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Doing Business in Fragile and Conflict Markets: Merging Economic Opportunity with Social Development

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May 2015

Prepared as a part of the 2014/2015 Bancroft Global Fellowship

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EXECUTIVE SUMMARY

Companies around the world are increasingly looking to work in fragile and conflict markets. Nonmarket factors such as local politics, the lack of market information, and the presence of groups ranging from NGOs to insurgents, can make successful business operations completely unrecognizable from other markets. In fragile and conflict markets, firms must look to shape their local environment and, more often than not, contribute to the community's local economic development to achieve their business goals. However, current business practices and literature on corporate social responsibility fail to address many of relevant complications specific to fragile and conflict markets. This study uses a comparative analysis of the local engagement and social investment strategies of two large consumer goods companies—Procter and Gamble and SABMiller—to demonstrate the unique challenges associated with fragile and conflict markets as well as proposes recommendations for corporate and nonprofit leaders. This study concludes that some of the most heralded forms of corporate social responsibility do not necessarily work in conflict markets and that the design and planning of local engagement strategies needs to be elevated to the highest levels of firm.

INTRODUCTION

Over the past thirty years, businesses have increasingly committed to behave as good corporate citizens. Some merely by complying with new global norms and regulations while others have explored strategies for improving impoverished communities through charity and corporate social responsibility (CSR) programs. In addition to contributing to the development of each community, there is a growing consensus that these nonmarket strategies are critical for the success of firms in fragile and conflict markets. While a number of case studies examine whether firm CSR programs are themselves successful (measured by a program's positive social impact), few studies focus on whether CSR has been successful as part of larger commercial as well as development strategies.

Firms' awareness of their roles as social actors has seen a rebirth in the past 30 years. While generations ago, joint stock companies and national mercantilists saw their commercial interests as directly tied to the political landscape, corporate cultures divorced itself from politics and social development in the post-World War II period. The 1980s and 1990s saw a renaissance as corporations firmly embraced globalization and began to see business opportunities in the developing world. During this renaissance, experts have observed a number of stages or evolutions that firms went through as they created local engagement strategies. While there have been outliers, generally, corporate activity in the social development space has evolved from: a defensive reaction to new global human rights and environmental laws and norms; then a charitable stage in part to address humanitarian crises around the world; to a promotional stage to gain customer goodwill from philanthropic programs; and now the emergence of strategic and systematic CSR programs that seek both a social impact and increased corporate gain.[1] Companies working in fragile and conflict markets have employed all of these approaches in some form, though not always chronologically or in an ordered, evolutionary way. Fragile and conflict markets are messy, and present a unique and constantly changing set of circumstances, demanding a bespoke and flexible approach.

This study examines the operations of Cincinnati, Ohio based Procter and Gamble (P&G) and South African (and London) based SABMiller in fragile and conflict markets in Africa to explore the intent and success of nonmarket strategies in these markets. P&G has successfully sought to associate their brand with acts of corporate citizenship in new African markets while using social marketing to explore new marketplaces. Its flagship CSR program has provided billions of liters of clean water to communities around the world and helped cement P&G's status as one of the top global consumer brands. SABMiller's "Prosper Initiative," utilizes a more market driven, "strategic," approach to contribute to five selected development outcomes as well as lower their production costs. By making social investments in local small businesses, SABMiller has been able to reduce their input costs by working with local farmers while providing jobs and skills training for the local community. SABMiller's approach has gained international attention and has inspired a number of promising approaches to shared value and sustainable development throughout Africa.

[1] Visser, Wayne. *The Age of Responsibility: CSR 2.0 and the New DNA of Business*. Chichester, West Sussex: John Wiley & Sons, 2011. Print.

There is little doubt that charity, CSR, and other strategic development programs have assisted both P&G and SABMiller to expand into new, fragile, and conflict markets in Africa. This report will compare and contrast these two companies' motivations, approaches, and successes from both the company and local development perspective to provide an initial assessment of what conditions lead to success for both the business and the community at large. Using case studies from South Sudan, this paper will discuss approaches that led to success for the firm and community as well as the particular characteristics of conflict markets that complicate sustaining or expanding successful programs. The research will also offer initial recommendations on specific approaches other firms should explore if they hope to simultaneously encourage local development and maximize firm growth in fragile markets around the world.

UNDERSTANDING FRAGILE AND CONFLICT MARKETS AND CORPORATE SOCIAL RESPONSIBILITY

What Makes Operating in a Conflict or Fragile Market Different than Elsewhere?
A conflict market is one where ongoing violence or unrest threatens the stability of the economy and makes commercial transitions much more expensive as well as labor intensive. Conflict markets can range from nations with ongoing insurgencies and war—like Afghanistan, Iraq, or Somalia—to lower level or more regionalized violence as currently experienced in countries like the Democratic Republic of Congo or Mali.

In contrast, the Alliance for Peacebuilding defines fragile markets as states or societies where institutions and social cohesion are weak or dysfunction and creates stress on society that has the potential to fuel tension but does not have active manifestations of violence. By their estimate, more than 1.2 billion people currently live in areas where "violence, poor governance, poverty and weak civil society creates a cycle of war and suffering." The World Bank defines 33 countries as "fragile" although some of these countries could also be defined as conflict markets.[2]

Conditions in both fragile and conflict markets increase the cost of doing business and generally make doing business less attractive. Weak infrastructure, high security costs, and a poor or nonexistent regulatory environment are just a few of the most common obstacles to operating in such environments. Businesses hoping to work in these areas must navigate tribal and personal politics that often are pervasive in weakly governed countries and navigate business ecosystems constrained by an overall low capacity. In fragile or conflict markets, firms often consider it necessary to help build local institutions and play a larger role in the local development of the host nation. However, firms diverge significantly about how and what form this approach should take.

[2] "2015 and Beyond: The Link Between Fragility and Conflict." Alliance for Peacebuilding 2015 and Beyond The Link Between Fragility and Conflict Comments. The World Bank, 11 Feb. 2015. Web. 06 May 2015. <http://www.allianceforpeacebuilding.org/our-work/what-is-peacebuilding/2015-and-beyond-the-link-between-fragility-and-conflict/ and http://www.worldbank.org/en/events/2015/01/05/fragility-forum-2015>.

Why are Private Firms Interested in Local Development?
With the sputtering of the Chinese and other emerging economies, African fragile and conflict markets are increasingly seen as an important and growing market for consumer goods companies. Despite significant obstacles, the size, promising demographic trends, and growing middle classes observed in fragile and conflict-affected countries are particularly attractive to consumer goods brands like P&G and SABMiller. In the words of Dimitri Panayotopoulos, Procter & Gamble's Vice President of Global Business units, "There is a huge upside; this is where the babies are being born, where more and more consumers are getting ready for our products."[3]

While companies are scrambling to adapt product offerings and pricing models to attract these new customers, firms are also increasingly aware that these markets do not exist in a vacuum. More than developed markets, social, political, and cultural actors shape fragile and conflict markets.[4] Fragile and conflict markets tend to be much more unpredictable, increasing the need for firms to target their message and appeal to a broad group of audiences including local consumers, global non-government organizations, and new local regulatory environments sometimes hostile to global corporations and influences. Fewer international corporations are in these markets, and thus new firms tend to come under greater scrutiny and skepticism. Additionally, with so much focus on the politics and/or unrest or violence in these countries, news related to business interests can be seized upon by social, political and cultural actors as means to vent frustration, distract local attention, or cast blame.

To gain a competitive edge in these unique locations, firms are seeing an increased need to do more than merely think about market strategies to reach customers; they need to think about the communities and the brand from a more holistic and long-term perspective. A recent MIT Sloan report about nonmarket strategy lamented that "most corporations have viewed their social and political environments as a given. But with the growing nonmarket stakes, that is no longer an option."[5]

Furthermore, surveys continue to demonstrate that customers are increasingly interested in businesses' role in social causes. A 2010 Edelman GoodPurpose study found that:

> "87% of respondents believe that businesses need to place at least equal weight on society's interests as on businesses' interests and 72% would be more likely to

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[3] Curnow3, Robyn. "Procter & Gamble Targets Africa's Billion Potential Shoppers - CNN.com." CNN. Cable News Network, 3 Apr. 2013. Web. 06 May 2015. <http://www.cnn.com/2013/04/03/business/procter-and-gamble-africa/>.

[4] Bach, David, and David Bruce Allen. "What Every CEO Needs to Know About Nonmarket Strategy | MIT Sloan Management Review." MIT Sloan Management Review RSS. MIT Sloan, Spring 2010. Web. 06 May 2015. <http://sloanreview.mit.edu/article/what-every-ceo-needs-to-know-about-nonmarket-strategy/>.

[5] Bach, David, and David Bruce Allen. "What Every CEO Needs to Know About Nonmarket Strategy | MIT Sloan Management Review." MIT Sloan Management Review RSS. MIT Sloan, Spring 2010. Web. 06 May 2015. <http://sloanreview.mit.edu/article/what-every-ceo-needs-to-know-about-nonmarket-strategy/>.

> purchase a product from a company that supports good causes and has fair prices than a company that offers deep discounts but does not support good causes."[6]

Private Companies' Use of CSR and Local Development

Consumer firms such as P&G and SABMiller have largely followed common industry market strategies in lower income markets throughout Africa—reengineering products for the local context, lowering prices, offering smaller batches, and targeting premium customer segments. These highly effective tools have allowed P&G to grow the last 10 years from a business with 20% of their business in emerging markets to about 40% and led SABMiller's Africa business unit to be their fastest growing by the end of 2014.[7]

The term corporate social responsibility is broadly utilized to include a range of social activities on behalf of a firm. From basic employee volunteer efforts such as office highway cleanups and disaster relief clothing drives to more strategic efforts to address corporate sustainability, corporate social investment, shared value, corporate philanthropy. The term itself has lost clarity and has emerged as a catchall term to describe a range of business activities that are in practice quite distinct from one another. The various approaches explored in this study provides evidence that we need to be more sophisticated in our understanding of the marriage of corporate citizenship with strategic business goals.

More recently, Michael Porter and Mark Kramer helped popularize and promote a shift in mindset about the purpose of a firm, conceptions about the role companies play in value creation, and the evolution of CSR. Porter and Kramer argue that economic and social progress must be incorporated into firms' concept of value, labeling the approach corporate shared value, or CSV, as opposed to CSR. To Porter and Kramer, NGOs and governments handicap the debate about the purpose of firms by advocating for social progress at the expense of business. Instead, companies succeed by reconceiving products and markets and redefining productivity in the value chain to create shared value, to maximize both business opportunity and economic development in the markets in which they operate.[8]

Corporate social responsibility expert Wayne Visser describes in his book "The Age of Responsibility" an evolution of five different stages of CSR over the past thirty years. He asserts that companies tend to move through each stage (sometimes more than one at a time) and that, without more sophistication in companies' practices, global human

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[6] Bach, David, and David Bruce Allen. "What Every CEO Needs to Know About Nonmarket Strategy | MIT Sloan Management Review." MIT Sloan Management Review RSS. MIT Sloan, Spring 2010. Web. 06 May 2015. <http://sloanreview.mit.edu/article/what-every-ceo-needs-to-know-about-nonmarket-strategy/>.

[7] Hedley, Nick. "SABMiller Africa Region Yields Best Interim Growth." Business Day Live. N.p., 15 Oct. 2014. Web. 06 May 2015. <http://www.bdlive.co.za/business/retail/2014/10/15/sabmiller-africa-region-yields-best-interim-growth;>.; Curnow, Robyn. "Procter & Gamble Targets Africa's Billion Potential Shoppers - CNN.com." CNN. Cable News Network, 3 Apr. 2013. Web. 06 May 2015. <http://edition.cnn.com/2013/04/03/business/procter-and-gamble-africa/>.

[8] Michael Porter and Mark Kramer, "How to Fix Capitalism and Unleash a New Wave of Growth," Harvard Business Review, January0February 2011

development and environmental activists will be unable to tackle their primary goals.[9] Visser and an increasingly vocal cadre of development practitioners believe that the private sector involvement is instrumental in achieving the United Nation's Millennium Development Goals.

Figure 1. Visser's Five Stages of CSR Evolution	
Stage 1	Defensive
Stage 2	Charitable
Stage 3	Promotional
Stage 4	Strategic
Stage 5	Systematic

In the first stage, Defensive CSR, companies make ad hoc interventions in their target community through small investments on a limited basis to protect their shareholder's value. Another name for this stage might be "do no harm" as corporations tended to work to adhere to global minimum best practices and meet international standards related to pollution, labor practices, and basic corruption. Increasingly, firms are expected to undertake what can be called Defensive CSR programs as a part of their routine business operations in order to not be ostracized by the media and customers.

In Visser's second stage, Charitable CSR, companies created project-based charitable programs to altruistically assist communities. Many of these philanthropic programs are supported by donations and sponsorship often administered through trusts and foundations. Often these charitable approaches universally recognized good social goals but with little relationship to the companies' primary purpose or business model. They may empower community groups or NGOs and may or may not pursue sustainable or scalable solutions but some nevertheless amount to significant philanthropy in terms of overall dollars.

Promotional CSR, Visser's third stage, occurs when companies' conceptualize CSR activities as a public relations opportunity to solidify an image or enhance a brand. Sometimes negatively referred to as "greenwashing," Promotional CSR often utilizes tactics from other stages but does so with the primary output being reputation enhancement.

Fourth, Strategic CSR, refers to development activities that relate to a company's core business and attempt to influence and benefit from a corporate infrastructure that promotes a "double bottom-line." Strategic CSR often creates corporate policies and social and environmental management systems that look to create "virtuous cycles" of local development and corporate growth. Popularized and celebrated through academic case studies and gushing media specials, Strategic CSR is often thought of as the gold standard and last iteration of CSR. But, as this study will show, doing good for both the local community and the company can be complicated even when a company adopts a Strategic CSR model and reinforces Visser's notion of a further stage of CSR development.

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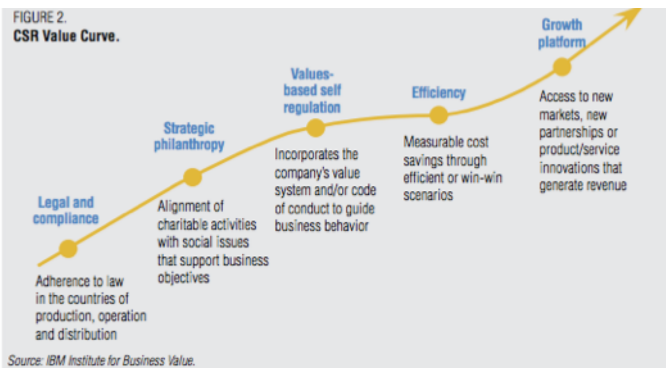
9 Visser, Wayne. *The Age of Responsibility: CSR 2.0 and the New DNA of Business*. Chichester, West Sussex: John Wiley & Sons, 2011. Print.

Visser's fifth type of CSR is Systemic CSR—and most closely aligns with Porter and Kramer's CSV. This stage focuses the implementing firm on tackling the root causes of unsustainable and irresponsible business models. Visser sees this final stage of CSR a state where corporations play an increasingly strong role in supporting social or environmental issues that align with their strategy. As opposed to Strategic CSR, which focuses businesses on creating internal systems and codes that benefit their business and the local environment, Systemic CSR, envisions innovative products and services that also address national and international policies.[10] While less concrete Strategic CSR, Visser's Systemic CSR provides a noble, yet potentially overly optimistic, goal for socially minded corporations.

Figure 2: IBM's linear CSR Evolutionary



Similar to Visser, IBM Global Business Solutions provides a corporate definition of a five-stage evolution of CSR: from Legal and Compliance activities to Strategic Philanthropy to Value Based Self-regulation to Efficiency to CSR as a Growth Platform (See Figure 2).[11]

While CSR literature often conceptualizes the evolution of CSR programs linearly, companies often jump between various "stages," move forward and backwards as conditions change, or even act differently depending on the market. This is especially true for fragile and conflict markets. Firms that utilize "defensive" approaches, "lower" on the evolutionary chain of CSR, are assumed to be on a track (or should be) to evolve towards Visser's Strategic CSR or IBM's Growth Platform. While Strategic or Growth Platforms of CSR may be preferable to Defensive and Legal and Compliance forms of CSR, they may not be possible under each local condition. The evolutionary model may aid an understanding of how CSR is changing globally, but should not be used to assume that the endgame, the Strategic approach, is always "best". There is no one size fits all model rather nonmarket approaches in fragile and conflict markets, as this study explores, need to reflect what is possible in the local environment. Firms must seek to find a CSR model that helps drive their business and contributes to local development while also fitting contextually within each circumstance.

To understand how more sophisticated CSR models work in practice and the range of approaches applied, this study looks at two prominent and mature programs—P&G's Children's Safe Drinking Water Program and SABMiller's Prosper Initiative—in South

[10] Visser, Wayne. *The Age of Responsibility: CSR 2.0 and the New DNA of Business*. Chichester, West Sussex: John Wiley & Sons, 2011. Print.
[11] Pohle, George, and Jeff Hittner. "Attaining Sustainable Growth through Corporate Social Responsibility." IBM Global Business Services (n.d.): n. pag. Corporate Social Responsibility. IBM Global Business Services, 2008. Web. 6 May 2015. <http://www-935.ibm.com/services/us/gbs/bus/pdf/gbe03019-usen-02.pdf>.

Sudan. Differentiating and exploring these company's diverging strategies can glean lessons for other firms of all sizes, industries, and organizational structures. Understanding their challenges in fragile and conflict markets is particularly useful as more companies confront the challenges of working in these types of markets and will help contribute to evolving literature on: 1) corporate social responsibility 2) business strategy and 3) international development strategy in these extreme markets.

CASE STUDY: PROCTER & GAMBLE—A HYBRID CSR MODEL

Procter and Gamble is one of the most successful consumer companies in history. Despite sales growth in P&G's emerging markets portfolio from 20% to about 40% over the past ten years, P&G's knows that it must continue to find ways to increase their presence in emerging, frontier and fragile markets around the world.[12] When announcing Procter and Gamble's sustainability strategy in 2010, former CEO Bob McDonald told a live webcast, "When we operate sustainably, we earn gratitude, admiration and trust that leads to opportunity, partnerships and growth."[13]

To build the gratitude, admiration and trust, in 2004, P&G established the Children's Safe Drinking Water (CSDW) initiative. The multimillion-dollar effort pledges to help create two billion liters of clean drinking water every year until 2020. P&G claims this effort will help save an estimated 10,000 lives and prevent 80 million days of diarrheal illness on an annual basis."[14]

Figure 3: P&G Water Purification System

The CSDW program was established somewhat serendipitously after the failure of P&G's effort to create a market for its water purification sachets or packets (see Figure 3). P&G's leadership realized that the value of the product line as a nonprofit exceeded its value if run like other for-profit P&G brands. Besides P&G's genuine excitement to help treat billions of liters of water for people in need, the P&G leadership hoped that the program would help P&G gain an understanding of the market, build brand awareness, and finally help retain and attract top talent. To understand the value of the CSDW program both for the local community and P&G, it is important to understand how the program was established, the motivations of P&G as well as

[12] Curnow, Robyn. "Procter & Gamble Targets Africa's Billion Potential Shoppers - CNN.com." CNN. Cable News Network, 3 Apr. 2013. Web. 06 May 2015. <http://edition.cnn.com/2013/04/03/business/procter-and-gamble-africa/>.

[13] Makower, Joel. "Behind Procter & Gamble's Sustainability Vision." GreenBiz. GreenBiz Group, 27 Sept. 2010. Web. 06 May 2015. <http://www.greenbiz.com/blog/2010/09/27/behind-procter-gambles-sustainability-vision>.

[14] Penn, Rotha. "P&G Children's Safe Drinking Water Program Commits to." P&G Children's Safe Drinking Water Program Commits to "Save a Life Every Hour" at 2010 Clinto Global Initiaitive. CSR Wire, 21 Sept. 2010. Web. 06 May 2015. <http://www.csrwire.com/press_releases/30634-P-G-Children-s-Safe-Drinking-Water-Program-Commits-to-Save-a-Life-Every-Hour-at-2010-Clinto-Global-Initiaitive->.

the implementation and approach utilized for this major CSR program. With that understanding, multiple lessons emerge and the benefits of P&G's hybrid Charitable, Promotional, and Strategic CSR model will become clear.

History of P&G's Use of CSR for Business and Development Purposes

In an effort to increase their presence in emerging, fragile, and conflict markets, in 1999 P&G acquired the Pur brand from Minneapolis-based Recovery Engineering and developed the water sachet in collaboration with the Center for Disease Control and Prevention. Pur (later branded P&G Purification of Water) is a leading tool to help individuals purify non-potable water when potable water is unavailable. Each packet, or sachet, can purify up to 10 liters (2.5 gallons) of clean water for almost immediate use. To purify water, the user adds the contents of the sachet to approximately 10 liters of water and stirs vigorously for about five minutes. Next, the contents of that container are poured into another bucket through a filter cloth that removes impurities. The sachets and process are especially good for muddy, dirty looking water and make a dramatic difference in the quality of the appearance and quality of the water.[15] Additionally, the product is cheap to produce, costing only about 3.5 cents to manufacture, and is easy to use and in high need throughout the developing world.[16]

Location/ Setting	Study Design	Diarrhea Reduction
Rural Guatemala	2,982 people 52 weeks	24-29% reduction
Rural Guatemala	3,401 people 13 weeks	40-72% reduction
Rural Kenya -- turbid water	6,615 people 20 weeks	17-42% reduction
Pakistan -- urban setting	12,090 people 39 weeks	59-64% reduction
Liberia -- refugee camp	2,191 people 12 weeks	87-95% reduction

Figure 4. Field Test of Pur Water Purification System

The Center for Disease Control and Prevention and Johns Hopkins University conducted five clinical trials on use of the sachet and found that its use provided significant reductions in diarrheal illness in children and the total population in each study location. The intervention had the greatest impact in a refugee camp in Liberia and in an urban setting in Pakistan where reductions in diarrhea ranged from 87%-95% and 59-64% respectively (see Figure 4). [17]

But the potential impact of the product was not enough to keep the sachets within P&G's core offerings. Their target consumers did not have the income to support the product, it took too long to persuade poor consumers they needed Pur, and it took them longer than expected to learn how to use the product once they were convinced.[18] Despite P&G's legendary ability to market and sell consumer products, disappointing sales in the initial

[15] Pleger, Jesse. "South Sudan WASH Programs." Personal interview. February 2015.
[16] Assadourian, Erik. "P&G: Pūr Marketing Genius." Is Sustainability Still Possible. WorldWatch Institute, 22 Jan. 2013. Web. 06 May 2015. <http://blogs.worldwatch.org/sustainabilitypossible/pur-marketing-genius/>.
[17] "P&G Purifier of Water." (n.d.): n. pag. Http://www.pghsi.com/. P&G. Web. 6 May 2015. <http://www.pghsi.com/pghsi/safewater/pdf/International_PPOW_handout.pdf>.
[18] Seagle, Carol, and Lisa Jones Christensen. "Case Study: Procter & Gamble's Pur - FT.com." Financial Times. N.p., 2 Mar. 2011. Web. 06 May 2015. <http://www.ft.com/cms/s/0/1415f250-44fe-11e0-80e7-00144feab49a.html#ixzz3VW71gSlG>.

market tests led P&G to consider cancelling the production and distribution of the Pur product altogether in 2004.

Around the same time, the devastation wrought by one of the largest tsunamis in recent history inspired the company to donate $3.1 million in health products and cash to the emergency recovery effort in Southeast Asia—including 13 million packets of Pur. With this experience in mind, the P&G senior executive responsible for the Pur brand, Greg Allgood, advocated to keep the Pur brand alive but fundamentally change the brand's business model. Allgood understood that the value of distributing Pur water purifiers through a nonprofit model would not only improve their ability to get the product to people in true need, it would also generate value for the business in less obvious ways than its bottom-line. Allgood remade the Pur brand's business model into one that aggressively partnered with international humanitarian organizations in order to purely make large donations and recover its costs.[19] With Allgood's help, P&G's CEO moved the Pur product from the company's for profit corporate sustainable development unit and created P&G's flagship corporate social responsibility program, now known as CSDW. Since then, the program has worked with over 100 partners to provide a total of 7 billion liters of water over approximately 10 years.[20]

P&G's Motivation

P&G's transformation of the Pur brand to a nonprofit business unit was closely linked with P&G's ambition to increase their business in emerging and fragile markets. While P&G continues to re-engineer its for-profit products and market to new customers, the firm is also heavily invested in utilizing Charitable, Promotional, and elements of Strategic CSR to associate its brands with positive social and economic developments throughout the world.[21] P&G understands that local development has an important link to the size of the market for their products and thus P&G is interested in leveraging their CSDW program to help social development and to advance their business position in fragile and conflict markets. For P&G, the CSDW has three primary business benefits:

1. ***Gathering Market Intelligence and Creating a Gateway Product***

Distribution problems in underdeveloped markets pose some of the most vexing challenges to consumer goods companies. P&G spend an inordinate amount of time attempting to get the right product, to the right channel, at the right price. Understanding their customer and finding reliable distributers and points of customer sales is especially difficult in fragile and conflict markets where commerce is disrupted by violence and distrust.

The CSDW program allows P&G to use social marketing to test and establish distribution relations before investing to a more costly distribution relationship. Social marketing—

[19] Seagle, Carol, and Lisa Jones Christensen. "Case Study: Procter & Gamble's Pur - FT.com." Financial Times. N.p., 2 Mar. 2011. Web. 06 May 2015. <http://www.ft.com/cms/s/0/1415f250-44fe-11e0-80e7-00144feab49a.html#ixzz3VW71gSlG>.
[20] Edwards, Andrea. "PSI and P&G Partnership." Personal interview. March 2015.
[21] Makower, Joel. "Behind Procter & Gamble's Sustainability Vision." GreenBiz. N.p., 27 Sept. 2010. Web. 07 May 2015. <http://www.greenbiz.com/blog/2010/09/27/behind-procter-gambles-sustainability-vision>.

the "application of commercial marketing techniques to social problems"—allows P&G to introduce products to local consumers through local implementing partners and without commercial risks.[22] P&G and its humanitarian partners use integrated marketing techniques, point of sales promotions, and retailer training to sell water purification sachets to customers in their local communities. Sales and marketing strategies are very local—what works in one area, might not in another—and utilize promotion tactics like the use of local community and religious leaders that would likely be unavailable in other markets. P&G's social marketing campaign helps maximize the reach of the CSDW program but also helps P&G develop future potential distributors and relationships. As some distributors become more advanced, there is potential for P&G to increase their offerings and introduce products other than Pur water purification sachets.[23] P&G also gains needed feedback about their customer and their product from these interactions. This market intelligence can help the company reengineer products that do not fit the local need or create new ones as needs are identified.

2. Generating Brand Presence and Trust

A recent MIT Sloan Management Review Research Report found that the leading reason companies pursue a subsection of CSR called sustainability partnerships is to "increase reputation and brand building," with more than 78% of corporate respondents indicating that reputation and brand building were very relevant or quite relevant. This interest in reputation and brand should not be a surprise. Although in 1970, more than 80% of corporate value was based on tangible assets, in 2009, only 19% was based on tangible assets leaving 81% of value dependent on intangible assets like brand and reputation. With corporate value increasingly reliant on intangible assets, it is no surprise that CEOs are looking to sustainability and other social programs to boost corporate value.[24]

P&G and other consumer goods companies that rely on their brand are also responding to the global internet-enabled market. Consumer goods companies increasingly understand that customers need to "buy" the company and their story behind the brand. Customers are interested in how companies operate, handle their workers, and manage their waste. Companies believe consumers are increasingly using judgments about a company to make purchasing decisions, although, some question just how much customers actually think about sustainability when making their buying decisions.[25] One P&G official commented that only 20% of customers take sustainability into consideration.[26]

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[22] "Section 1. Understanding Social Marketing: Encouraging Adoption and Use of Valued Products and Practices." Chapter 45. Social Marketing of Successful Components of the Initiative. Community Tool Box, n.d. Web. 07 May 2015. <http://ctb.ku.edu/en/sustain/social-marketing/overview/main>.
[23] Merchant, Nilofer. "Why Social Marketing Is So Hard." Social Platforms. Harvard Business Review, 08 Mar. 2012. Web. 07 May 2015. <https://hbr.org/2012/03/why-social-marketing-is-so-har>.
[24] Kiron, David Kiron, Nina Kruschwitz, Knut Haanaes, Martin Reeves, Sonja-Katrin Fuisz-Kehrbach, Georg Kell, "Joining Forces: Collaboration and Leadership for Sustainability | MIT Sloan Management Review." MIT Sloan Management Review RSS. 2014 Sustainability & Innovation Global Executive Study and Research Project, 12 Jan. 2015. Web. 07 May 2015. <http://sloanreview.mit.edu/projects/joining-forces/>.
[25] *Ibid*
[26] Carolyn Brehm, "P&G Corporate Affairs and CSDW." Personal interview. 22 Apr. 2015.

Regardless of customers' view of sustainability, it's clear that brands are searching for new ways to establish connections with customers. One study by the public relations firm Edelman reinforces the importance of building a positive brand image and trust with customers. A 2011 study found that when companies are distrusted,

> "A majority of consumers will believe negative information after hearing it only 1-2 times and only 15% will believe positive information after hearing it 1-2 times. Conversely, when a company is trusted, a majority of consumers will believe positive information after hearing it 1-2 times, and 25% will believe negative information after hearing it 1-2 times."[27]

The study concluded that "trust is a protective agent and leads to tangible benefits" while a "lack of trust is a barrier to change." Their study reinforced the need for companies like P&G to invest in social purposes to maintain corporate reputation and trust with customers.[28]

The increased attention to brand image contributes to P&G's recent commitment to associate their parent brand—P&G—with their flagship CSDW program instead of a sub brand like Pur. P&G officially divested from the Pur water purification brand in 2004 for an undisclosed sum after acquiring it for $213 million in 1999. P&G indicated that the "water purification category is not core to P&G's long term portfolio."[29] The divestiture follows a serious of other high profile sales of brands and a renewed focus of the company's core brands in international markets.[30] Despite the sale of Pur, P&G included an unusual provision with the buying consumer goods company Helen of Troy that allowed P&G to retained the rights to the water purification system specifically for its CSDW program. The impressive humanitarian results of the product and the dramatic field demonstrations turning turbid water to drinkable water remain powerful symbols for the company's commitment to the developing world and fit with their overall strategy.

As part of the sale, P&G rebranded the Pur water purification sachets to its corporate P&G logo. [31] The move to include the P&G logo, instead of one of its more than 150 brands, marks the first time the company has put its brand prominently on packaged goods since "P and G--The White Naptha Soap" was on sale in 1904.[32] While the product

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[27] "2011 Edelman Trust Barometer Supports Goodpurpose Findings | Edelman Good Purpose." Edelman Good Purpose. GoodPurposeBlog, 26 Jan. 2011. Web. 07 May 2015. <http://purpose.edelman.com/2011-edelman-trust-barometer-supports-goodpurpose-findings/>.

[28] *Ibid*

[29] Staff Writer, Cincinnati Business Courier. "Procter & Gamble to Sell PUR Water Filter Business - Cincinnati Business Courier." Cincinnati Business Courier. N.p., 6 Dec. 2011. Web. 07 May 2015. <http://www.bizjournals.com/cincinnati/news/2011/12/06/procter-gamble-to-sell-pur-water.html>.

[30] Neff, Jack. "Procter & Gamble Divests Pur but Retains Philanthropic Program." Advertising Age. N.p., 6 Dec. 2011. Web. 07 May 2015. <http://adage.com/article/news/procter-gamble-divests-pur-retains-philanthropic-program/231407/>.

[31] Silverstein, Barry. "P&G's Sale of PUR Is Not PURly Business - Brandchannel:." Brandchannel. N.p., 09 Dec. 2011. Web. 07 May 2015. <http://www.brandchannel.com/home/post/2011/12/09/PGs-Sale-of-PUR-is-Not-PURly-Business.aspx>.

[32] Neff, Jack. "Procter & Gamble Divests Pur but Retains Philanthropic Program." Advertising Age. N.p., 6 Dec. 2011. Web. 07 May 2015. <http://adage.com/article/news/procter-gamble-divests-pur-retains-philanthropic-program/231407/>.

and packaging remained nearly identical, the use of the P&G brand indicates their interest in ensuring the donated water purification packets were identified as a P&G product.

3. ***Providing Staff with Purpose and Helping Aid Recruitment and Retention of Staff***

P&G also understands the value that CSR and programs like CSDW can have for their ability to recruit staff and retain employees. In a survey of 2,215 workers around the globe, a study by the Center for Creative Leadership (CCL) found that existence of CSR programs were directly linked to how committed an employee is to an employer and was the third most important driver of employee engagement overall. [33] Alternatively, poor corporate citizenship or a negative reputation can hurt the ability of a company to attract top talent. A 2007 study found that 44% of young professionals report that they would discount an employer with a bad reputation.[34] P&G's use of CSR activities to recruit and retain is an important business benefit and often helps justify the costs of programs like CSDW. As recruitment and compensation become more important, creating programs like CSDW is increasingly important for P&G and other competitive firms.

Altruistic and Business Intentions

Throughout this research, in addition to the business benefits discussed, P&G officials maintain that the company felt they had a responsibility to "do good." A close study of primary and secondary sources related to the origins and operations of the program suggest a sincere interest in helping people in need. In fact, many P&G officials were hesitant to discuss the strategic business aspects or benefits of the CSDW program as they believed the positive benefits were immaterial and, at best, secondary to the altruistic and genuine intentions of the management team. These officials believed that if the program was truly done only for business motivations, it would have been cut as budgets around the entire company were cut over the past 5 years. P&G officials indicated that while smaller CSR programs run by individual sub-brands might be more strategic or targeted toward increasing revenue while also helping the local community, the CSDW program was philanthropic. While there are certainly direct business benefits to P&G's CSDW program, this study does not wish to suggest that P&G officers are not interested in the altruistic value of the CSDW program as well.

P&G's approach in South Sudan

Few countries have more citizens in need than South Sudan. South Sudan gained independence from Sudan in July of 2011 as a result of an 2005 peace deal that helped end Africa's longest running civil war. Subsequently, a power struggle between the president and his deputy plunged the country into crisis in late 2013, displacing more

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[33] "2010 News Release "Can Doing Good" Make a Difference in Job Retention and Turnover?" 2010 News Release: Can "Doing Good" Make a Difference in Job Retention and Turnover? Center for Creative Leadership, June 2010. Web. 07 May 2015. http://www.ccl.org/Leadership/news/2010/csr.aspx; Gross, Rob. "Corporate Social Responsibility and Employee Engagement: Making the Connection." Mandrake (Mandrake): n. pag. Web. 7 May 2015. <http://www.mandrake.ca/bill/images/corporate_responsibility_white_paper.pdf>.

[34] Gross, Rob. "Corporate Social Responsibility and Employee Engagement: Making the Connection." Mandrake (Mandrake): n. pag. Web. 7 May 2015. <http://www.mandrake.ca/bill/images/corporate_responsibility_white_paper.pdf>.

than 800,000 people and resulting in the killing of thousands of people on both sides of the conflict. Despite considerable oil wealth, South Sudan's population of 11 million has extremely high rates of impoverishment and low education. Internal conflict, political rivalries, weak government capacity, and ongoing disagreements with Khartoum, the capital of Sudan, have created few opportunities for optimism since independence.[35]

For ten years, in partnership with Population Services International (PSI), P&G has raised awareness around the clean water crisis and provided clean water to people in need. P&G relies on PSI's experience with emergency situations around the world and use of social marketing to spread the water purification products, create employment opportunities, and effectively distribute to remote communities. P&G provides continuous program management support and collaborates on long-term planning, however PSI is trusted with the technical direction and daily implementation of the CSDW program in South Sudan. The program helps fund teams of community-based workers who sell the P&G Purifier of Water packets for their own livelihood in their local communities. The program promotes entrepreneurship, health education, and the use of healthy drinking water.[36] P&G's partnership and financial assistance is structured as a grant that is used approximately 50% for procuring P&G's water purification sachets and 50% for program overhead. This overhead helps supplement other water, sanitation, and hygiene (WASH) programming funds allocated by PSI through other fundraising efforts and helps ensure that PSI has funds for their in-country logistics, distribution, and training assistance.[37]

PSI distributes the water sachet inventory provided by P&G's grant to three main areas in coordination with other donors and businesses. First, PSI works with the UN WASH Cluster to distribute the sachets for free in areas of immediate priority as determined by the UN. Second, PSI sells sachets to other nongovernment organizations in South Sudan for their own programming use. This avoids each NGO having to set up their own supply chain and infrastructure to house and import water treatment products. Finally, PSI sells some of their water sachets to wholesalers throughout South Sudan for public sale. PSI's pricing and allocation to each of these three channels depends on the situation on the ground and the need of the local community. PSI's staff works to ensure that products are being distributed and sold in the right areas, at the right price, at the right time.

Going forward, PSI hopes to shift their program from a model that requires P&G's donation to one where PSI's social business will be sustainable. In Ethiopia, PSI is optimistic that in the next few years a similar program will fund itself through the sales of water sachets.[38] If successful, this could demonstrate that P&G's hybrid Charitable and Promotional CSR model has come of age and has developed into an effective Strategic CSR tool.

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[35] "South Sudan Profile - Overview - BBC News." BBC News. BBC News, 22 Jan. 2015. Web. 07 May 2015. <http://www.bbc.com/news/world-africa-14069082>.
[36] "Procter & Gamble." Population Service International (PSI), n.d. Web. 07 May 2015. <http://www.psi.org/partnership/corporate-partnerships/procter-gamble/>.
[37] Andrea Edwards, "PSI and P&G's Partnership." Personal interview. 26 Mar. 2015.
[38] *Ibid*

P&G's partnership with PSI both helps positively contribute to the humanitarian crisis is South Sudan while also contributing to P&G's three primary business benefits. P&G's partnership is providing basic market intelligence for potential future operations, directly and indirectly helping to increase awareness of the company in South Sudan and abroad, and providing additional motivations for employees to remain committed to work for P&G.

CASE STUDY: SABMILLER – THE PROMISE OF STRATEGIC CSR

SABMiller is the second largest producer of beer in the world with more than 200 brands including iconic beverages like Peroni, Blue Moon, Miller Genuine Draft, and Coors Light. The company experienced impressive growth since 2000, increasing the number of countries in which it operates by more than 300% to a total of about 75-80 countries.[39] The company's recent growth has primarily focused on emerging, fragile, and conflict economies where approximately 80% of their business is concentrated.[40] In 2013, SABMiller's Africa business unit contributed more to the company's profits than Europe for the first time.[41]

Like other firms that rely on doing business in fragile and conflict markets, SABMiller has embraced nonmarket strategies as a key differentiator and business enabler. While companies that work exclusively in developed markets might primarily focus on pricing strategies, marketing products, and their core operations, SABMiller spends a larger proportion of their resources securing property rights, navigating nascent banking and regulatory systems, and securing power and transportation capabilities.

In part to overcome some of the challenges that are particularly common in fragile and conflict markets, SABMiller has looked to infuse a hyper-local and sustainable business model into their core business operations. SABMiller's unique approach to local development stems in part from their own growth from a small brewery in South Africa to a dominant player in the international, and particularly African, beer market.

History and Creation of the "Sustainable Way"

South African Breweries (SAB) was founded in 1895 in South Africa and operated primarily in Africa until the 1990s. In 1999 it moved it's primary listing to the London Stock Exchange in order to raise enough capital to purchase the Miller Brewing Company in North America, allowing it change its name to SABMiller and enabling it to compete globally.

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[39] Davie, Kevin. "SABMiller: Brewing up a Global Brand." SouthAfrica.info. N.p., 10 Oct. 2010. Web. 07 May 2015. <http://www.southafrica.info/business/success/sabmiller.htm#ixzz3PZijczEl>.

[40] Clark, Sue. *The Chevron Forum on Development: A Case Study on Innovations in Development*, Center for Strategic and International Studies, 26 Sept. 2011.

[41] Bariyo, Nicholas, and Peter Evans. "African Farmers Put Hope in Beer." Wall Street Journal. N.p., 12 Mar. 2015. Web. 07 May 2015. <http://www.wsj.com/articles/african-farmers-put-hope-in-beer-1426120282>.

However, in the mid-1990s, SAB began to purchase many of the newly privatized breweries in Mozambique, Ghana, Uganda, Zambia and Tanzania.[42] In some ways, SAB operated like a beer private equity firm, gobbling up undervalued beer breweries and strategically investing in upgrading their business models while incorporating them into the SAB culture. In the words of former African division leader Mark Bowman, “it was about fixing the companies” in the most difficult of environments, not necessarily about targeting high growth markets.[43] Bowman and SABMiller early purchases represented their interest in securing virtual monopolies in new markets throughout Africa—a strategy they would later employ in South Sudan.

Each of SAB’s acquisition significantly increased their overall corporate risk. Unrest, political dysfunction, and underdevelopment pervaded Mozambique, Ghana, Uganda, Zambia and Tanzania in the1990, but SABMiller quickly gained a reputation for operating in markets that few others would consider and learned how to manage the weak governance, poor infrastructure, and nonexistent supply chains that deterred most businesses. As SABMiller grew, it also began to collect lessons of how to work in difficult areas and created systems to share best practices between breweries.

In the years after SABMiller’s acquisitions throughout Africa, the continent’s GDP grew at an average annual rate of over 5%, helping to immediately create more consumers and SAB converted millions of former homebrew enthusiasts to loyal SABMiller customers. As African growth began to gather speed and demand for beer accelerated, SABMiller looked to institutionalize the lessons they learned from years of operating locally in fragile markets. To mitigate risks and build stronger local communities, SABMiller determined they needed to become a more active stakeholder and integrate local development practices into their business operations.

As a business necessity, SABMiller began to develop their own model of corporate social responsibility. Their model generally eschews social investment and philanthropic forms of CSR and instead looks to use their own business operations to insulate and develop a local business ecosystem that helps them sustain business operations while also creating a healthier community of beer drinkers. To do this, SABMiller often uses some of the same social investment tools—grants, loans, training, and mentoring—as NGOs or other socially focused organizations. But each social investment or development program is done with a focus on effectively helping the local economic environment while serving their own growth and profitability.[44]

Understanding SABMiller’s “Prosper Initiative”

The weight and volume of beer and its ingredients requires breweries be established near the communities they wish to serve. Given SABMiller’s interest in working in these

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[42] SAB formally became “SABMiller” with the purchase of American Brewer Miller in 2002.

[43] "The Beer Frontier." The Economist. The Economist Newspaper, 31 May 2014. Web. 07 May 2015. <http://www.economist.com/news/business/21602999-long-established-african-firm-went-global-only-find-fastest-growing-market-was-its>.

[44] *Ibid*; Nelson, Jane. "The next Stage of SABMiller's Sustainable Development Journey." Beer Blog. N.p., 18 July 2014. Web. 07 May 2015. <http://www.sabmiller.com/beer-blog/article/the-next-stage-of-sabmiller's-sustainable-development-journey>.

fragile communities, the company has fine-tuned a unique business philosophy that places what other companies might consider philanthropy or CSR at the center of their core business operations. SABMiller is not focused solely on easing development challenges or increase employment, but intends to work directly with local entrepreneurs to grow their local business, lower their supply and distribution costs, and simultaneously help create a new middle class of customers. [45] Their business model incorporates the need to contribute to the development of the local community in a systematic and strategic manner.

In 2014, SABMiller introduced their sustainable development ambition through a program they call "Prosper." The name Prosper embodies their intent in promoting shared prosperity as a means to succeed as a business and as a society. The Prosper Initiative aligns management's commitments to sustainability with its overall corporate strategy and growth opportunities.[46] The program sets quantitative social targets, shares good practices between business units and geographies, and helps perpetuate a culture of local responsibility and interest in local problems throughout the country (see Figure 5). For a global company, with operations or interests in markets ranging from South Sudan to Myanmar, Prosper is an important means to keep managers unified and focused on a sustainable business model. In the words of SABMiller's Managing Director for Africa, Mark Bowman, "Our view is that to operate effectively in Africa, one needs to work with local stakeholders…the biggest impact we can have is through the localization of our supply chain…It will save us money over time, it will localize our costs and it will win us friends."[47]

Figure 5. SABMiller sustainable development goals
SABMiller has pledged to:
- Directly support over half-a-million small businesses to help them grow, improve their livelihoods and drive local development.
- Achieve an industry-leading water-efficiency target of 3.0 liters per liter of beer and secure the water supplies it shares with local communities through watershed partnerships at every site that faces water risks.
- Reduce the carbon footprint of its entire value chain from grain to glass by 25 percent per liter of beer, and 50 percent across all breweries.
- Measurably improve food security and resource productivity by developing targets by crop and growing region.
- Encourage moderate and responsible alcohol consumption by scaling up global and local programs to reach all SABMiller beer consumers.

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[45] Nelson, Jane. "The next Stage of SABMiller's Sustainable Development Journey." Beer Blog. N.p., 18 July 2014. Web. 07 May 2015. <http://www.sabmiller.com/beer-blog/article/the-next-stage-of-sabmiller's-sustainable-development-journey>.
[46] *Ibid*
[47] Maritz, Jaco. "Saving Money and Making Friends: Why SABMiller Is Engaging Local Farmers." How We Made It In Africa Insight into Business in Africa. N.p., 11 Oct. 2012. Web. 07 May 2015. <http://www.howwemadeitinafrica.com/saving-money-and-making-friends-why-sabmiller-is-engaging-local-farmers/21065/>.

The Prosper Initiative simplifies an older SABMiller list of ten sustainability goals and is organized by placing the creation of five "shared imparities" or "worlds" as its center (see Figure 6). SABMiller matches these five worlds or end states with five shared business "imperatives" that culminate into measurable commitments and targets for 2020. For the purpose of this study, this paper will focus on the first world, "a thriving world."[48]

Figure 6. SABMiller Prosper Initiative's Five "Worlds" or Shared Imparities
A thriving world
A sociable world
A resilient world
A clean world
A productive world

To achieve a "thriving world," SABMiller's goal is to "accelerate growth and social development through our value chains." Four key programs have emerged as priorities:

1. Retail development program: empowering retailers to become better business people
2. Entrepreneurship: youth empowerment through a program called "KickStart"
3. Go Farming: Supporting and developing local farmers
4. Distributor and supplier development

SABMiller's Go Farming Program is perhaps the most prominent and relevant example of SABMiller's Strategic CSR approach in Africa. SABMiller uses the scale of its demand for the ingredients that go into beer as a means to foster sustainable enterprises that know SABMiller's particular needs.

For example, in Zambia, SABMiller is partnering with local farmers instead of importing barley from Europe. SABMiller's is partnered with about four farms in the agricultural districts of Lusaka and Mpongwe to guarantee Zambian farmers a market and give them security to plan for production in the future. After successful trial projects in 2009, SABMiller received around 12,000 tons of malting barley in 2010 allowing Zambian beer to be effectively self-sufficient for the first time ever. SABMiller estimates that locally sourcing the barely saves approximately $3 million a year in Zambia, significantly improving SABMiller's profit margins as well as providing local Zambian farmers with a secure income.[49]

Whether you call it Strategic CSR, shared value, or a double bottom line strategy, this partnership requires a sizable investment in Zambian farmers. Underpinning this relationship is SABMiller's provision of technical assistance according to the need of the local farmer. The company utilizes classic development strategies and intervention techniques ranging from soil analysis and upgrades, fertilizer recommendations, as well as credits to buy seeds, pesticides, fertilizers, and other farm needs depending on the farm and unique business case of the local farmers.[50] [51] However, in contrast to many

[48] "SABMiller Africa Corporate Affairs." Personal interview. Mar. 2015.
[49] Maritz, Jaco. "Saving Money and Making Friends: Why SABMiller Is Engaging Local Farmers." How We Made It In Africa Insight into Business in Africa. N.p., 11 Oct. 2012. Web. 07 May 2015. <http://www.howwemadeitinafrica.com/saving-money-and-making-friends-why-sabmiller-is-engaging-local-farmers/21065/>.
[50] "Go-Farming Sustainable Agriculture Initiative." SAB Stories. N.p., 12 Sept. 2013. Web. 07 May 2015. <http://www.sabstories.co.za/sustainability/go-farming-sustainable-agriculture-initiative/>.

international aid organization's and development projects, after the initial training or development intervention SABMiller is able to provide a direct market for the farmer's given output. Farmers receive specific skills and capacities that contribute to their immediate productivity and coaching that makes the relationship a successful capitalistic, not altruistic, transaction.

Similar SABMiller programs that work with farmers to produce other beer inputs like sorghum and cassava have seen similar success to SABMiller's work in Zambia. SABMiller's launch of the first commercial cassava-based beer in Mozambique gained particular attention from business leaders and sustainability experts. SABMiller's low cost Impala beer uses one of the most widely grown crops in Africa, cassava, instead of the traditional barely. Initially, SABMiller struggled to work with cassava farmers because cassava roots—over 70% water—were heavy and expensive to transport from remote subsistence farms to processing centers, and although cassava can remain in the ground for years, it needs to be processed quickly following harvest or else it has little nutritional value or taste.[52]

Despite these challenges with initial Go Farming pilots in Mozambique, SABMiller was convinced that the market for Impala was sufficiently large to justify continued experimentation. Mozambique possesses a growing aspiring class increasingly interested in substituting their home brewed beers with higher quality, mass-produced brands. To overcome their operational problems with the processing of cassava, SABMiller partnered with the Dutch company DADTCO to build a more effective mobile processor for cassava. Once shared with local farmers, the new technology allowed for basic cassava processing to be done in a 40-foot container in remote areas and then transported on for further processing without the extra water weight that made transporting the raw crop so expensive.[53] Thus far, SABMiller's program grown the number of farmers contracted to supply cassava tenfold in the past three years, reaching 10,000 in 2014. In other countries, the success has been comparable—more than 20,000 farmers have agreed to work with SABMiller, more than double the number three years ago.[54]

In Zambia, Mozambique and other countries, SABMiller helps build small enterprises by hosting training, providing access to finance, and opening up its procurements and contracts to business opportunities often inaccessible for nascent small and medium sized enterprises in fragile markets. SABMiller's interest in actively developing local partners

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[51] Bariyo, Nicholas, and Peter Evans. "African Farmers Put Hope in Beer." Wall Street Journal. N.p., 12 Mar. 2015. Web. 07 May 2015. <http://www.wsj.com/articles/african-farmers-put-hope-in-beer-1426120282>.

[52] "Investing in African Growth." Investing in African Growth. SABMiller, 3 Mar. 2015. Web. 07 May 2015. <http://www.sabmiller.com/home/stories/investing-in-african-growth>.

[53] Maritz, Jaco. "Saving Money and Making Friends: Why SABMiller Is Engaging Local Farmers." How We Made It In Africa Insight into Business in Africa. N.p., 11 Oct. 2012. Web. 07 May 2015. <http://www.howwemadeitinafrica.com/saving-money-and-making-friends-why-sabmiller-is-engaging-local-farmers/21065/>.

[54] Bariyo, Nicholas, and Peter Evans. "African Farmers Put Hope in Beer." Wall Street Journal. N.p., 12 Mar. 2015. Web. 07 May 2015. <http://www.wsj.com/articles/african-farmers-put-hope-in-beer-1426120282>.

helps them mitigate local risk, reduce their costs and assist in local development. Particularly in underdeveloped African markets, SABMiller's focus on developing SMEs is vital. More effective local businesses decreases their need to import expensive beer inputs or run their own beer distribution operations. These efforts help them decrease the costs on the supply side, increase margins, and increase sales capacity of their distributors.[55]

Like most socially conscious companies, SABMiller publishes an annual report on their sustainability and development efforts. SABMiller's report goes farther than most by including their progress toward their established key indicators in their annual report, directly after the CFO's financial and corporate summary of results. The inclusion of the sustainable development indicators is a large indication of SABMiller's commitment to this approach and realization of the importance of nonmarket strategies.

SABMiller's Business Motivation

So why has SABMiller integrated Prosper into their business operations? In the words of SABMiller's CEO, "Why are we doing something new? The answer is that the stakes are getting higher. Climate change, resource depletion, water scarcity, alcohol related harm, income inequality and poverty… the challenges we face as a society and as a business are getting bigger."[56]

SABMiller also knows that the nature of alcohol sales puts scrutiny on the health and development of communities. SABMiller addresses these risks in part by using their Strategic CSR as a positive influence in the community, offering employment opportunities and environmental sensitivity. Furthermore, SABMiller is aware that beer is a luxury product that requires its customers have some level of disposable income to purchase. SABMiller realizes that their sales is directly linked to the income levels of their community and any means in which they can help bring people out of poverty is likely to translate into new customers for them. SABMiller believes their focus on the local ecosystem helps them create new customers.

SABMiller's strategy and localization of their supply chain has helped them steadily expand their sales throughout Africa's fragile markets. In 2013, beer production in Africa, excluding South Africa, achieved a 9% increase and sales of low-cost locally sourced drinks could grow to "double or triple the size of the premium beer market as people move" from their home-brewed concoctions to SABMiller products.

Through their support and training of farmers, suppliers, and entrepreneurs, SABMiller is helping develop unique competitive advantages in fragile economies. They've shunned

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[55] Jenkins, Beth, Richard Gilbert, and Piya Baptista. Sustaining and Scaling the Impact of Enterprise Development Programmes SABMiller's Approach to Strengthening Business Ecosystems. Business Fights Poverty and Harvard Kennedy School: Corporate Social Responsibility Initiative, 2014. Web. 7 May 2015. <http://www.sabmiller.com/docs/default-source/investor-documents/reports/2014/sustainability-reports/sustaining-and-scaling-the-impact-of-edp-2014.pdf?sfvrsn=4>.

[56] Nelson, Jane. "The next Stage of SABMiller's Sustainable Development Journey." Beer Blog. N.p., 18 July 2014. Web. 07 May 2015. <http://www.sabmiller.com/beer-blog/article/the-next-stage-of-sabmiller's-sustainable-development-journey>.

CSR as a charitable effort and instead integrated the work into their business model hoping for a win-win situation. The large capital investment required to create a brewery necessitates a longer-term perspective on the profitability of a specific market. In part due to SABMiller's continued push for localization and regional procurement of inputs and distributors, total costs for SABMiller Africa, as a percentage of net producer revenue, have decreased from 78% in 2010 to 72% in 2014.[57]

Implementation

Since Prosper constitutes a set of sustainable business principles that inform goals and outcomes, it's integrated into each level of the business. While many CSR programs are relegated to separate divisions and receive uneven senior management attention, SABMiller's Prosper Initiative has successfully integrated its CSR goals into its overarching corporate goals. Furthermore, by placing sustainability reporting on almost the same level as their financial performance, SABMiller has elevated achieving their business and development goals together and further solidified a culture where working with the local community is valued.

SABMiller employees are expected to understand the Prosper Initiative as good corporate stewardship as well as a means to gain a competitive advantage. These principles and the resulting programs are meant for all communities in need but are particularly important and visible in fragile markets. SABMiller's Africa corporate affairs team and corporate literature shy from calling Prosper a CSR program—instead they are set of philosophies principles that provide value to both the communities they work in and for the company more broadly.

At the heart of SABMiller's approach is what the company calls their sustainable development way. This approach provides a consistent framework for managing the company's various programs, initiatives, and projects. Enshrined in papers, guidelines, trainings and other tools for sharing best practices globally, the entire framework is integrated into individual and business unit performance objectives and remuneration. To provide independence to some of the evaluation, SABMiller created a sub-committee on the SABMiller PLC board, created regional corporate accountability and risk assurance committees (CARAC), and institutionalized twice yearly discussions between regional managing directors and CARAC committees to address performance and emerging issues.

To make sure SABMiller properly addresses the local context, each enterprise development initiative is devised and executed by local management while the headquarters corporate affairs team in Johannesburg helps encourage new initiatives and measures each offices' results towards their enterprise development or other shared imperative goals. Through the implementation Go Farming and other similar programs

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[57] "SABMiller Sees More Affordable Beer and Middle Class Aspirations as the Biggest Growth Opportunities in Africa." New Food Magazine. SABMiller, 11 Mar. 2015. Web. 07 May 2015. <http://www.newfoodmagazine.com/16219/news/industry-news/sabmiller-sees-more-affordable-beer-and-middle-class-aspirations-as-the-biggest-growth-opportunities-in-africa/>.

aimed at enterprise development, SABMiller hopes to directly support over half a million small enterprises to enhance their business growth and family livelihoods by 2020.

SABMiller's Strategic CSR Approach in South Sudan

A report by the investment bank Renaissance Capital found that a single company captures on average 75% of the beer sales in the nine largest markets in Africa. SABMiller is committed to establishing itself in a market first, finding ways to overcome high fixed costs of building new facilities and supply chains, and dominating the market.[58] "There is a lot of opportunity in Africa, but you want to be the first one in the market and entrench yourself as the dominant player," says De Wet Schutte, an analyst with Avior Research in Cape Town told Bloomberg. "SABMiller has been largely successful in doing that."[59]

With their eyes fixed on becoming the national beer of the potential new nation of South Sudan, SABMiller established its brewery in 2007 outside the future capital city, Juba. SABMiller's investment was a popular success story for the international development community and its state-of-the-art $37 million investment made SABMiller the largest non-oil investor in South Sudan.[60]. South Sudanese government and international supporters highlighted SABMiller's move as the first major foreign direct investment and bragged that the factory was being operated with only 3-4% of its staff from outside of Sudan.[61] SABMiller created housing for workers, recycled, and demonstrated an interest in aiding in the local development of South Sudan.[62] In 2009 SABMiller doubled its production capacity to 350,000 hectoliters and expected volume to grow at a rate of 8-10% per annum. While sales initially focused on Juba, the firm planned on eventually branching out beyond the capital once road network caught up to demand.[63]

With the help of a $1 million African Enterprise Challenge Fund (AECF) grant, SABMiller began to implement its Go Farming Initiative in South Sudan when the plant doubled capacity. In partnership with the local NGO FARM-Africa, SABMiller supplied seeds, tools, fertilizers, and pesticides for farmers as well as guaranteeing a market for

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[58] "The Beer Frontier." The Economist. The Economist Newspaper, 31 May 2014. Web. 07 May 2015. <http://www.economist.com/news/business/21602999-long-established-african-firm-went-global-only-find-fastest-growing-market-was-its>.

[59] Kew, Janice, and Ekow Dontoh. "SABMiller Sells Cassava Beer to Woo African Drinkers." Bloomberg.com. Bloomberg, 23 Mar. 2013. Web. 07 May 2015. <http://www.bloomberg.com/bw/articles/2013-05-23/sabmiller-sells-cassava-beer-to-woo-african-drinkers>.

[60] "SABMiller Doubles Output of S.Sudan Brewery." Gurtong, 21 Aug. 2010. Web. 07 May 2015. <http://www.gurtong.net/ECM/Editorial/tabid/124/ctl/ArticleView/mid/519/articleId/3989/SABMiller-Doubles-Output-of-SSudan-Brewery.aspx>.

[61] "Sudan Gets Own Lager 25 Years on." BBC News. BBC, 10 Dec. 2008. Web. 07 May 2015. <http://news.bbc.co.uk/2/hi/africa/7775161.stm>. "Southern Sudan Goes Its Own Way with First Brewery - BBC News." BBC News. N.p., 22 Nov. 2010. Web. 07 May 2015. <http://www.bbc.com/news/world-africa-11800512>.

[62] Morgado, Gail. "South Sudan Business Operations." Personal interview. 27 Apr. 2015.

[63] England, Andrew. "SABMiller Tries Fresh Approach in a New Territory - FT.com." Financial Times. N.p., 15 Aug. 2011. Web. 07 May 2015. <http://www.ft.com/intl/cms/s/0/f24124e6-c1c7-11e0-acb3-00144feabdc0.html#axzz3XteZUETY>.

local cassava production.[64] While the grant initially hoped to provide business opportunities to around 2,000 smallholder farmers in the Yei and Morobo counties in South Sudan, at last count the program helped 264 farmers, creating 528 jobs and benefiting 764 households. SABMiller's initial ambitions came up short in part due to the changing security and political situation over the course of the three-year program.[65] [66]

South Sudan is a striking example of the way the need for non-local materials can significantly impact profit margins. To get imported inputs to the SABMiller brewery in Juba, materials have to be transported to the landlocked country through Kenya's port in Mombasa. It can take weeks to clear the port and requires another weeklong journey by truck through Kenya and Uganda. This process costs an estimated $15,000 to $20,000.[67] Prosper's local sourcing was a key strategy to keeping SABMiller's operations reliable and its profit margins high.

However, as open conflict erupted throughout the country in 2013, the Prosper Initiative programming was put on hold. As South Sudan transitioned from a fragile market to a conflict market, SABMiller sales in South Sudan fell by about 25%. While SABMiller maintained core manufacturing operations at their Juba brewery and bottling facility despite the evacuation of UN and US embassy employees, and the brewery apparently continues to operate at 50% capacity despite ongoing political uncertainty and unrest, interest in SABMiller's Go Farming and other CSR activities ceased.[68] [69]

As SABMiller's production was cut and conflict took hold of the country, access to remote areas of South Sudan became more difficult. These developments dimmed the prospects for future beer sales and effectively halted SABMiller's entire Systematic CSR strategy for South Sudan. SABMiller remains interested in restarting in Prosper activities, but until the country becomes more stable, SABMiller staff will likely not reengage in CSR activities. Currently, all beer inputs have to be imported even while capacity remains below 50% of previous output.

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[64] "Cassava - Big Business in South Sudan." New Agriculturist. N.p., Mar. 2012. Web. 07 May 2015. <http://www.new-ag.info/en/focus/focusItem.php?a=2520>.

[65] "SABMiller Announces Further Investment in Its Southern Sudan Operations." GlobalMalt. N.p., 2011. Web. 07 May 2015. <http://www.globalmalt.de/ru/english-sudan-sabmiller-announces-further-investment-in-its-southern-sudan-operations/>.

[66] "AECF General Window Grant Funding Summary." AECF. KPMG, June 2012. Web. 07 May 2015. <http://www.aecfafrica.org/windows/general-window/projects/sab-miller>.

[67] England, Andrew. "SABMiller Tries Fresh Approach in a New Territory - FT.com." Financial Times. N.p., 15 Aug. 2011. Web. 07 May 2015. <http://www.ft.com/intl/cms/s/0/f24124e6-c1c7-11e0-acb3-00144feabdc0.html#axzz3XteZUETY>.

[68] "The Beer Frontier." The Economist. The Economist Newspaper, 31 May 2014. Web. 07 May 2015. <http://www.economist.com/news/business/21602999-long-established-african-firm-went-global-only-find-fastest-growing-market-was-its>.

[69] "Sudan Gets Own Lager 25 Years on." BBC News. BBC, 10 Dec. 2008. Web. 07 May 2015. <http://news.bbc.co.uk/2/hi/africa/7775161.stm>. "Southern Sudan Goes Its Own Way with First Brewery - BBC News." BBC News. N.p., 22 Nov. 2010. Web. 07 May 2015. <http://www.bbc.com/news/world-africa-11800512>.

SABMiller's managing director Africa told the Financial Times that while South Sudan has been a challenge it was worth the risks. "You have 8 [million] people and no one making beer. There are not many greenfield opportunities left in Africa, so when you see that, there's a significant amount of risk but also a tremendous amount of opportunity."[70]

SABMiller's Prosper Initiative in South Sudan began with enormous promise. However, after no longer offering business benefits in the form of lower input and transportation costs, SABMiller ended its Go Farming program. As the environment changed from merely a fragile environment to a conflict situation, its Go Farming activities were no longer possible or practical. While SABMiller's Prosper Initiative in South Sudan is more than just its Go Farming program, in the absence of this signature local capacity building partnership, the impact of company's Strategic CSR program is muted. Conflict inevitably negatively impacted SABMiller's business—fewer South Sudanese were able to purchase beer—but the conflict also effectively ended SABMiller's ability to positively impact the development of the local community.

DESIGNING THE NEXT GENERATION OF CSR PROGRAMMING

Despite both companies interest in selling to consumers in South Sudan and commitment to local engagement and CSR programming, P&G and SABMiller created vastly different strategies. P&G's CSDW program was designed to leverage their company's ability to provide a water purification product to populations in need while it explored growth markets. The approach relies on partnerships with NGOs and international humanitarian groups with local expertise and focuses the company's CSR on a single primary issue, clean water. First formulated in 2004, the CSDW program is primarily a charitable program that contains Charitable, Promotional and Strategic CSR traits. By providing a needed product to a population in severe need, P&G also gains market intelligence, customer insights, and brand recognition to its anticipated future customer population.

In contrast, SABMiller employs a market driven approach, utilizing what Visser and others would call a Strategic CSR, double bottom line, or Growth Platform model. SABMiller focuses on localization and attempts to integrate sustainable development principles comprehensively into their core business operations while eschewing charitable mindsets or programming. SABMiller looks to harness their demand for local beer inputs and distributors and use social investment techniques more familiar to business incubators and NGOs to help create a business ecosystem that helps them lower the high cost of doing business in conflict and fragile markets.

As CEOs around the world prepare to explore the growth potential of new conflict and fragile markets in Africa, they must carefully look to construct nonmarket strategies, including CSR programming, that help them shape their local environment and provide them with a competitive edge while mitigating local risk. By comparing P&G and SABMiller, executives can chart their own course, drawing on the experiences of these

[70] England, Andrew. "SABMiller Tries Fresh Approach in a New Territory - FT.com." Financial Times. N.p., 15 Aug. 2011. Web. 07 May 2015. <http://www.ft.com/intl/cms/s/0/f24124e6-c1c7-11e0-acb3-00144feabdc0.html#axzz3XteZUETY>.

extremely different programs. To better understand and compare these two programs, the following section compares the positive and negative impacts of each program by examining each program in two distinct ways: their ability to impact business growth and their impact on the local community they are targeting.

Impacts on Business Growth

One of the most prominent advantages of SABMiller's Prosper Initiative, or the Strategic CSR approaches in general, is their ability to directly cut costs or expanding business opportunities. Therefore, Prosper does not appear to company executives or outside analysts as philanthropy or a onetime CSR expenditure. Undoubtedly, some of the training, mentoring, technical assistance and other social investments represent a sizeable investment. But these expenses are viewed as business investments with a commercial return. Devoid of a major line item expense to SABMiller, the program is thought to be more sustainable. As noted, total costs for SABMiller Africa, as a percentage of net producer revenue, have decreased from 78% in 2010 to 72% in 2014.[71]

P&G's hybrid Charitable and Promotional CSR model has different, less direct, business advantages. By providing P&G water purification sachets to PSI and the broader NGO community in conflict and fragile markets like South Sudan, P&G is collecting market intelligence, gaining favor with the local government, and gaining a firm mover advantage in an underdeveloped by near monopoly market. The humanitarian gains and the business advantages appear to have continued even as conflict erupted. P&G's decision to rebrand their water purification sachets to "P&G" rather than "Pur" speaks to their interest in increasing their brand visibility, even in relatively small markets like South Sudan. P&G has even been able to use their CSDW program to generate publicity in the form of celebrity endorsements and building a social media presence. Stars ranging from Bill Clinton to Queen Latifah have provided—at almost no cost to P&G—videos highlighting P&G's efforts around the world.

These efforts have not come without controversy as some environmental groups accuse P&G of "green washing" their image—or using the CSDW program as a way to distract from their less altruistic goals of selling other disposable goods and a consumer culture to new markets through small donations.[72] However, P&G use of the CSDW program as a means to communicate the deeper values of P&G has almost certainly created positive momentum in the developed as well as developing world.

In addition, working with PSI allows P&G to explore the potential of social marketing business models that have proven to be successful in other developing communities. While not in direct contact with each micro distributor, P&G still is able to gain exposure to potential partners and, when high potential and value distributor partnerships are

[71] "SABMiller Sees More Affordable Beer and Middle Class Aspirations as the Biggest Growth Opportunities in Africa." New Food Magazine. SABMiller, 11 Mar. 2015. Web. 07 May 2015. <http://www.newfoodmagazine.com/16219/news/industry-news/sabmiller-sees-more-affordable-beer-and-middle-class-aspirations-as-the-biggest-growth-opportunities-in-africa/>.

[72] "P&G: Pūr Marketing Genius." Is Sustainability Still Possible. N.p., 22 Jan. 2013. Web. 07 May 2015. <http://blogs.worldwatch.org/sustainabilitypossible/pur-marketing-genius/>.

identified, P&G invests resources to help grow that distributor's capacity. For example, in Myanmar, P&G is working with local distributors to redesign their organization structure and has allowed them to nearly double their profit margin through efficiency gains.[73] These strategies and tactics have allowed P&G to steadily increase their market share and total revenue in emerging markets from 20% to about 40% over the past ten years.[74]

Utilizing social marketing and local partners to find strong local distributors makes sense when you discover that in 100 out of 180 markets where P&G brands are sold, the company relies wholly on its local distributor partners to reach consumers.[75] Since in these markets, the local distributors act not only as providers of services to P&G but also as the face of the company, it makes sense that P&G would be interested in finding ways to gain access to the best local dealers. P&G reports that a majority of their suppliers are SMEs and in conflict and fragile markets like Bangladesh, Sri Lanka, Nepal, Cambodia, Laos and Brunei, P&G has invested nearly $20 million in local SMEs.

Overall, P&G's CSDW has various evident commercial advantages—though in less direct ways than SABMiller's Prosper Initiative. While difficult, and maybe impossible, to measure the impact of the CSDW program on P&G sales, anecdotal evidence suggests it has other operational and marketing benefits.

Local Development

The development results or impact of these two approaches on the local communities are extremely difficult to compare for a number of reasons. First, since P&G and SABMiller are targeting different groups—populations in need of clean water for P&G and local entrepreneurs and SMEs for SABMiller—comparing output or impact can be like comparing apples and oranges.

Second, SABMiller and P&G have different development goals. While SABMiller is particularly interested creating a thriving world, a sociable world, a resilient world, a clean world, and a productive world, P&G aims to save one life every hour by delivering more than 2 billion liters of clean drinking water every year by 2020.[76] Evaluating SABMiller because they haven't saved as many lives or P&G cause they haven't helped improve the local business ecosystem is unfair and would require one to make a judgment about which of the two end goals were more noble. Alternatively, each program can be evaluated according to their success at achieving their own stated objectives and, in that light, each program has had significant success as well as shortcomings.[77] Both programs

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[73] "A Global Leader, Local Partner." P&G Draft. February 2014.
[74] Curnow, Robyn. "Procter & Gamble Targets Africa's Billion Potential Shoppers - CNN.com." CNN. Cable News Network, 3 Apr. 2013. Web. 07 May 2015. <http://edition.cnn.com/2013/04/03/business/procter-and-gamble-africa/>.
[75] "A Global Leader, Local Partner." P&G Draft. February 2014.
[76] "Children's Safe Drinking Water Impact." P&G'S Children's Safe Drinking Water Impact. P&G, 2013. Web. 07 May 2015. <http://www.pg.com/csdw/childrens-safe-drinking-water-impact.shtml>.
[77] For specific discussion on how each company meets or fails to meet their own goals, both companies annually publish reports based on their goals. See: http://www.pg.com/en_US/sustainability/report.shtml

have impressive development results. P&G claims to have helped save more than 10,000 lives since the project's inception while SABMiller boasts about engaging 50,000 smallholder farmers and 68,000 micro-retailers and entrepreneurs worldwide through programs such as Go Farming.[78]

While both programs are designed to help local communities and institutions, their mechanisms are very different.

SABMiller's Prosper Initiative creates demand driven skills and supports employment and entrepreneurship. By harnessing the demand of their local brewing, they provide both the capacity to effectively serve SABMiller's business needs but also a pipeline of steady business. Famers, distributors, and other services providers can plan their business' future and work with an established business producer while also building out their sales, strategy, and operations for other customers. The nurturing and creation of additional suppliers and distributors for SABMiller operations is predicated on expanding demand. While the market for beer is sustainable, SABMiller's work with local suppliers and distributors has a multiplier effect on their own business. SABMiller assumes that at least some of the income of their employees and the employees of their distributors and suppliers returns to them in the form of beer sales.

Most importantly, SABMiller's incentives to training and create prosperous local supplier and distributors are aligned with the incentives of the local businessman and women. While donor agencies, NGOs, and implementers arguably have incentives to perpetuate underdevelopment, SABMiller has a business incentive to obtain rapid results. Future study is needed to research the validity of the assumption that these aligned incentives produce better development outcomes.

During 2014, SABMiller claimed it generated $24,254 million of economic value through their business activities—including distribution to employees, shareholders, governments and local communities. SABMiller claims that this money is magnified through a multiplier effect—SABMiller claims to employ more than 24,000 people and support more than a million jobs across their value chain.[79]

Other relevant benefits include contributions to local tax revenue. SABMiller claims that the sale and taxation of beer can be an import source of revenue for government tax collectors. In the between March 2013 and March 2014, SABMiller claims they

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and http://www.sabmiller.com/docs/default-source/investor-documents/reports/2014/sustainability-reports/sustainable-development-report-2014.pdf?sfvrsn=14

[78] "Improving Livelihoods." SABMiller Plc Sustainable Development Summary Report 2014. SABMiller, 31 Mar. 2014. Web. 7 May 2015. <http%3A%2F%2Fwww.sabmiller.com%2Fdocs%2Fdefault-source%2Finvestor-documents%2Freports%2F2014%2Fsustainability-reports%2Fsustainable-development-report-2014.pdf%3Fsfvrsn%3D14>.

[79] "Farming Better Futures." Ten Priorities, One Future. SABMiller, n.d. Web. 7 May 2015. <http%3A%2F%2Fwww.sabmiller.com%2Fdocs%2Fdefault-source%2Finvestor-documents%2Freports%2F2011%2Fsustainability%2Ffarming-better-futures-report-2011.pdf%3Fsfvrsn%3D4>.

contributed $10.75 billion in tax revenue to governments around the world, an increase of 8% on the previous year.

In exchange for partnering with local farmers, SABMiller has successfully—although controversially—negotiated reductions in beer taxes. SABMiller claims that the reduced tax on beer lowers the price of beer for the average consumer, luring more drinkers away from the sometimes dangerous and unhealthy local homebrews, toward purchasing more locally produced SABMiller beers like Impala. Beer brewed with local ingredients usually costs about 40% less than brands that utilize imported barely and other ingredients.[80] More beer purchases, SABMiller argues, helps create more tax revenue even at a lower rate than previously imposed. Bowman explains that SABMiller's model of using its own demand to localize its supply chain and help fuel local economic development is a "win-win proposition."[81] For example, in Ghana, tax rates for brews with more than 30% local content are as low as 10% while beers with less than 30% of the ingredients locally sourced are taxed at 47.5%. While SABMiller sells the local Eagle Lager beer for about 1.20 cedi ($0.61), SABMiller claims that these low tax rates actually allow for a Ghanaian beer to have a similar profit margin as that of its other brews.[82] [83]

However ActionAid and other NGOs accuse SABMiller of paying less than their share in the developing world by using clever accounting to bring profits from high tax countries to lower tax countries. ActionAid estimates that Ghana missed out on £76,000 (approximately $116,000) of taxes by tax practices that pay royalties and services fees to subsidiaries in the Netherlands, Switzerland and Mauritius.[84] SABMiller spokesman "entirely refute ActionAid's allegations."[85]

Despite this criticism, SABMiller has won a number of major awards for its work with cassava farmers in Mozambique and other fragile countries, including Best Corporate Social Responsibility Initiative at the major industry event, Drinktec, and the Best Philanthropic Business of the Year at the African Achievers (AfIA) Awards.[86]

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[80] "African Farmers Put Hope in Beer." Business Day Live. Wall Street Journal, 12 Mar. 2015. Web. 07 May 2015. <http://www.bdlive.co.za/africa/africanbusiness/2015/03/12/african-farmers-put-hope-in-beer>.
[81] Maritz, Jaco. "Saving Money and Making Friends: Why SABMiller Is Engaging Local Farmers." How We Made It In Africa Insight into Business in Africa. N.p., 11 Oct. 2012. Web. 07 May 2015. <http://www.howwemadeitinafrica.com/saving-money-and-making-friends-why-sabmiller-is-engaging-local-farmers/21065/>.
[82] Dontoh, Ekow, and Janice Kew. "SABMiller Sells Cassava Beer to Woo African Drinkers." Bloomberg Business Week. Bloomberg, 23 May 2013. Web. 07 May 2015. <http://www.businessweek.com/articles/2013-05-23/sabmiller-sells-cassava-beer-to-woo-african-drinkers>.
[83] *Ibid*
[84] "The SABMiller Guide to Tax Dodging." ActionAid UK. N.p., n.d. Web. 07 May 2015. <http://www.actionaid.org.uk/tax-justice/the-sabmiller-guide-to-tax-dodging>.
[85] "SABMiller Rejects Tax Avoidance Claims in Africa." Reuters. Thomson Reuters, 06 May 2011. Web. 07 May 2015. <http://www.reuters.com/article/2011/05/06/ozatp-sabmiller-africa-tax-idAFJOE7450EY20110506>.
[86] "Investing in African Growth." Investing in African Growth. SABMiller, 3 Mar. 2015. Web. 07 May 2015. <http://www.sabmiller.com/home/stories/investing-in-african-growth>.

Similarly, P&G claims the sale of their products helps increase the state's coffers. In 2014, P&G paid approximately 43% of its total tax payments to international governments while its sales outside the US represented approximately 65% of their total sales.[87] [88]

But in addition to tax revenue, P&G claims that their provision of water in conflict and fragile states has an immediate impact on the lives of people all over the world. P&G claims in its 2014 annual report that their CSDW program has "helped save an estimated 40,000 lives, as drinking contaminated water is a primary cause of death and illness in developing countries."[89] While it is impossible verify this claim, it's almost certain that P&G's assistance has made a material difference in the lives of many people in hardship circumstances.

In addition, P&G's partnership with PSI helps create employment. P&G estimates that for every $1 million of products sold in an emerging market, they employ approximately 12 people.[90]

Furthermore, by partnering with a NGO with a local presence and operation, P&G is able to get its products and development assistance to remote areas. PSI's local knowledge and development experience ensures true expertise in the technical matters related to humanitarian relief and water safety. In this way, the partnership leverages what each organization does best— P&G develops products and PSI manages and implements development and humanitarian assistance. This partnership eliminates the potential for duplication of efforts amongst these two partners and also keeps P&G's mission focused on a single, yet significant, problem that they have a competitive advantage to solve.

P&G's subsidized sale and free distribution of water purification supplies reduces programming costs of NGOs and emergency assistance providers who otherwise would purchase these water purification sachets from other more expensive providers. By building partnerships with NGOs and government relief groups, P&G multiplies the impact of donor funds and philanthropy given to its partners.

Limitations: CSDW's Sustainability and SABMiller's Limited Access to New Markets

Despite business and local development successes, CSDW and the Prosper Initiative's different orientation and goals created unique criticisms and limitations.

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[87] "Procter & Gamble Co. (PG) | Income Taxes." Stock Analysis on Net. N.p., n.d. Web. 07 May 2015. <https://www.stock-analysis-on.net/NYSE/Company/Procter-Gamble-Co/Analysis/Income-Taxes#Income-Tax-Expense-Benefit>.

[88] Coolidge, Alexander. "Guess Which Countries Are on the Rise for P&G." Cincinnati.com. N.p., 6 Sept. 2014. Web. 07 May 2015. <http://www.cincinnati.com/story/money/2014/09/06/guess-countries-rise-pg/15203945/>.

[89] "P&G Annual Report 2014." (2014): 93. P&G. Web. 7 May 2015. <http://www.pginvestor.com/interactive/lookandfeel/4004124/PG_Annual_Report_2014.pdf>.

[90] "A Global Leader, Local Partner." P&G Draft. February 2014.

This study finds two major criticisms of P&G's specific CSDW work. First, despite being an outstanding source of emergency clean water, the proliferation of water sachets does not address the need for more sustainable water solutions. Some development practitioners have criticized the inclusion of P&G's sachet distribution (and similar programs) in corporate sustainability reports. These critics believe that the funding for these sachets would be better utilized by local organizations that create sustainable water purification and distribution systems. They claim that more permanent approaches to building local water purification and distribution systems could be achieved for approximately $1 million dollars in an environment like South Sudan and can provide water for up to 20,000 people for decades compared to P&G's short-term assistance costing billions of dollars over the past ten years.[91]

Second, despite sounding like a fairly simple tool, these purification systems are not foolproof and require significant training and distribution efforts to be effective. When distributing water sachets, one practitioner described the explanatory time and effort spent as significant, and estimated that in one state in South Sudan, approximately 20% of the distributed sachets would simply be discarded by users, even though, as they had technically been distributed, they would be counted as providing 10L of water.[92]

The CDC reports that PSI and P&G treated almost 1.2 billion liters of water from 2006 to 2013 in South Sudan.[93] If you accept the UN's estimate that each person needs 50 liters of water a day for personal consumption, hygiene and to prepare food, the water provided by P&G equals enough water for more than 65,000 people for an entire year. Meanwhile, small infrastructure could presumably serve more and would alleviate the need for a sustained program of humanitarian relief. Nonetheless, at a minimum, P&G' can claim that its strong working partnership with NGOs has granted it additional access to some of the most needy populations in remote areas of South Sudan regardless of the deteriorating security situation, a valuable contribution during specific time periods when construction of more permanent systems may not be feasible.

In contrast to P&G, SABMiller has struggled to effectively implement its CSR model in South Sudan or other conflict markets. Demand for beer has largely slowed due to conflict and displacement as well as the evacuation of many of the higher income and heavy drinking expatriate aid workers. The escalation of conflict since 2013 has effectively limited SABMiller's distribution and supply chain to the major parts of Juba. With product demand significantly limited, demand for beer inputs likewise slowed, making the brewery's reliance on imported ingredients less of a problem.

In essence, the reduction of demand effectively negated SABMiller's power to utilize their Prosper Initiative's most impressive selling point: ability to lower costs while helping to stimulate local development. While it's possible that SABMiller's approach would have an impact in fragile markets where conflict is more dispersed and less

[91] Pleger, Jesse. "WASH Programming in South Sudan." Personal interview. 29 Jan. 2015.
[92] *Ibid*
[93] "Where CDC Works." The Safe Water System. Centers for Disease Control and Prevention, 06 May 2014. Web. 07 May 2015. <http://www.cdc.gov/safewater/locations.html>.

chronic, SABMiller's Prosper approach seems ill suited for conflict environments. When SABMiller's presence in a fragile market does not stimulate some level of demand, the business driven model collapses.

While the Prosper Initiative looks to actively engage the local business community, SABMiller does not intend to play a political role or engage in conflict mitigation outside of private sector development. As violence escalated in 2013, SABMiller began to fear that any outreach to community or business leaders could be misconstrued as a political motion for support toward one group or the other. Managing Director of Africa unit of SABMiller, Mark Bowman acknowledges that political and policy stability is what keeps him awake at night. He claims that SABMiller aspires "to work with authorities so we can understand the business environment we are in which helps us with our planning."[94] While SABMiller initially hoped to replicate some of the Go Farming initiatives utilized in other fragile and conflict markets in Africa, any partnership with local South Sudanese farmers was seen as risky at best, and dangerous at worst. SABMiller's Prosper Initiative may be best suited for fragile markets were hostilities have concluded but where fragility still remains. SABMiller's approach looks to minimize the barriers to doing business and the high costs associated with conflict and fragile markets but does not provide for other means to enhance development without sufficient demand for their locally brewed beer.

SABMiller also feared the optics of a program that could potentially be seen to threaten the food security of an extremely impoverished population. Any appearance of encouraging farmers to harvest crops intended for the use of beer instead of food could pose problems both for the food security of the local population—many of whom are subsistence farmers—but also the brand's image. A recent *Wall Street Journal* article highlighted how beer companies partnerships with local farmers had convinced so many Ugandan farmers to switch to farming sorghum that prices fell significantly. One year after receiving his best season's return ever, one farmer was no longer able to afford food for his family. And since these farmers were no longer producing local food staples like corn and beans, the price of corn and beans increased by approximately 20%.[95]

Even a company like SABMiller which has historically demonstrated an intense interest in working in traditionally unattractive high risk markets has been stifled in their efforts to implement an integrated business and social development model in the presences of conflict. While Strategic CSR models have promising results (especially in fragile markets), they can also be less effective in environments where there is no promise of immediate revenue growth to support their strategic investments. With no demand to drive the continued social investment, SABMiller has largely been prevented from implementing their award winning CSR model in South Sudan or other conflict markets.

[94] Aderibigbe, Niyi. "Policy Stability Critical To Business Growth – SABMiller MD." Ventures Africa. N.p., 22 Jan. 2015. Web. 7 May 2015. <http%3A%2F%2Fwww.ventures-africa.com%2F2015%2F01%2Fpolicy-stability-critical-to-business-growth-sabmiller-md%2F>.
[95] Bariyo, Nicoas, and Peter Evans. "African Farmers Put Hope in Beer." Wall Street Journal. N.p., 12 Mar. 2015. Web. 07 May 2015. <http://www.wsj.com/articles/african-farmers-put-hope-in-beer-1426120282>.

As Eric J. McNulty, director of research at the National Preparedness Leadership Initiative, suggests, SABMiller's experience in conflict markets is a reminder that capitalistic principles and a team of MBAs alone can't solve the world's most intractable social problems. In McNulty's words, big problems require the integration of more than supply and demand, they require efforts across public, private and nonprofit sectors.[96]

When asked if SABMiller was considering leaving South Sudan because of ongoing violence and political unrest, SABMiller's managing director responded, "you don't just leave, it's a long game." Even if SABMiller does not leave, its CSR program will need to change in order to contribute to the local community in the immediate term.

DRAWING LESSONS

What Lessons Can Be Learned for Firms Interested in Fragile and Conflict Markets?

Fragile and conflict markets in Africa will continue to tempt consumer goods companies throughout the world. Their size, attractive demographics, and booming middle classes offer large upsides to companies that have maximized their market share and profit potential in traditional developed markets. Smart consumer goods companies will need to continue to evolve their products and delivery platforms for fragile and conflict markets. But just as important will be their ability to create a nonmarket strategy that helps them develop competitive advantages and overcome the unique challenges of these less stable and developing economies. Despite similar interests in fragile and conflict markets, SABMiller and P&G have pursued very different CSR approaches and met with varied degrees of success. As executives develop their entry strategy for these new markets, CEOs, NGOs, and CSR practitioners should consider the following lessons:

1. ***Well-planned, impactful, and flexible social programs will pre-determine business success in fragile and conflict markets***

Business leaders can safely bet that, their firm or organization will need to work in an underdeveloped, fragile, or conflict markets to continue to grow. In these countries, even the most effective marketing campaign or lowest cost distribution center is not enough to succeed or grow their business. Firms will need to shape their environment using a multi-stakeholder approach in order to manage the local development issues that are increasingly correlated with companies' success or failure in fragile and conflict markets. Companies must come to grips with the nonmarket forces that impact their marketplace and elevate social program planning and implementation to an equal level with other strategic plans.

Fragility, local economic shocks, sudden inflows of refugees, and other nonmarket events will not be resolved by businesses' social programs alone. However, as companies increasingly look toward fragile and conflict markets for their profits, these events will

[96] McNulty, Eric J. "Isn't Every Company a Social Enterprise?" Strategy+business. Strategy&, 6 Apr. 2015. Web. 07 May 2015. <http://www.strategy-business.com/blog/Isnt-Every-Company-a-Social-Enterprise?gko=8aebc>.

dominate discussions at the executive level and require responses outside of typical market responses. Business will have to help build markets to benefit from operating in those markets. McNulty reminds firms that a corporation is a socially constructed entity and that businesses cannot presume to be above or outside of local realities.[97] Firms, at the highest levels, need to think about nonmarket strategy and more specifically CSR programs that address local development issues. Nonmarket strategies will need to be a C-suite, Board and Strategy issue, not a tactical or non-core issue.

2. Local Development initiatives and programs should leverage a firm's product portfolio or specific comparative advantage

While firms have the ability to shape the local environment, they should not look to solve just any problem in the local community. CSR activities are best undertaken when there is an overlap between the firm's business and the society's social problem. For example, Coca Cola's famed water programs are particularly effective because the incentives of both actors are aligned.[98] When incentives between the firm and the local community cannot be aligned, CSR initiatives can be seen as self-serving and exploitive. In developing and fragile markets like Zambia, Mozambique and Uganda, SABMiller is able to effectively overcome the high cost of importing barley and distributing beer by assisting local farmers and small businesses. However, in a conflict situation like South Sudan, SABMiller encountered a setting where their incentives to work with local farmers were significantly weakened due to the deteriorating security and political circumstances. P&G's CSDW program has a weaker connection to their core business operations or commercial product portfolio and serves more as a Philanthropic and Promotional CSR activity. However, P&G's partnership with a local social marketing expert and NGO confers some level of benefit alignment and avoids the pitfalls encountered by SABMiller. The next evolution of P&G's CSR programming may look to more closely associate their CSR work with their commercial motivations and entry-level product lines. Additional research is needed to develop tools to identify areas for alignment between social and business problems.

3. Fragile markets are different than conflict markets and local CSR and engagement programs must be tailored accordingly

Fragile and conflict markets have many similarities and characteristics but fundamentally must be understood as requiring completely different approaches. The presence of violence, displaced populations, and economic uncertainty in conflict communities alters how a firm can and should engage. CSR programming in fragile markets can count on some base level commerce and social capital. However, while conflict does not halt all commerce, as an outside company, the rules of the game change significantly. P&G is able to continue their philanthropic CSR programming in South Sudan because of their partnership with a NGO while SABMiller was forced to limit their strategic CSR

[97] McNulty, Eric J. "Isn't Every Company a Social Enterprise?" Strategy+business. Strategy&, 6 Apr. 2015. Web. 07 May 2015. <http://www.strategy-business.com/blog/Isnt-Every-Company-a-Social-Enterprise?gko=8aebc>.

[98] "Success with Sustainability at The Coca-Cola Company." Case Studies. SAP Insider, 1 Apr. 2010. Web. 07 May 2015. <http://sapinsider.wispubs.com/Assets/Case-Studies/2010/April/Success-With-Sustainability-At-The-Coca-Cola-Company>.

operations almost entirely. When considering if and how to establish a CSR program, it is critical to understand the implications of the local conditions on the success of your commercial activities and the community's local development in order to understand the real value-add of such programming. While SABMiller's approach is generally thought to be more sustainable, its inability to work in a conflict setting implies that SABMiller's Prosper Initiative may be particularly suitable for fragile markets, but not active conflict markets.

Most CSR literature insinuates that firms linearly evolve from a defensive or compliance based approach through other CSR models until they ultimately arrive at a higher form of CSR where both the company and the community are tangibly benefiting from commerce. As previously mentioned, Visser called this highest level of CSR Strategic or Systematic CSR while IBM conceptualized the evolution of CSR programs into a "growth platform." However, this study finds that thinking about CSR "evolving" creates the false impression that Strategic CSR is always the best approach. Instead, this study finds that SABMiller's profit motivated CSR platform, the Prosper Initiative, was severely limited by the local conflict environment and ultimately led to the end of their local enterprise development activities in South Sudan altogether. Meanwhile, P&G's CSR program—while considered a "lower" form of CSR, had greater impact for the local community in South Sudan. This study concludes that understanding what approaches are most effective in fragile and conflict markets is an important and under-appreciated task and that not all programs should strive to be Strategic or a double bottom-line. While lower forms of CSR have their problems and critics, in some situations these CSR strategies have the potential to have the most impact on the local community and the company.

4. ***Partners need to consider providing market intelligence in order to scale***

This study also found that one of the most valuable commercial benefits of CSR is the market intelligence and information about the local value chain that the programs help generate. Both SABMiller and P&G's CSR activities engaged with local suppliers, distributors, and entrepreneurs regularly and use information based on those interactions for commercial as well as development purposes. However, both companies reported that some of this market intelligence was lost as their NGO partners helped them implement CSR programming. Partners' focus on implementation obscured their larger understanding that careful collection of valuable market data could ultimately lead for more scaling. Without this focus, partners reported no formal tools to collect, store and disseminate the sort of market intelligence that companies would benefit from.

Local market intelligence is especially difficult to obtain in fragile and conflict markets where companies have a small staffing footprint or few local relationships. Gathering information about the local conditions, their customer's needs and interests, and the local value chain (and how quickly they can change) could be a powerful motivator for companies like SABMiller and P&G to scale or engage in additional CSR activities. To help scale social investment from firms, NGOs and local development partners need to assess what market information corporations might be most interested in and work to better collect and present this information to companies as an incentive to increase social investment. This sort of cooperation, while abnormal, could help distinguish certain NGOs from others and help give corporate CSR advocates additional ammunition to convince boards to increase their CSR investments.

5. *Acknowledging legitimate business interests in CSR programs builds trust*

Some businesses present their CSR programs as charitable programs with no business interest whatsoever. While in some rare cases, social investments by corporations may be entirely altruistic, the reality is that most CSR programs also have at least some business interest in the short or long-term. Businesses that hide or even downplay these commercial interests are often viewed with skepticism, especially in fragile and conflict markets where locals are often well versed in transactional forms of business, justice, and politics. P&G's CSDW program presents itself as a much more altruistic program than SABMiller's Strategic CSR approach. Interviews and anecdotal evidences suggests that P&G's program was viewed in South Sudan with more skepticism than SABMiller's program. While SABMiller's intentions were transparent and clear—"we want to work with local farmers to lower our costs"—P&G's program left the local community to speculate if they had an alternative motive in the country. Transparency about future or current business interests does not delegitimize CSR or local development efforts—it makes them more understandable and believable.

6. *Decentralization/localization improves performance*

Centralized CSR planning and implementation can create major inefficiencies. Not only do fragile and conflict markets change rapidly but opportunities to make major differences can appear unexpectedly and require local relationships and expertise. While P&G's CSDW program is a global program, its activities and emphasis vary depending on the local environment. P&G is able to mitigate the tendency for a CSR program manager to micromanage and enforce consistency across inconsistent countries by partnering with multiple NGOs around the world. By outsourcing the technical delivery to organizations with deep local knowledge, P&G was able to maximize their impact and market insights. SABMiller's approach imposes principles and performance indicators on managers of all level of the business and asks managers to take appropriate local initiative to achieve those metrics. The corporate affairs team in headquarters works with each country management team to hit targets, identifies opportunities, and share successful practices that might work elsewhere. For example, Go Farming initiatives in Mozambique were replicated in South Sudan with the assistance of headquarters but were crafted and shaped by local management.

In addition to the management, goals and targets for each CSR program should be tailored to the local conditions and needs. Centralized planning tends to create either unrealistic or unresponsive goals with little connection to the local context. Promotional CSR models have a tendency to be more centralized because their intention is to create good PR. Decentralizing and localizing management as well as target setting can help overcome the problems that Promotional CSR's programs often create. Partnering with local NGOs can also help give companies a better assessment of the needs on the ground.