhibit 1 – Information on HIV/AIDS, Malaria & TB

HIV/AIDS

According to the World Health Organization (WHO), the acquired immune deficiency syndrome (AIDS) is caused by the human immunodeficiency virus (HIV), which attacks cells of the immune system, destroying or impairing their function. Individuals with AIDS have difficulty fighting infections, becoming easy targets to the so-called opportunistic diseases.

According to UNAIDS, in 2009 there were 2.6 million new HIV infections, this corresponds to 21% fewer cases than in 1997, when the number of new infections peaked. In 33 countries (most in sub-Saharan Africa), the HIV incidence has fallen by more than 25% from 2001 to 2009 (see Exhibit 2 - Changes in the incidence rate of HIV infection, 2001 to 2009, selected countries). Despite this decreasing trend, sub-Saharan Africa still accounts for the majority of new HIV infections. On the other hand, in some countries the number of new infections has increased more than 25%. In five Eastern Europe and Central Asia countries the number of people living with HIV has nearly trippled since 2000.

Globally, the number of AIDS-related deaths has decreased, from 2.1 million deaths in 2004 (maximum ever) to about 1.8 million in 2009 (72% of which in sub-Saharan Africa). This decreasing trend is due to a combination of factors, including HIV prevention efforts which led to a smaller incidence, and increased number of people undergoing treatment. But until today more than 25 million people have died from AIDS.

According to UNAIDS, in 2009 33.3 million people lived with HIV, against only 26.2 million in 1999. This apparent discrepancy (27% increase) is explained by the fact that although less people are becoming infected there are also less deaths due to treatment, therefore increasing AIDS prevalence (see Exhibit 3 - Global prevalence of HIV, 2009).

According to GBC, 2 million people are expected to die this year for lack of access to treatment. The majority of those infected are of working age, making business directly related to them, for being either employees or their relatives. Business accountability can also be extended to the communities where it operates and their stakeholders.

Whichever way, business has definitely a major role in fighting HIV/AIDS. For every Coalition member, the motivation comes not only from saving lives, but also from protecting their interests by protecting their employees and their families, attracting and retaining talent

and earning their social license to operate. Some companies might even find new opportunities in markets at the bottom of the pyramid.

Malaria

The WHO describes malaria as a disease caused by the Plasmodium parasite, which is transmitted to humans through the bites of infected mosquitoes. If left untreated, malaria can lead to death by impeding the blood supply to vital organs.

Nearly half of the world population lives in vulnerable areas (see Exhibit 4 - Malaria, countries or areas at risk of transmission, 2010), and though malaria is a preventable and curable disease, in 2009 there were still 225 million cases and 781,000 deaths caused by the disease. However, this represents a clear improvement compared with the 244 million cases in 2005 and the 985,000 deaths in 2000. Malaria deaths occur mainly among children and in Africa they represent a fifth of all childhood deaths.

Although in all WHO Regions there has been a significant decrease in malaria cases, in 2009 there has also been an increase in cases in Rwanda, São Tomé and Príncipe, and Zambia, countries that before were showing decreases. The biggest declines were observed in the European Region and the Region of Americas. Africa had the largest absolute decline in deaths.

According to GBC malaria is a major threat to global health and economic welfare, it is responsible for employee absenteeism hence affecting productivity. The major challenges to fighting malaria are lack of resources and effectively implementing control activities, treatment and R&D. Business action is thus crucial in this fight, having the ability to go beyond bed nets distribution, to improve awareness, education, diagnosis and treatment components.

Tuberculosis

According to the WHO, tuberculosis (TB) is an infectious bacterial disease caused by Mycobacterium tuberculosis. It affects the lungs and, though treatable, can be potentially fatal. It is transmitted among humans through droplets from the throat and lungs of people with active TB.

In 2009 there were 9.4 million new TB cases and close to 2 million deaths. These numbers are generally the same each year, but in absolute terms TB incidence is actually increasing while in relative terms it decreasing about 1% each year. Currently, in low and middle-income countries TB is the eighth leading cause of death and third among adults aged 15–59.

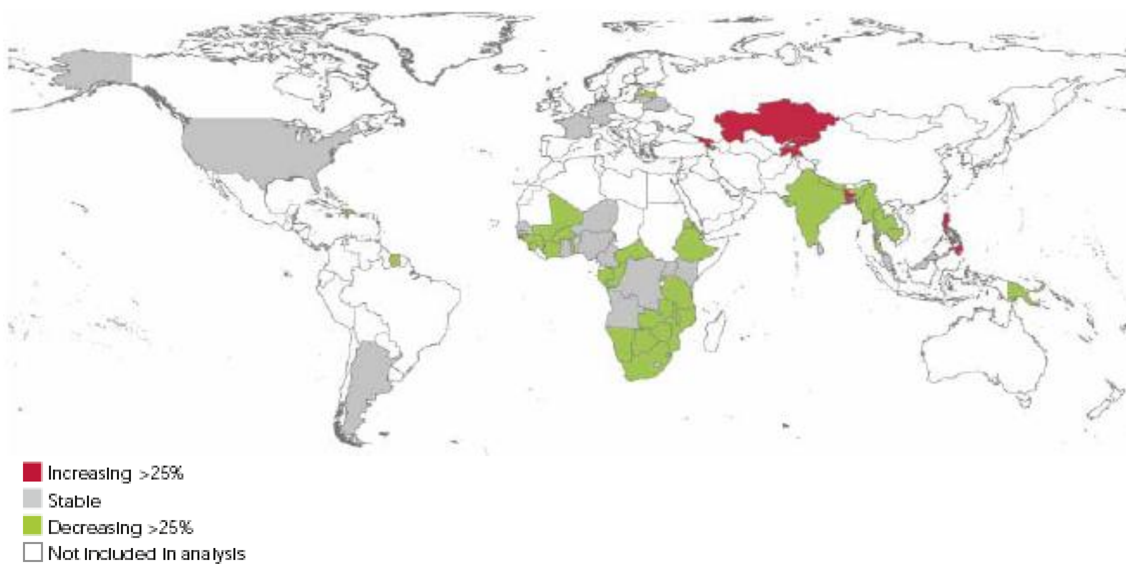
All countries show incidence of TB, but 30% of cases are in Africa and 55% in Asia (see Exhibit 5 - Estimated TB Incidence by Country, 2009). Most TB cases and deaths are in poor

countries, mostly because of health care issues – TB risk factors include higher exposure to unhealthy and crowded living and working environments, malnutrition, HIV infection, diabetes mellitus, smoking, alcohol and drug abuse. In fact TB is strongly related with HIV, individuals with HIV account for over 10% of TB cases every year and are much more likely to develop TB than those HIV-negative.

In addition, each year about 0.5 million cases are multidrug-resistant TB (MDR-TB), this form of TB has been increasing and has lower cure rates, between 50% and 70%.

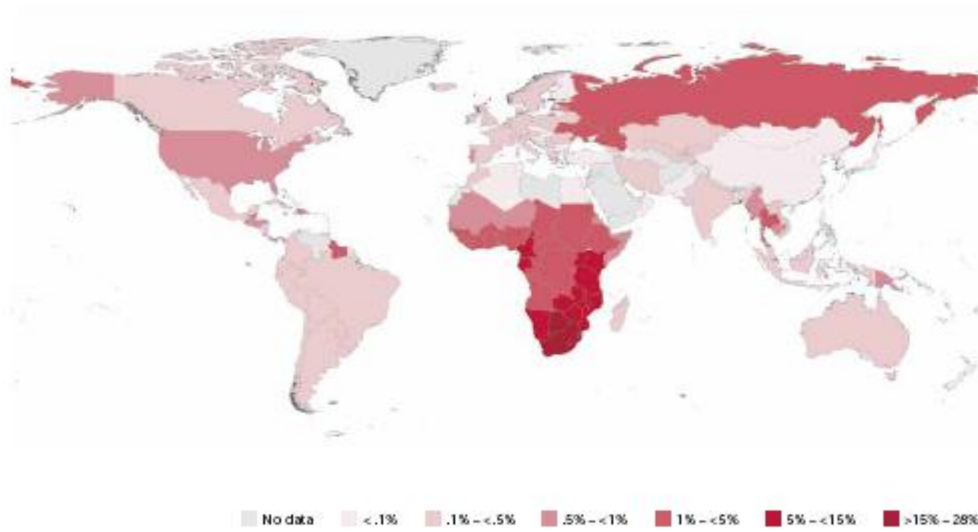
TB's impact on business is huge, the World Economic Forum estimates a resultant loss of $16 billion in countries' annual incomes. Much like HIV/AIDS and malaria, TB leads to absenteeism, high health insurance costs and reduced productivity.

Exhibit 2 - Changes in the incidence rate of HIV infection, 2001 to 2009, selected countries



Source: UNAIDS

Exhibit 3 - Global prevalence of HIV, 2009

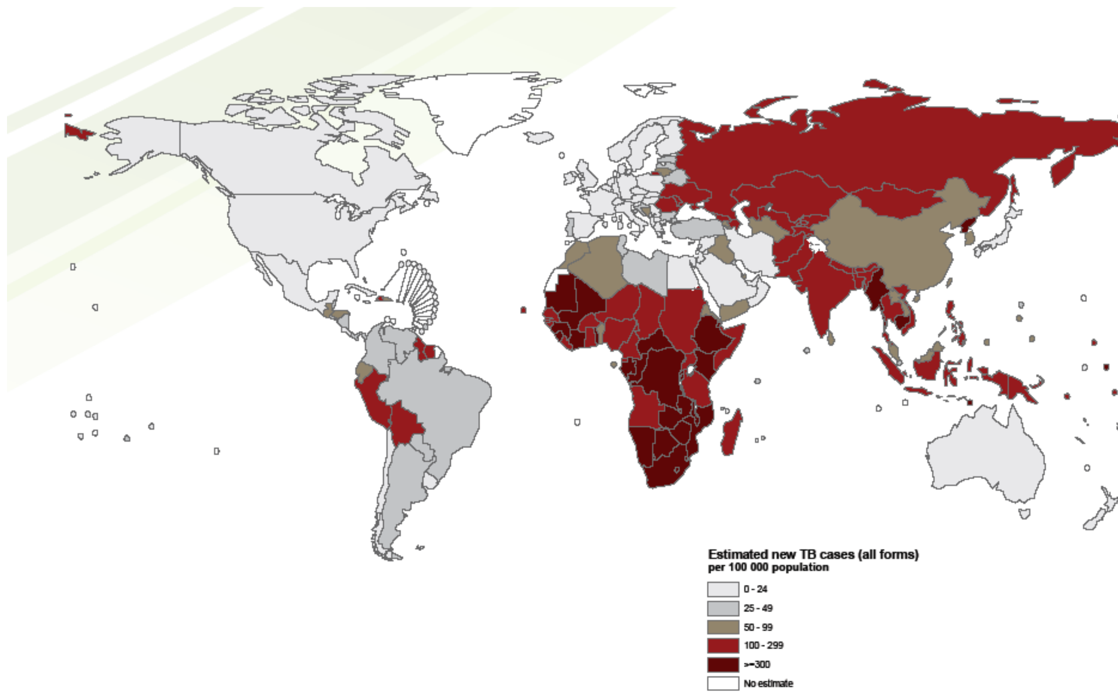


Source: UNAIDS

Exhibit 4 - Malaria, countries or areas at risk of transmission, 2010

Source: World Health Organization

Exhibit 5 - Estimated TB Incidence by Country, 2009



Source: World Health Organization

Exhibit 6 – Key Financials

	2009	Relative Weight	2008	Relative Weight	Growth Rate (2009/2008)	2007	Relative Weight	Growth Rate (2008/2007)	2006	Relative Weight	Growth Rate (2007/2006)
Income											
Contribution and grants	$ 4,541,135	49.55%	5,163,924	45.73%	-12.06%	4,004,952	37.92%	28.94%	468,010	7.56%	755.74%
Membership dues	2,927,000	31.94%	3,546,331	31.41%	-17.46%	3,952,000	37.42%	-10.26%	3,236,000	52.26%	22.13%
Special event revenue	1,263,502	13.79%	1,726,771	15.29%	-26.83%	1,903,459	18.02%	-9.28%	1,533,109	24.76%	24.16%
Donated goods and services	334,183	3.65%	769,050	6.81%	-56.55%	529,628	5.01%	45.21%	806,912	13.03%	-34.36%
Investment activity, net	42,935	0.47%	-32,853	-0.29%	-230.69%	108,520	1.03%	-130.27%	98,815	1.60%	9.82%
Other income	55,589	0.61%	118,458	1.05%	-53.07%	63,262	0.60%	87.25%	48,926	0.79%	29.30%
Total Income	**9,164,344**	**100%**	**11,291,681**	**100%**	**-18.84%**	**10,561,821**	**100%**	**6.91%**	**6,191,772**	**100%**	**70.58%**
Expenses											
Program services	$ 7,057,163	77.74%	8,889,559	80.43%	-20.61%	8,002,968	77.78%	11.08%	4,451,684	70.10%	79.77%
Supporting services	2,021,022	22.26%	2,162,616	19.57%	-6.55%	2,285,650	22.22%	-5.38%	1,898,632	29.90%	20.38%
Total Expenses	**9,078,185**	**100%**	**11,052,175**	**100%**	**-17.86%**	**10,288,618**	**100%**	**7.42%**	**6,350,316**	**100%**	**62.02%**
Change in Net Assets	**$ 86,159**		**239,506**		**-64.03%**	**273,203**		**-12.33%**	**-158,544**		**-272.32%**

Notes: The values for 2002 are for the period September 10, 2001 (Commencement of Operations) to June 30, 2002.
The values for 2003 are for the year ended June 30, 2003.
All others are for the respective year ended December 31.

(Cont.)

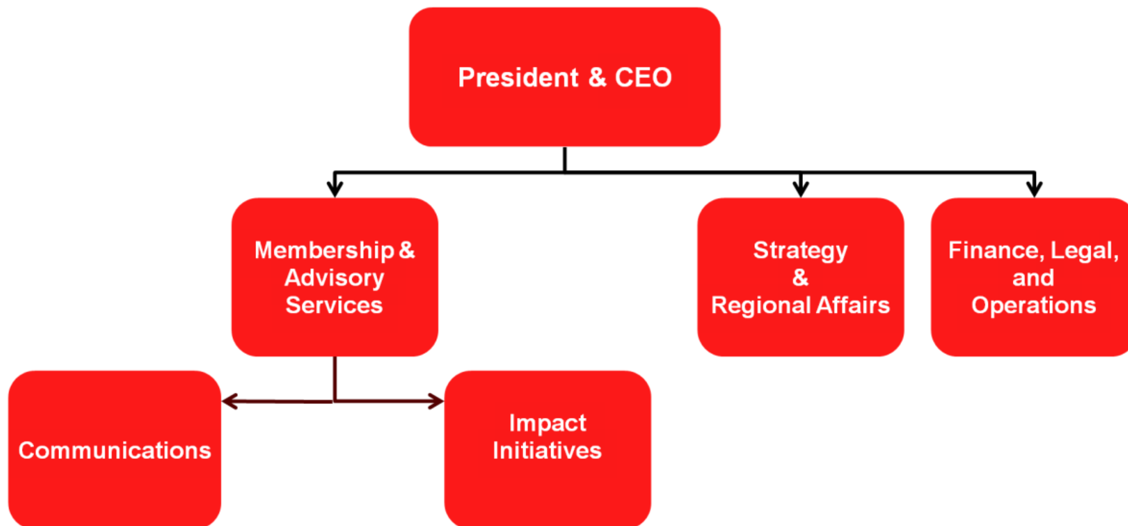
		2006	Relative Weight	2005	Relative Weight	Growth Rate (2006/2005)	2004	Relative Weight	Growth Rate (2005/2004)
Income									
Contribution and grants	$	468,010	7.56%	242,129	5.75%	93.29%	504,900	12.75%	-52.04%
Membership dues		3,236,000	52.26%	2,514,500	59.69%	28.69%	2,453,500	61.94%	2.49%
Special event revenue		1,533,109	24.76%	1,129,485	26.81%	35.74%	647,500	16.35%	74.44%
Donated goods and services		806,912	13.03%	295,656	7.02%	172.92%	339,426	8.57%	-12.90%
Investment activity, net		98,815	1.60%	30,614	0.73%	222.78%	15,282	0.39%	100.33%
Other income		48,926	0.79%				571	0.01%	-100.00%
Total Income		**6,191,772**	**100%**	**4,212,384**	**100%**	**46.99%**	**3,961,179**	**100%**	**6.34%**
Expenses									
Program services	$	4,451,684	70.10%	3,649,106	74.71%	21.99%	2,358,721	76.89%	54.71%
Supporting services		1,898,632	29.90%	1,235,481	25.29%	53.68%	708,910	23.11%	74.28%
Total Expenses		**6,350,316**	**100%**	**4,884,587**	**100%**	**30.01%**	**3,067,631**	**100%**	**59.23%**
Change in Net Assets	**$**	**-158,544**		**-672,203**		**-76.41%**	**893,548**		**-175.23%**

(Cont.)

		2004	Relative Weight	2003	Relative Weight	Growth Rate (2004/2003)	2002	Relative Weight	Growth rate 2003/2002
Income									
Contribution and grants	$	504,900	12.75%	25,000	1.15%	1,919.60%	991,457	50.44%	-97.48%
Membership dues		2,453,500	61.94%	1,463,500	67.51%	67.65%	570,000	29.00%	156.75%
Special event revenue		647,500	16.35%	534,817	24.67%	21.07%	321,628	16.36%	66.28%
Donated goods and services		339,426	8.57%	141,019	6.50%	140.70%	82,581	4.20%	70.76%
Investment activity, net		15,282	0.39%						
Other income		571	0.01%	3,650	0.17%	-84.36%			
Total Income		**3,961,179**	**100%**	**2,167,986**	**100%**	**82.71%**	**1,965,666**	**100%**	**10.29%**
Expenses									
Program services	$	2,358,721	76.89%	944,776	64.64%	149.66%	511,828	76.83%	84.59%
Supporting services		708,910	23.11%	516,808	35.36%	37.17%	154,329	23.17%	234.87%
Total Expenses		**3,067,631**	**100%**	**1,461,584**	**100%**	**109.88%**	**666,157**	**100%**	**119.41%**
Change in Net Assets	**$**	**893,548**		**706,402**		**26.49%**	**1,299,509**		**-45.64%**

Source: GBC's Financial Statements (available in www.gbcimpact.org)

Exhibit 7 – GBC Organizational Structure



Source: Documents directly provided by GBC staff

Exhibit 8 – Members by Industry and Region 2001/2011

September 2001

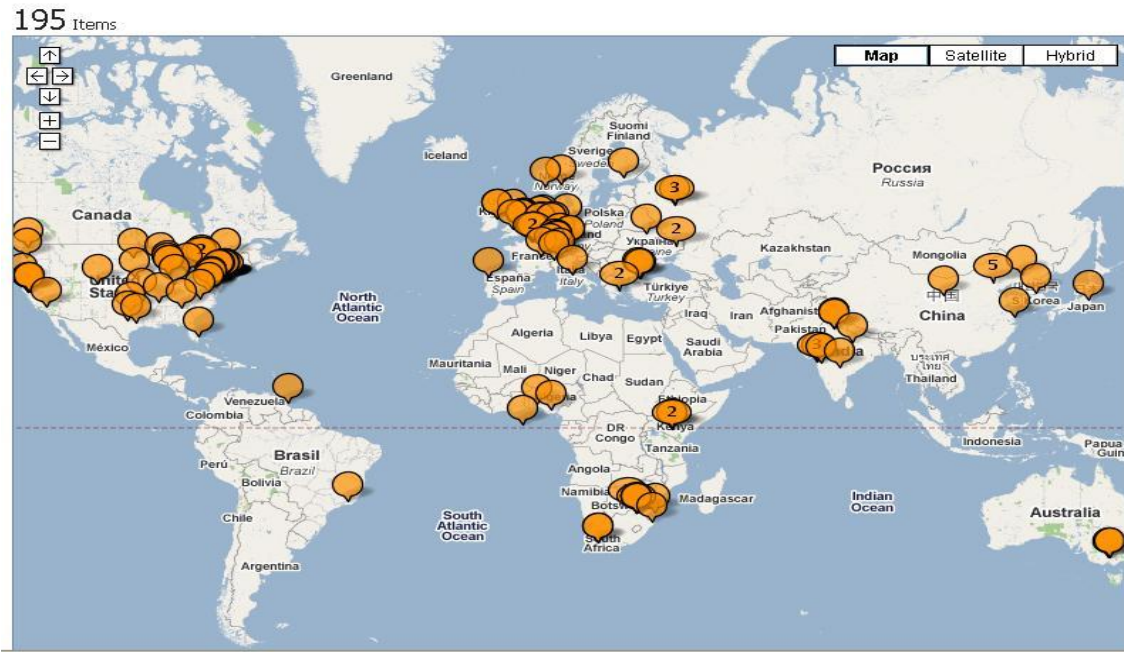
		Region					
		Africa	Americas	Asia/Pacific	Europe	**Total**	**%**
Industry	Automotive	-	1	-	-	1	6%
	Biotech/Pharmaceutical	-	1	-	-	1	6%
	Construction/Machinery	-	-	1	-	1	6%
	Consulting	-	-	-	1	1	6%
	Consumer Products	-	-	1	-	1	6%
	Energy (Oil, Gas & Electric)	3	-	1	-	4	24%
	Financial/Bank/Insurance	-	-	1	1	2	12%
	Food & Beverages	-	1	-	-	1	6%
	Hotel/Travel/Tourism	-	-	-	1	1	6%
	Industrial Manufacturing	-	-	1	-	1	6%
	Non-Corporate	-	1	-	2	3	18%
	Total	3	4	5	5	**17**	
	%	18%	24%	29%	29%		100%

April 2011

		Region					
		Africa	Americas	Asia/Pacific	Europe	**Total**	**%**
Industry	Agriculture	-	-	-	2	2	1%
	Automotive	-	1	1	6	8	4%
	Biotech/Pharmaceutical	-	12	4	8	24	11%
	Chemical Manufacturing	-	1	1	3	5	2%
	Computer/IT/Telecom	-	5	1	3	9	4%
	Construction/Machinery	-	-	-	4	4	2%
	Consulting	1	10	3	1	15	7%
	Consumer Products	1	10	2	6	19	8%
	Energy (Oil, Gas & Electric)	2	3	2	5	12	5%
	Financial/Bank/Insurance	5	15	1	8	29	13%
	Food & Beverages	1	2	-	4	7	3%
	Healthcare/Medical	-	2	1	3	6	3%
	Hotel/Travel/Tourism	2	5	-	5	12	5%
	Industrial Manufacturing	3	-	1	1	5	2%
	Legal Services	-	2	-	-	2	1%
	Media/Entertainment	2	15	1	5	23	10%
	Metals & Mining	4	4	2	6	16	7%
	Non-Corporate	-	15	-	1	16	7%
	Public Relations	-	4	2	1	7	3%
	Transportation Services	-	1	-	2	3	1%
	Others	1	1	-	-	2	1%
	Total	22	108	22	74	**226**	
	%	10%	48%	10%	33%		100%

Source: Documents directly provided by GBC staff

Exhibit 9 – GBC Member Companies by HQ location



Source: Documents directly provided by GBC staff

V. TEACHING NOTES

Case Summary

In the turn of the last century HIV/AIDS had vastly spread, gaining dramatic proportions and turning into the biggest and most significant 20th century pandemic. The impact of the disease on the world's economy was evident. Nonetheless business did not seem to be paying much attention to health related problems and in practical terms was doing even less to tackle them.

The Global Business Council was created in 2001, in the sequence of Nelson Mandela's appeal for active action from the business community to fight the pandemic HIV/AIDS. Later that year U.S. Ambassador to the UN, Richard Holbrooke re-launched the Global Business Council as a Coalition with support from the UN Foundation, UNAIDS, and philanthropists Bill Gates (Gates Foundation), George Soros and Ted Turner.

From its inception, with just 17 member companies GBC has grown considerably and today it has 226 corporate and non-corporate members. The Coalition's expansion model now includes captivating global health players, medium size enterprises and international NGOs. In 2006 the focus of its mission also expanded to include diseases such as malaria and tuberculosis and in 2011 GBC's mandate will extend to non-communicable diseases.

The Coalition joins forces with governments, international agencies and nonprofits to reach more people, more quickly, more effectively; its goal being to end these diseases more rapidly through collective actions for a common cause, which render greater impact. GBC guides companies through projects using their core competencies to maximize impact.

In the last 10 years a lot has changed, there has been great progress in the fight against HIV/AIDS, malaria and tuberculosis, and the business sector has not only increased its health related efforts but also taken them on from a more comprehensive perspective. GBC's contribution to these changes has been immense. This is easily depicted from the results shown in terms of people reached with its initiatives. However, a better performance and impact measurement system is needed; a more systematic assessment of initiatives would help to further improve GBC's effectiveness and impact.

Though until recently GBC had been consistently growing, with the global financial crisis new challenges appeared. Contrary to the tendency observed until then, for the first time the number of members suffered a decrease. Logically this had direct consequences on GBC's budget (membership fees, contribution and grants) and the Coalition had to readjust

expenditures. The need to reduce costs might endanger the viability of much needed actions, and for this reason GBC is now looking for new ways to earn revenue and attract members while trying to keep their current memberships.

Target Audience of the Case

This case is intended to be read by undergraduate or master students, specifically focused on the area of business management. It is of greater benefit if students already have a certain level of corporate social responsibility and strategy knowledge.

Learning Objectives

- Realize the importance of global health from a management perspective, given its impact in the global economy and businesses.
- Understand the growing importance of CSR for companies' sustainability and how it can become a source of competitive advantage if properly integrated in companies' strategy (strategic CSR).
- Familiarize with the existence of several different business models for social enterprises and their corresponding features.
- Understand how financial crises affect CSR and the nonprofit sector - Students are encouraged to find creative solutions to overcome the obstacles posed to the nonprofit sector.
- Understand how GBC's memberships evolved and its implications.

Relevant Theory

In the analysis of GBC's case it is important to have a certain degree of conceptual knowledge about corporate social responsibility, the macroeconomics of health and sustainability in the nonprofit sector. The literature review presented above gives a summary of topics found relevant for the case analysis.

Suggested Teaching Methods

The case should be given to students in advance in order for them to be able to carefully read it and analyze the major findings. Mentors could divide the discussion topics in order to have a more organized approach when analyzing the case. These topics could be given to students beforehand, to better prepare for class. In the class setting a summary of the case and the most relevant topics should be made. Having in mind the learning objectives, a set of questions is suggested for students to analyze the case, identify the key topics and relate them with their theoretical knowledge and life experiences when relevant.

Students should be divided in groups of 4 or 5 since smaller groups foster more interaction between classmates, allowing all of them to participate by sharing their opinion and interpretation of the case. Each group could be required to discuss between one and all topics, depending on the length of the class and whether groups were given the topics for discussion at home. Ideally, all of the main topics should be analyzed by each group.

After discussing the topics in-group their conclusions should be presented to the whole class. The mentor should organize and guide the session so that all groups are given the opportunity to share their perspective on the topics analyzed. For instance, each group would present a different topic, and then others would join the discussion, enriching it with their divergent or complementary views.

Suggested Discussion Questions and Analysis

1) **Identify the role of health in human and economic development. How and to what extent does global health impact companies and the economy?**

- Healthy individuals can fully develop their intellectual, physical, social and emotional potential. They can also allocate their financial resources to others needs, therefore educational level and health are linked in two ways, mental ability and economic resources (Aguayo-Rico et al., 2005; Mexican Commission on Macroeconomics and Health, 2004; Sachs, 2001).
- Figure 1 (Intergenerational Cycle of Human Capital Formation) in page 3 shows how a child's health and education has future implications for the individual's life, which are likely to affect and be passed on to the next generation.

- Figure 2 (Health as an Input into Economic Development) in page 5 illustrates the cycle and interdependency between health and economic development.
- Disease prevents economic development mainly through (Sachs, 2001):
  (1) Preventable diseases that reduce healthy life expectancy (workforce);
  (2) Parents' short investment in their children (basic needs and education);
  (3) Undermining business returns and infrastructure investment (from workforce to clients and investors alienation).
- Cross-country studies show a positive relationship between health and economic growth. When life expectancy increases by 10% economic growth is expected to increase by 0.3% to 0.4% per year (Finlay, 2007; Sachs, 2001).
- High incidence of diseases, such as malaria and HIV/AIDS, is also related to continuous and significant declines in economic growth rates. For instance malaria is known to reduce economic growth in at least 1% per year and a reduction of cases in only 10% would result in an increase of 0.3% in annual growth (Gallup & Sachs 2000 cit. in Mexican Commission on Macroeconomics and Health, 2004; Sachs, 2001).
- Companies are mainly affected by health through their workforce productivity, absenteeism and turnover, with direct repercussions on their profitability. By affecting human development, health also influences individuals' future income and wealth, impacting their buying power and therefore consumer market size. Plus, high prevalence of certain diseases might discourage tourism and otherwise lucrative investments (Aguayo-Rico et al., 2005; López-Casasnovas et al., 2005; Mexican Commission on Macroeconomics and Health, 2004; Sachs, 2001).

2) How can CSR become a source of competitive advantage and influence companies' sustainability? Are GBC's members doing strategic CSR? How could the Coalition improve its strategic significance for member companies?

- According to the triple bottom-line sustainability imperative, companies' sustainability depends on three dimensions: economic, social and environmental. CSR acts directly on social and environmental dimensions, which also impact the economic dimension (Dhiman, 2008; Henderson, 2009).
- Smith (2003) and Porter & Kramer (2006) argue that given the high market competitiveness, CSR can be a differentiation factor, creating a unique positioning and therefore a competitive advantage.

- Strategic CSR is the best way for companies to achieve competitive advantage. Strategic CSR is about applying companies' capabilities on key actions that render maximum shared value - value for the companies and for society. Those capabilities are the most appropriate to deal with the problem at hand (Porter and Kramer, 2006).
- Certain social issues will prove to have a significantly larger effect on a firm's competitiveness, providing good opportunities for strategic CSR activities (Porter & Kramer, 2006). Figure 3 (Prioritizing Social Issues) on page 10 provides information on how to differentiate between these social issues.
- GBC's members are acting on social issues in the external environment that can have clear effects on their competitiveness (see Figure 3). Through their workplace disease prevention programs and other workplace initiatives, they are acting on major health issues that, as seen in question 1, directly influence their workforce productivity, absenteeism, and turnover and can even influence their market size through consumers' buying power. On the other hand, if we take the example of certain impact initiatives to fight AIDS, while for some members they can be considered generic social issues (companies in other regions), for others it can be a value chain impact (like pharmaceutical companies) and finally it can be a competitive context issue for a company in the energy industry that relies on local labor for its operations.
- Furthermore, for its impact initiatives, GBC seeks corporate collaboration among the companies that present the most suited core competencies to deal with the problem at hand and helps allocating their resources. As mentioned above, applying core competencies is a characteristic of strategic CSR.
- GBC could improve its strategic significance for member companies by finding new and better ways to align its focus and initiatives with companies' interests, this means focusing on health initiatives that are on the scope of companies' value chain impacts and competitive context issues. In fact, this is precisely what GBC expects to do by expanding its mandate to health issues in general, Coalition's members will thus be able to target other diseases that are more relevant to them and which can represent an opportunity for strategic CSR.

3) Identify the main business models for social enterprises and their most relevant features. How would you characterize GBC's business model? Do you find it appropriate?

- Traditional nonprofit model: The organization is completely dependent on external support, like philanthropy, voluntarism and government subsidy (Boschee & McClurg, 2003; Elkington & Hartigan, 2008). Consequently they are neither sustainable nor self-sufficient.
- Leverage nonprofit model: Provide public goods to people economically vulnerable and at the same time allow them to assume ownership of the initiative, improving its long-term sustainability. The organization is supported by external entities financially, politically and in kind (Elkington & Hartigan, 2008).
- Hybrid nonprofit model: Public goods are provided to those economically vulnerable but the organization also makes money and reinvests it. By selling goods or services the organization assures at least part of the costs it incurs in. It still seeks funds from public, private and philanthropic organizations. Such organizations are considered to be sustainable, even though they are not self-sufficient (Elkington & Hartigan, 2008).
- Social business model: It is clearly a for-profit enterprise, but which focuses on social missions. Profits are spent supporting the poor and reinvesting to grow the venture. Investors do not simply give funding but actually seek both financial and social returns. The enterprise is not only sustainable but actually self-sufficient (Elkington & Hartigan, 2008).
- GBC's income comes not only from external contributions but also from selling services (membership fees, annual conference & dinner and investment activities). This means that GBC embraces the hybrid nonprofit model, it is sustainable even if not self-sufficient.
- Changing its business model to one of the first two mentioned would mean taking a step back, so the only consideration is whether GBC should change to a social business model or not. Given its mission, focus and objectives, such model does not seem to be appropriate; it does not seem to be truly aligned with the Coalition's interests and values. In conclusion GBC's business model is appropriate, but the organization could try to find new ways to improve its earned revenue.

4) **Recently the world has faced a significant financial crisis.**

4.1) What implications can we derive for companies' CSR policies?

- When companies face financial constraints one of the first things they must do is to cut those expenses believed to be superfluous. Unfortunately, CSR programs are among the first to be cut, or at least to see their budget significantly reduced. Smith (2003) correlates the ups and downs of interest in CSR with economic prosperity and recession, respectively.
- Therefore, it can be derived that only when companies' CSR practices are truly integrated in their strategy and seen as an important source of sustainability and competitive advantage is it more likely that CSR budget is maintained or cuts kept to a minimum.

4.2) Analyze GBC's key financials (Exhibit 6). How were GBC's budget, activities and structure affected by the crisis? In your opinion, what could GBC do to minimize the effects of the crisis and better cope with the new challenges?

- From the beginning of operations GBC's total income had always observed a double digit annual growth rate, the only exception being 2005 with a mere 6.34% growth rate, mostly due to a decline of more than 50% in contributions and grants. A similar income growth rate (6.91%) was not seen until 2008, when the consequences of the financial crisis were felt for the first time. In an unprecedented shift, revenues from membership dues has a negative growth, this means that companies leaving GBC outnumbered those entering. A lot of money was also lost in investment activity. However, 2009 was definitely the worse year for GBC, with every income item having negative growth. GBC had experienced its first ever negative income growth rate.
- Total expenses growth rate normally followed income tendencies. Even in 2008 and 2009 GBC was able to manage and cut expenses and end the year with a positive balance. Only in 2005 and 2006 did expenses surpass income.
- Data shows that in its first year of activity half of GBC's income came from external support. This was significantly reduced in the following years, when GBC's earned revenue accounted for far more than half of its income. However, in 2007 the item "contributions and grants" increased its relative weight from a small 7.56% to nearly 38%. In 2008 and 2009 this item represented almost 50% of income (note

that in 2009 its absolute value even decreased). Clearly it has been more difficult for GBC to keep its earned revenue.

- When looking at expenses, the Coalition has always been very consistent – the majority of the money goes to program services, with a small percentage, of maximum one third of expenses, going to supporting services. These numbers suggest that most of the money is being spent in the planning and implementation of actions/programs; and only a small amount in fundraising, management and general expenses. The financial crisis did not affect the relative distribution of money spent, even though it affected expenses since cuts had to be made.
- GBC's reduced budget meant cutting expenses. Though impact initiatives were not affected by these cuts, other less urgent and smaller projects had to be postponed. Furthermore, some internal rearrangements had to be undertaken. For instance, the Coalition closed its offices in Paris and Kiev, and established a strategic alliance with the European social enterprise Local InSight Global Impact. Another example is that it also stopped replacing positions.
- Some suggestions for coping with the new challenges are trying to find new ways to improve its earned revenue (new income sources); improving its strategic significance for member companies, which would help keeping and attracting new members; and trying to improve programs' performance measurement, this would be important for two reasons – better allocation of resources, to the activities that prove to be most effective and have best results; and positively influence potential members, by showing how their services positively impact member companies' performance, namely through their productivity, social reputation and brand image. Though GBC does not control companies it can try to provide further incentives for implementing programs' performance measurement and assessment.
- GBC's future directions seem consistent with the first two suggestions. With the help of its members GBC will start offering and earning revenue from an "experience" auction. Also, the Coalition is soon going to expand its mandate to health, which means that it will be providing services related with other diseases – this will improve their attractiveness to other potential members whose main concerns do not relate so closely to HIV/AIDS, malaria and tuberculosis but with other diseases. Moreover, GBC is trying to find new price points for membership fees and services offered, therefore becoming more appealing to companies that

are only interested in certain specific services or that cannot afford or are unwilling to pay the existent current fees.

5) **Based on the data provided (see Exhibit 8), what would you say were the most relevant changes in GBC's membership base? What future changes/trends would you expect? Explain your reasoning.**

- When comparing GBC's status in September 2001 to April 2011 two aspects stand out immediately: one is the number of members that increased from just 17 to 226 companies; and the other is the number of industries represented, when initially there were only 11 today there are more than 20. These two factors not only establish GBC's impressive growth in a decade, especially taking into consideration the impact of the global financial crisis, but they are also important from a qualitative perspective since their diversity reflects a multiplicity of core competencies that can be used in different programs according to their relevance.
- Today all regions have an increased number of members, in particular the Americas and Europe augmented their presence immensely, from 4 to 108 members and from 5 to 74 members respectively. Africa and the Asia/Pacific regions currently have only 22 members each, despite being the regions most affected by HIV/AIDS, malaria and TB. Such discrepancy might be related with the fact that these are also poorer regions, and has mentioned in the literature CSR seems to be related with economic prosperity, with recessions leading to a disinvestment in this area (Smith, 2003). As so, the evidence shown is in line with the literature and it seems reasonable to assume that lower-income countries (Africa and Asia/Pacific) are less likely to invest in CSR, and higher income-countries (Americas and Europe) more likely to do so.
- Concerning the relative weight of industries represented, those that stand out are Biotech/Pharmaceutical, Financial/Bank/Insurance and Media/Entertainment. These industries, perhaps only with the exception of the latter, are those that normally have worse social perception and reputation. They are strongly associated with greed, with wanting to make money at any cost, not caring for those affected by their actions. Pharmaceuticals, for instance, are well known for the role played in the AIDS pandemic in Africa, when they initially created numerous obstacles to drugs distribution for patent related reasons (endangering the social dimension of the triple bottom-line sustainability imperative). The financial industry is also strongly related to capitalism

and frequently blamed for the role played in financial crises and the associated corporate scandals. Ten years ago the sectors with strongest presence were Energy (Oil, Gas & Electric), Financial/Bank/Insurance and Non-Corporate. The energy sector also falls in the category of the two others just described (jeopardizing both the social and environmental dimension of the triple bottom-line sustainability imperative), and the non-corporate sector by its own nature seems to be more prone to social concerns.

- Regarding membership's future trends, though its current trend has been a decline in the sequence of the global financial crisis, it is expected to increase in the short-term for two central reasons: GBC's mandate expansion and new price-points that will most likely attract new members; and the significant economic growth evident in some previously lower-income countries (Africa and Asia/Pacific), their new economic prosperity will likely increase the investment made in CSR, which might bring new members for the Coalition – based on Smith (2003) observation of increasing interest in health in periods of economic prosperity.

VI. CONCLUSION

On the whole this case study provides a good and comprehensive perspective of GBC in terms of its past, present and future. Some of the problems and challenges the organization is experiencing might even apply to other social enterprises. The nonprofit sector in particular is very likely being affected by similar issues. GBC has proved to be in the right track to reposition itself and regain its prior financial sustainability. Despite the outcomes of the strategy that already is or will soon be implemented are yet to unveil, some of these ideas can be adopted and adapted by other organizations to their own reality.

This study has accomplished its aim, expressed in the problem statement. The case study and its analysis show not only the different dimensions affected by the financial global crisis and the extent of its impact, but also how this impact might evolve in the future. The research questions helped guide the case study analysis towards the aim of this work, and are therefore also a good starting point for reaching conclusions. GBC will soon be expanding its mandate and mission to global health, this is one factor that will help secure its membership basis, since it will become more appealing to more companies given the bigger alignment in interests. Another factor is the creation of new price-points, becoming affordable to more companies; and finally the economic growth observed in previously lower-income countries that are greatly affect by diseases like HIV/AIDS, TB and malaria.

Secondly, GBC's budget was significantly reduced after the crisis. GBC had to cut expenses, which lead to the closure of two offices in Europe. The coalition undertook several internal rearrangements but managed to secure the execution of its high impact initiatives. Though smaller scale activities might have been jeopardized, the crisis fortunately did not affect the larger scale, globally more relevant actions.

Finally, GBC's sustainability, with the help of some new directions and income sources, seems not to be at stake. With its current business model though GBC is not self-sufficient, it is sustainable. This is of the utmost importance given the work they develop and the good results that have had so far. Health truly is an important asset for human development and also a relevant factor for economic growth and prosperity. Improvements to GBC's business model are needed and have to be undertaken (new income sources) but further, more substantial change is unnecessary.

This study has had some **limitations.** Considerations regarding the appropriateness of the data used and its subsequent analysis are important to be made. The 2010 financial statements were not yet available, which means that the financial analysis is not totally up-to-

date and new trend shifts could already exist. Similarly, despite the effort made in order to include the most recent and even information on the future of the organization, a lot of the data provided and analyzed will soon be outdated given the repositioning the Coalition will very soon be undertaking. Moreover, information regarding memberships by year (between 2001 and 2011) could not be collected. This would have been important to understand more thoroughly how members evolved in terms of quantity, industry and region, and try to establish relationships and possible causes for the trends observed. It would also have allowed quantifying precisely the decrease in GBC's members after the crisis and characterizing the industries and regions most affected.

When analyzing the case study there is one area that stands out for falling short of its needs and the difficulty in addressing it: evaluation and performance measurement. This is one of the major issues for effectiveness, efficiency and progress. Given its relevance for the future of GBC and any other company, **future research** on this matter is suggested. This is especially important given the difficulty in mobilizing and convincing companies to engage in these practices that can help render better results in the long-term. As so, two main points are highlighted, one is how to evaluate the programs (procedures, etc) and the other is the most effective ways to gather company support and adherence to this project.

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