

**HOW DO MULTINATIONALS BUILD SOCIAL CAPITAL?
DIAGEO'S CORPORATE CITIZENSHIP PROGRAMME**

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Abstract

This paper attempts to enhance understanding of the process by which multinationals build social capital by examining the Corporate Citizenship (CC) activities and associated social capital outcomes of the UK-based branded alcoholic drinks company, Diageo. The firm possesses a structured portfolio of CC initiatives and projects and has a long-standing tradition of community engagement. This paper examines Diageo's CC strategy in depth and considers the ways that their engagements impact upon social capital development in different arenas. The forces driving social capital outcomes are considered and implications for companies and governments are offered.

Keywords: social capital, corporate citizenship, Diageo, community programmes.

JEL Classification: M14, Z13

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How do multinationals build social capital? Diageo's Corporate Citizenship Programme

1. Introduction

Whilst studies of corporations' Corporate Social Responsibility (CSR) programmes are numerous there has been comparatively little analysis of the social capital impacts associated with Multinational Corporations' (MNC) community programmes (Jones et al., 2004). This is an unfortunate omission within the social science and management literatures as social capital is increasingly being seen as central to the generation of positive developmental outcomes (Putnam, 2000, Woolcock, 2000). Governments are keen to harness the various capitals held by MNCs in order to achieve broader socio-economic objectives within communities (Fine, 1999, World Bank, 2000). However, it can be argued that the true character of MNC engagement within communities is in fact poorly understood. It is only by comprehending the motivations for MNC engagement, the mechanisms by which engagement occurs and the varying types of outcomes that we can begin to make definitive proclamations about the wider role that MNCs can play beyond their core-business commitments.

This paper makes an initial contribution to the development of these understandings through its focus upon the Corporate Citizenship (CC) activities and associated social capital outcomes of the UK-based MNC, Diageo. Diageo is an interesting case study for a number of reasons. The firm possesses a structured portfolio of CC initiatives and projects, has a long-standing tradition of community engagement and it has taken a lead role in various CC forums that exist well beyond the realms of Diageo. It is within this context that we can hypothesise that aspects of Diageo's CC programme can be represented as "best practice". This paper examines Diageo's CC strategy in some depth and considers the ways that their engagements impact upon social capital development in different arenas. The forces driving social capital outcomes are considered and it is contended that social policy-makers need to be fully aware of these forces when exhorting MNCs to take a greater role within communities.

The research design employed in this case builds upon broader countrywide studies of MNC induced social capital development conducted by Jones, Nyland and Pollitt (2001, 2002, 2004). These previous papers have involved the construction of metrics for assessing MNC engagement. Previously the data deployed within these assessments has been sources purely from the Internet. On this occasion web-based material has been supplemented by in-depth primary research within the firm. This process permits the metric methodology

to be re-evaluated and progressed, as well as providing a detailed picture of Diageo's CC programme and its associated outcomes.

The objectives of this paper are as follows:

- To evaluate the company's CC strategy, thus providing a picture of the context within which social capital development occurs.
- To provide detailed analytical case studies of four of Diageo's flagship CC initiatives.
- To outline and evaluate the ways that Diageo's CC activities generate social capital.
- To consider the policy implications of our findings.
- To review the methodological implications of our research, in particular the efficacy of web-based research into the activities of corporations.

Section 2 outlines the research design, including a justification of the focus upon a single case study. The third section provides a brief biography of Diageo including an account of the strategy driving its CC programme. The fourth section provides detailed case studies of four of Diageo's leading CC projects, with a focus upon the ways that social capital development occurs. The fifth section provides an analytical discussion of the company's impacts upon social capital and suggests ways of categorising these impacts. The sixth section reviews the methodological issues raised by this research, in particular the efficacy and accuracy of web-based research into corporations. The final section draws together the findings, offers some concluding thoughts and draws policymakers attention to the importance of understanding the motives governing corporations community engagement programmes.

2. Research Methodology

Rationale for use of Case Study as method

In this case social capital building by MNCs has been investigated through detailed analysis of one major corporation. The primary research was conducted over the period July to September 2004. Such individual case studies are legitimised by the extent to which they can be considered as representative of processes playing out across wider arenas. Clearly case studies are limited as an analytical device by the reality that certain processes and outcomes are contingent upon matters of time and place (Massey, 2002). The usefulness of a case study is thus defined by the extent to which the findings enable wider theoretical reflections to occur (May, 2002). In this context the in-depth case study permits the processes and outcomes in social capital terms associated with Diageo's CC programme to be evaluated against the backdrop of contemporary

theories and empirical studies concerning social capital building by corporations. Whilst much research has been conducted on CSR programmes, relatively little research has been conducted which focuses upon the social capital aspects of a firm's community activities. Furthermore, a view developed from intensive research within a firm is comparatively rare thus defining the distinctive contribution of this research project.

Rationale for choice of Diageo as a case study

Diageo were selected as the focus for this study for a number of reasons. Firstly, Diageo enjoy a favourable reputation in relation to their CC activity. The company has been in the vanguard of community activity for some time and was one of the first to appoint a professional CC director and has been proactive in setting up industry bodies to evaluate CC activities. The company is explicit about the value of its community activity (see Lord Blyth's introduction to the 2003 Annual Review for example) and the CEO has made a number of high profile statements about the importance of corporate-community relations (CSRwire, 2002). Furthermore, previous work by Jones et al (2001, p.36) examined Diageo's work in South Africa and commented that Diageo's "*commitment is impressive*" and that Diageo "*provides one of the closest anticipation's of the concept (social capital) in this survey*". The company's commitment to CC reporting is indicated by the maximum score attained via the Jones et al, (2001) Norm Index which looks at the transparency of reporting (see page 12). As this project is exploratory in nature we would argue that it is important to find out what can be achieved by a company this is reputed to represent "best practice". Diageo dedicate considerable web space to their CC activities thus providing good access to secondary sources. Information included on the website includes Factfiles describing individual projects, details of focus areas and a variety of active reports outlining CC activities in different markets. The extent and detail of such information certainly sets Diageo apart from many companies. It should also be noted that Diageo are proud of their Corporate Citizenship endeavours and references to this work are regularly to be found in executives' statements (CSRwire, 2002). Finally, owing to the existence of pre-existing contacts the research team were able to negotiate access to key personnel within the corporation. Thus, an invaluable insight into the actions and motivations of the corporation could be gained.

Selecting the project case studies and examples

The research process involved analysing primary and secondary sources. Initially the broad context of Diageo's CC programme was examined via the company's website. It was decided that a small sample of projects would be examined as full case studies, whilst a further group of projects would be examined as shorter examples. A potential sample of projects was drawn up

from the data available on the website and its supporting documentation. The criteria for selecting this initial sample were as follows:

- Ensuring that all major focus areas for CC activity are represented.
- Ensuring that a reasonable cross section of geographic markets are represented
- Projects exhibiting different types of engagement are examined in order to illustrate variations in what can be considered community engagement.
- Projects that have emerged in different periods of the company's history are examined, as are projects that emanate from the various brands that now comprise Diageo.

The major case studies were chosen as they all have clear social capital building elements and have involved the input of considerable resources from Diageo. They also reflect projects that have emerged at different points within the corporation's history. *Tomorrows' People* is a long-standing commitment, whilst *Earthwatch* is comparatively recent initiative whose objectives reflect ongoing shifts within corporate strategy. *Projeto Bartender* reflects the increasing emphasis upon alcohol education, whilst *Youth Business International* (YBI) is a high profile initiative involving various partnerships with major national and global institutions. Both *Projeto Bartender* and YBI are particularly interesting from a social capital building perspective, as they have been implemented as spin-offs from other initiatives. An important factor guiding the choice of major case studies was the apparent availability of information both from Diageo and other sources.

It was originally intended that a total of 3 or 4 detailed case studies would be investigated, supplemented by a dozen shorter project examples. Whilst excellent access was gained to information for the case studies, permitting four projects to be examined, it transpired that little detailed information beyond that available on the Internet is held centrally by Diageo on the majority of projects. Thus, considerable assistance would have been required from Diageo's local business divisions if sufficient information was to be collected for our purposes. Diageo offered to provide assistance in gathering information for a further five project examples. A shortlist was sent to Diageo's CC team and after a process of negotiation the following projects were chosen for investigation:

Detailed case studies: *Tomorrows' People*; *Youth Business International*; *Diageo-Earthwatch Programme*; *Projeto Bartender*.

Project examples (see Appendix 1): *Liberties Learning Project Digital Hub – Dublin*; *Choice Zone at Guinness Storehouse- Dublin*; *Guinness Skills Centre*,

Colesberg- South Africa; Micro-hydro electric technology training- Peru; Adult Literacy Awards- South Africa.

In addition the following projects were investigated solely using the information provided on Diageo's website:

Community Connect challenge employee volunteering- Hackney London; Getting London Working, Rehabilitation of the Aqueduct at Circasia – Colombia; Fullemploy, building a more inclusive society- UK; Twinning Leaders from Private and Public Sectors- UK, Responsible Drinking Campaign – South Africa; “Don't Drink and Drive” campaign - Germany; Server Intervention Programme (SIPS) ServeWise- Scotland, Provision of safe and effective sanitation; Kwahu South District, Ghana; Thalidomide long term issue- UK; Arts partnership builds on management skills- Scotland; Supply of clean, safe water to Rumruti Town- Kenya.

Methods

In order to elicit information about these chosen projects and the broader context within which they operate the following Research techniques were deployed:

- Face-to-face semi-structured interviews with Diageo employees, including the Director of Communications, a Compliance Manager, the Director of Corporate Citizenship, the Foundation Manager and a Corporate Citizenship Manager.
- Telephone interviews were conducted with an employee involved with the Earthwatch project (an 'Earthwatch Champion') and the corporate liaison officer at Earthwatch.
- Additional electronic communications were exchanged with Diageo representatives in Ireland, Brazil and South Africa.
- Various print and electronic resources were gathered either directly from the Internet or were provided by the respondents referred to above.

Previous research conducted by Jones, Nyland and Pollitt on social capital building (2001, 2002, 2004) has tended to be exploratory in nature. These projects have focussed heavily upon evidence drawn from corporate websites, with limited verification or further primary interrogation. Such a methodological approach is rigorously contextualised and justified within each publication. A central pillar of their argument being that the efficacy of corporate websites as a research tool necessitates close explication. These research projects have tentatively formulated metrics for analysing social capital by MNCs. An in-depth single case study allows the web-based research methodology to be

evaluated. By running the metrics for the online data and re-running them once this data has been verified and supplemented through rigorous primary research within a firm it is possible to assess the potential and limitations of the web-based methodologies and to consider the characteristics of the information that corporations choose to present on their websites. In this case conclusions reached about specific elements of Diageo's CC programme in previous publications can be re-examined in light of the data collection process employed on this occasion.

3. Diageo and its Corporate Citizenship Programme

A Brief Corporate Biography

Diageo is the world's leading premium drinks business with brands across spirits, wine and beer categories. Its portfolio of high profile brands includes Smirnoff, Guinness, Johnnie Walker, Bailey's, J&B, Captain Morgan, Cuervo and Tanqueray. Whilst these renowned brands are themselves long-established, Diageo is a relatively new creation. In 1997 the food and drinks business Grand Metropolitan, which included Burger King, Pillsbury, Baileys and Smirnoff amongst its assets, merged with the brewer Guinness. The new corporation was named Diageo, derived from the Latin for "day" (dia) and the Greek for "earth" (geo) (NYSE Magazine, 2004). The company's strategic focus has subsequently been shaped through the sale of all its non-beverage components; Pillsbury was sold in 2001 and Burger King in 2003 (Diageo, 2004s). In December 2001 Diageo and Pernod Ricard jointly acquired the Seagram spirits and wine business from Vivendi (NYSE Magazine, 2004). Diageo's share of the deal gave it ownership of brands including Captain Morgan, Seagram's 7 and Sterling Vineyards. Thus, Diageo can now claim to be the world's leading premium drinks business "*with an outstanding collection of brands across spirits, wine and beer categories*" (Diageo, 2003a, p.2). The company focuses upon developing its core spirits business and corporate strategy is driven by the goal of developing Diageo's eight "global priority" brands which include, Smirnoff premium Vodka, Johnnie Walker whisky and Guinness stout (NYSE Magazine, 2004). Seven of these products are either number one or two in their sales categories.

The company is listed on both the London and New York stock exchanges and trades globally in over 180 markets. These markets are strategically differentiated according to their status as "major markets", "key markets" and "venture markets". Major markets include, North America, UK, Ireland and Spain. Key markets include, Brazil, Mexico, sub-Saharan Africa, Greece, Turkey, Australasia and Japan. Venture markets represent the rest of the world.

It is clear from the tables below that the North American and European markets are currently the most important for Diageo in terms of turnover and sales.

Table 1: Key Corporate Performance Indicators by Geographic Region 2004

Region	Turnover £ Millions	% Contribution to Total Turnover	Employees	Equivalent Units* Sold (million)	% of total Community spend**
Europe	3922	44.1	11,373	42.1	59
North America	2701	30.4	3,742	45.2	27
Asia Pacific	996	11.2	2,415	11.1	9
Latin America	460	5.2	1,496	8.8	1
Africa and Middle East	812	9.1	4,694	14.9	4
Totals	8891		23,720	122.1	

* An equivalent unit is that volume which contains the same number of servings as a nine-litre case of spirits.

** New community investment.

Source: Diageo Corporate Citizenship Report 2004, pp.2-3 and 14.

For the purposes of this exercise it is important to conceptualise Diageo as a dynamic corporate entity, which is continually undergoing shifts within the sub-structures of its businesses through mergers, acquisitions, strategic alliances and sell offs. Furthermore, it is a relatively unusual firm due to the lack of obvious connection between the overall corporate brand and the product brands. Establishing an internal brand across the various business divisions spread across the globe has been a significant challenge since 1997.

Strategy and Management

Corporate Citizenship (CC) is an integral component of the way that Diageo does its business. CC and involvement with communities are seen as being central to the company's ongoing objective of creating long-term shareholder value as this determines the impact on its stakeholders. Through its community activities the company aims to "*build and enhance corporate reputation, help build a sustainable business environment, build team spirit and build trust and the licence to operate with shareholders*" (Business in the Community, 2002). Diageo is a leading advocate for community involvement and has led the way by being one of the first corporations to appoint a professional director for CSR. Diageo's CEO is the executive owner of CC, whilst strategy and policy are dealt with through a CC committee. The strategic direction of CC is clearly driven from the top of the firm. The CEO chairs the CC committee meetings, which occur three times a year. The committee is composed of members drawn from

the Executive level of the company, which makes Diageo different from many other firms. This committee will shortly merge with the Brand Committee, whose main remit is to protect and develop the Diageo brand. The CC committee develops corporate policies on matters such as Human Rights, GMOs and so forth. Principles for dealing with these sorts of issues are established, codes of conduct drawn up and the Compliance committee then ensure their full application. Recent internal re-structuring has meant that the Director of CC now reports to the Communications Director.

Diageo's community programme is embedded within its business activities at all levels and is aligned to corporate objectives and values. Diageo in effect inherited a wide range of community-based corporate community projects and schemes from its constituent businesses. Guinness, for example, had a long history of community involvement around their sites in Dublin, whilst Grandmet had been inextricably linked with the urban regeneration focused charity Tomorrow's People. Formulating a unified and coherent CC strategy aligned to the goals of the new corporation was one of the major challenges in the late 1990s. Considerable efforts were subsequently made by key players to devise an appropriate strategy and embed it within daily business practice.

Focus Areas

Diageo's CC primary focus is responsible drinking. This is supported by the Diageo Responsible Drinking Fund. The present CC community programme is built around three primary focus areas, Skills for Life, Local Citizens and Water of Life. These are described in greater detail below. A wide range of sub-themes are also dealt with via Diageo's overall portfolio of projects. Important sub-themes include Disaster relief, Leadership, Our People and Poverty Relief. The impact of historical commitments upon CC spending patterns remains considerable. For example, £2.7 million of the annual corporate spend is eaten up by donations to fund the Thalidomide Trust (Diageo, 2004u). The latter body supports the victims of the drug Thalidomide, which was distributed by a subsidiary of United Distillers in the late 1950s. The ongoing moral commitment to fund the out of court settlement now rests with Diageo. The inclusion of this form of spending within Diageo's overall CC outgoings is something of a sensitive matter with audiences both internal and external to the corporation. Disengagement from long-term commitments is a complex matter for the company to handle especially in cases where dependency has developed around the firm's financial and personnel inputs. However, as these projects tend to be based in the UK and Ireland there is pressure from within the company to free-up resources for redeployment within key and venture markets. For example, the firm is presently investigating appropriate CC initiatives within the Chinese market.

Initiating Projects

There are three main routes by which projects can become initiated. The majority of projects are funded through formal applications to the Foundation via the “application toolkits” provided for each Focus Area. During the financial year 2002/2003 the Foundation received 37 fully developed project proposals from their businesses and over 700 external applications (Diageo Foundation, 2003). The Foundation also receives many other informal requests. Some projects become driven by the interest or passion of key Diageo employees who act as champions. These individuals tend to have an important role to play in making the “business case” for a project to be pursued. The CEO of Grandmet initiated the establishment of the Tomorrow’s People Trust, whilst the recently established Earthwatch project is in no small part the product of lobbying by middle ranking Diageo employees. Finally, some projects are externally driven via direct approaches from leading establishment figures. A famous example within the Diageo portfolio is the Skills Centre that was developed in Colesberg, South Africa at the insistence of Nelson Mandela, who has devoted much time to persuading corporate figures of their central role in the transformation of post-apartheid South Africa (Diageo, 2004o).

The annual contribution

An annual contribution representing 1% of pre-tax profits to community programmes has been agreed. The firm have undertaken a benchmarking exercise and believe that a 1% spend represents corporate best practice. In 2003 the actual value of this commitment totalled £19 million. Diageo state that this figure does not match the entirety of their commitment as the firm always “underclaims”. A senior figure within the company stated that the total community spend in 2003 was in fact £28 million. It is possible that this higher figure incorporates “socially responsible advertising”, which is not normally included within benchmarked expenditure totals (Diageo, 2003b). According to the *Giving List*, published in the Guardian newspaper, Diageo were ranked 24th amongst FTSE 100 companies in terms of the value of its donations as a share of profits in 2003 (M Armstrong, 2003). The table below shows Diageo’s performance in comparison to some other firms.

Table 2: FTSE 100 Giving List 2003

Company	% of pre-tax profits	Cash donation £m	Staff/management costs £m	Gifts in kind £m	Total donation £m	Payroll giving £000	Rank 2003
Northern Rock	2.32	19.3		0.05	19.35	0.31	1
Schroders	3.42	0.65			0.65		2
Glaxosmithkline	2.41	101.76	5.28	25.96	132.99	217	9
SABMiller	1.68	8.19			8.19		11
BT Group	1.6	14.98	3.97	7.45	26.40	1862	13
Diageo	1	15.13	1.78	2.70	19.61	184.4	24
Allied Domecq	0.86	4.26			4.27		30

Source: (M Armstrong, 2003)

What constitutes Corporate Citizenship?

As the ensuing case studies and project examples illustrate Diageo’s project portfolio comprises a range of activities that are qualitatively very different. Some projects clearly involve considerable involvement with communities, both in term financial and human resource commitments over sustained periods of time, whilst others involve a cash donation or a short, one-off voluntary activity carried out by Diageo employees. As mentioned previously the inclusion of the Thalidomide Trust as part of the CC portfolio might be considered rather intriguing by some observers.

The table below demonstrating some of the different types of activities and levels of engagement represented within Diageo’s CC project portfolio:

Project	Contribution from Diageo
Tomorrow’s People	Ongoing 20-year continuing support during which over £20 million in funding has been provided. Considerable involvement from Diageo personnel at all levels.
Thalidomide Trust	Ongoing 30-year provision of funds to the Thalidomide Trust.
Micro-hydro training, Peru	£20,000 donated to the Intermediate Technology Development Group to be spent on training and dissemination.
Community Connect Challenge	14 employees from a business department painted and decorated a primary school classroom in Hackney.
Twinning Leaders from Private and Public sectors	Senior executives and managers twinned with their equivalents in the voluntary sector. Six to eight meetings held over the course of a year to facilitate exchange of skills.
Disaster Relief In Colombia	US\$200,000 provided for relief efforts following an earthquake.

The Diageo Foundation

The Diageo Foundation was established in 1997 to support the company's businesses in their community engagement endeavours. The Foundation is registered as a charity under UK law, thus its activities may not support the commercial interest of the firm. In this context it is interesting that the Diageo website states "*the work of the Foundation is designed to be complimentary (sic) to our businesses, brands and people*". The Board appoints trustees, drawn from across Diageo's business divisions. The Director of Corporate Citizenship chairs the Foundation's meetings, whilst a member of the five person strong CC team manages the day-to-day operations of the Foundation.¹ The Foundation works closely with a number of specialist not-for profit organisations that act as project partners. Foundation funds and expertise tend to be used to kick-start projects with the intention that projects will be maintained through support from local business divisions, project partners or through the attainment of self-sustainability. Thus, the impacts of the Foundation can be characterised as catalytic. The Foundation seeks to "push out" responsibility for CC to local markets, who can then take ownership for the company's conduct within local communities. The central CC team provide guidance to local actors in the devising and delivering of strategy as, and when, required. The Foundation's budget varies from year to year. During the financial year 2003/4 the Foundation will have contributed £2.5-3million of the total corporate CC spend of £17.5 million. The Foundation makes charitable donations, matches employee fundraising and provides funding for longer-term social investment. Considerable efforts are made to leverage further resources through matched funding and the transfer of skills and material items from Diageo's businesses. The Foundation carries out an annual survey of its local businesses and asks them to report on locally funded projects that have cost more than £3000. The company's auditors KPMG audit the Foundation and a report is subsequently filed to the Charity Commission each year.

Following the strategic review of CC undertaken when Diageo was created a decision was taken to commit more resources to fewer projects, to focus upon key themes and develop sustainable partnerships with other bodies (Business in the Community, 2002). Recently, a further review of CC community activities has taken place and the key focus areas have been re-defined. Before this review the Foundation supported work under the headings of *Global Brands*, which encouraged the individual brands to support charitable causes through their community involvement. Currently CC community activities are built around the three following domains: Skills for Life, *Local Citizens* and *Water of Life*. Aspects of *Global Brands* and *Alcohol Education* have been integrated into these

three focus areas. We discuss the projects listed under *Alcohol Education* and the three focus areas in turn.

Alcohol Education

Diageo recognised that its position as the world's leading alcoholic drinks company places a significant burden upon the firm to take a lead in promoting responsible alcohol consumption (Diageo, 2003a, b, 2004y). As a result Diageo are involved in a wide range of responsible drinking-related projects across the world and has established a Diageo Responsible Drinking Fund which works closely alongside the Diageo Foundation Table 2 below illustrates how spending classified as Alcohol Education consumes an increasing proportion of CC spending. In the UK the focus is very much upon the social problems associated with binge drinking, whilst in the United States drinking by minors is perceived as a leading issue and in Africa and many other developing nations drink-driving dominates the policy agenda. As some lobbyists propose tighter regulation of alcohol availability and consumption as a solution to these social ills Diageo and its competitors face a strong financial as well as moral incentive to confront these perceived problems and to take a lead in contributing constructively towards debate and policymaking. In 1998 Diageo developed a code of marketing practice, which was externally audited in 2001 (Diageo, 2004t). A revised code was launched during 2003 giving clearer guidance to Diageo's brand teams about Diageo's standards for responsible marketing. For example, all advertisements must employ actors over the age of 25 and should not be seen as promoting excessive behaviour. One advertisement states, "*have a night you won't forget not one you can't remember...*" Diageo also has an employee alcohol policy that sets the standards for acceptable drinking behaviour by Diageo personnel. Furthermore, Diageo personnel have undergone training related to the promotion of responsible drinking. Diageo are also members of several Social Aspects Organisations (SAOs) and other industry bodies that aim to educate consumers about the problems caused by alcohol abuse. Diageo are active participants in industry bodies in all major and markets. In this regard Diageo are leading members of the industry body the Portman Group in the UK. Diageo is a signatory to the Dublin Principles, which set out the terms for co-operation among the alcohol industry, government, scientific research and the public health community. Diageo operate tight codes of business conduct in the realms of advertising and employee conduct. In terms of CC activities the company has supported a range of drink driving campaigns in countries such as South Africa, Germany and Ghana. Training for bartenders, sponsored by Diageo, has included units on the role of serving staff in promoting responsible drinking (Diageo, 2001b) and an exhibition examining issues surrounding responsible drinking called the "Choice Zone" has been

established within the hugely popular tourist destination the Guinness Storehouse in Dublin (Diageo, 2004c).

The Diageo website lists 13 projects that have been supported through the Alcohol Education focus area.

Water of Life

This focus area is Diageo's leading environmental and humanitarian initiative. *Water of Life* is the English translation of the Gaelic "uisge beatha", which is the origin of the modern word "whisky". Projects are funded via *Water of Life* under three classifications: conservation and biodiversity, public health and sustainability (Diageo, 2004v). As water is central to Diageo's production and manufacturing processes it is entirely logical that many projects demonstrate a commitment to water and sanitation provision. The provision of clean and safe water to communities in water-scarce areas of Africa has been of particular importance. Diageo have been able to demonstrate their commitment to communities in a number of these key markets through water-based projects. *Water of Life* grants have been used to support Diageo's highly successful Earthwatch programme (see Case Study 3). Diageo's businesses and potential partners are able to apply for financial support via the online *Water of Life* funding application toolkit. More than seventy projects have been funded via *Water of Life* since 1995, providing water for more than half a million people (Diageo, 2004v). The Foundation will not normally commit more than £50,000 to any single project. Furthermore, internal applicants from major and key markets are expected to provide a proportion of the overall project funding either from their own budgets or via third party grants. Venture market applicants are able to seek total cost recovery reflecting their smaller financial and network resource base. In 2001, the *Water of Life* programme was given a Business Commitment to the Environment Award. In 2002 *Water of Life* was nominated for an EU Award for the Environment in the realms of "co-operation for sustainable development".

The Diageo website lists 46 projects that have been supported via the *Water of Life* programme.

Local Citizens

Constructive engagement with local communities is central to Diageo's philosophy as a corporation. This focus area acts as a way for the corporations as a whole to support Diageo's businesses in their interactions with their communities. The Foundation supports a number of initiatives such as matching monies raised by employees and helping employees to set up local citizenship communities. Funding obtained through the *Local Citizens* focus area has been used to support projects for young entrepreneurs via the Johnnie Walker *Keep*

Walking initiative and has been used to provide emergency funds to support relief operations following natural disasters.

The Diageo website lists 37 projects that have been supported via *Local Citizens*.

Skills for Life

This focus area involves working with unemployed and disadvantaged people to help them find worthwhile work or start new businesses. This area includes Diageo's flagship community development initiative, *Tomorrow's People*, aimed at helping disadvantaged young people into work. It also includes international initiatives such as *Youth Business International* which fosters entrepreneurship among young people in the developing world. We profile both of these projects in the next section.

The Diageo website lists 34 projects that have been supported via *Skills for Life*.

Table 3: Community Investment in £ Sterling by Area 2001-2004.

Focus area	2001	2002	2003	2004
Alcohol Education	4,500,000	3,700,000	6,151,000	6,354,000
Water of Life	160,000	200,000	160,000	375,000
Local Citizens	10,606,000	13,071,000	12,690,000	10,789,000

Source: Diageo Corporate Citizenship Report 2003, p.17 and 2004, p.14.

Evaluation Mechanisms

Diageo are one of an increasing number of major companies who utilise the London Benchmarking Group (LBG) model to evaluate their community involvement activities (Corporate Citizenship Company, 2004, LBG, 2004a). Indeed, Diageo were the founder members of the LBG and the Head of CC is still actively involved within the highest strategic levels of the LBG. The model, which was produced in 1997, provides a basis for defining what is and what is not community investment. Before the model was developed there was no systematic way for companies to monitor, value and measure their work with communities. Thus, comparisons between and within firms tended to be highly subjective.

The model differentiates between different types of corporate donations:

- Charitable giving/philanthropy – given with minimal concern for a return to the business – it is seen as the right thing to do.
- Community investment strategy – carefully focused by the company to secure some long-term returns to the business.
- Commercial initiative – gives direct advantage to the company
- Business basics – activities solely for commercial benefit. These are not evaluated as part of the application of the LBG model.

Source: www.employeevolunteering.org.uk/resources/details.asp?id=184&themeid=104

Table 4: Community Investment in £ Sterling by LBG Category

	2001	2002	2003	2004
Philanthropy	5,475,000	2,131,000	2,366,000	1,072,000
Social Investment	8,176,000	12,110,000	11,249,000	11,760,000
Commercially-led Initiatives	1,615,000	2,730,000	5,386,000	4,686,000
Total	15,266,000	16,971,000	19,001,000	17,522,000

Source: Diageo Corporate Citizenship Report 2003, p.17 and 2004, p.14.

The model uses an input-output matrix methodology, thus allowing the effectiveness of community involvement programmes to be assessed. Input costs can include cash, employee time and in-kind donations. Systems are provided for costing these different forms of input. Outputs include the leverage of resources from other sources, the quantifiable benefit for the community and benefits for the business that can be accounted.

The construction of the input-output matrix helps managers to both plan and review their projects. Companies can pay the Corporate Citizenship Company, who manage the LBG, to evaluate their community programmes (Corporate Citizenship Company, 2004). Some companies choose to apply the model themselves. Such companies may ask the Corporate Citizenship Company to audit their findings. The model is constantly reviewed and further evolutions occur as new challenges are imposed by changes in business practices. At present much thought is being devoted to the issue of how to ring-fence the impacts of CC as it becomes increasingly mainstreamed within daily business practice.² The trend towards responsible advertising, which has both commercial and citizenship objectives, is a case in point.

Diageo use the LBG model to assess aspects of their CC programme (Diageo, 2003b). The costing mechanisms provided by the LBG are helpful in calculating the total spend. As table 4 indicates, there has been a recent shift away from philanthropic spending and an increase in commercially-led initiatives in recent years. Individual projects are evaluated using the input-output matrix, some examples of which are included within the annual Corporate Citizenship report (Diageo, 2003b p.17). Diageo also utilise the services of a range of other external bodies to evaluate their larger individual programmes and projects. The long-running *Tomorrows' People* charity (see Case Study 1) has recently been evaluated by Oxford Economic Forecasting (2004) whilst the New Economics Foundation (2003) have evaluated *Working it Out*. Partners also play a key role in performing evaluations. Earthwatch for example have set in place a series of systems for evaluating the Diageo-Earthwatch programme .³

It should be noted that evaluation is a controversial arena for debate. Firms are increasingly coming under pressure to audit and benchmark many of their activities including CC. As a result issues of compliance are extremely important to the modern firm. A burgeoning consultancy industry is developing supporting the evaluation process as greater openness and transparency is demanded of corporations. The emergence of the LBG can be understood as an industry-led response to the demands of this broader context. A senior source at Diageo reflected that demands and interventions from (unspecified) “busybodies” acts as a distraction and a source of some frustration to corporate managers.

Evaluation of Diageo’s Social Reporting – the Norm Index

As outlined in Jones et al (2004) the Norm Index is a quantifiable measure of how and to what extent firms make themselves accountable to the communities that host them. Using information available from the Internet it is possible to assess the extent to which the firm provides information to various stakeholders. Using this index Diageo’s score is calculated as follows:

Criteria	Score
1. Method of social reporting by PDF separate report	3/3
2. Information is easily accessible via link to homepage	3/3
3. The firm has explicit social values	1/1
4. The company has a Foundation	1/1
5. There is a clear guide in Funding Application	1/1
6. External responsibility information is provided in local languages	1/1
7. The firm subscribes to the Global Reporting Initiative	1/1
Total	11/11

Diageo therefore scores full marks for reporting its social engagements. By way of comparison in Jones et al's study (2004) of fifty MNCs (not including Diageo) operating in Poland only three firms (Shell, BP and Siemens) attained a maximum rating.

4. Detailed Case Studies of Diageo's Corporate Citizenship Projects

Case Study 1: Tomorrows' People

Business Division: Diageo

CC Programme: Skills for Life

Location: UK, some international spin-offs.

Duration: 1984 - present

Programme Outline

Tomorrows' People is a charity which helps the unemployed into work through training, advice and support. The charity was initially known as the *Grandmet Trust*, which ran government funded training programmes leading to vocational qualifications and the development of relationships between employers and clients. The charity operates as an intermediary between government, business and individuals. The unemployed are given the opportunity to gain the skills and qualifications sought by the local labour market. Once trained the clients are introduced to local businesses. By the early 1990s the Trust had a national network of 80 operational centres making it one of the UK's largest training providers.

In 1996 the Trust was renamed Tomorrows' People and the organisation's strategic objectives shifted from a training base to a broader focus on advice and mentoring, particularly for the long-term unemployed, especially those facing significant barriers to employment. Advisers now take their expertise and experience out into the community to places where the unemployed can easily access them, such as libraries, JobCentres, training providers, community groups, and shopping centres. A network of supportive employers has also been built to ensure that opportunities for progression will exist for Tomorrows' Peoples clients.

Approximately 30 programmes are currently in operation, which aim to help client groups such as single parents, the disabled and ex-offenders. Examples of programmes include, *New Steps* (targeted at 16-18 years olds who are assisted in working on community based projects), *Working it Out* (which targets Year

11 pupils who have dropped out of mainstream education) and *Getting London Working* (a project which challenges the negative impacts of unemployment).

Tomorrows' People have 170 full time equivalent staff and had an income of £6.1 million in 2002/3. Tomorrows' People operates as an organisation that *“conducts its activities in a philanthropic, but also highly professional and business-like manner, enabling access to other sources of funds and corporate support.*

How the programme started

The inner city riots of the early 1980s motivated Grandmet's CEO and other key players to take action against unemployment and poor social conditions. This motivation stemmed from awareness that the broader socio-economic environment was negatively affecting the business environment, to coin a phrase, *“healthy back streets equals healthy high streets”*. There was also a realisation that corporate restructuring, necessitated by the business climate, would worsen social conditions. Planning for the original Trust started in 1981.

Working with partners

Diageo have been intimately involved with the Tomorrows' People charity (www.tomorrows-people.co.uk) since its inception. Diageo continue to be involved via donations and various forms of staff support. Diageo are committing to provide core funding for at least the next 3 years in order to ensure the total independence and sustainability of the charity.

Inputs from Diageo

Diageo have contributed financial resources worth £20 million (at today's prices) over 20 years with a further £5 million coming via other forms of financial input such as taking on unwanted property leases. Diageo's contributions represent approximately 8% of Tomorrows' People total income. Diageo personnel have been involved from the outset at many levels. Diageo's Director of Corporate Citizenship is a Trustee, chairs the advisory committee to the board and provides support to management. In total he devotes about 10% of his time to Tomorrows' People. Diageo's staff also provides information on human resource management, risk management and other specialist areas. Diageo's premises are made available for meetings, conferences and events. Work placements are offered within Diageo's business divisions and staff provides advice and mentoring support to Tomorrows' People's clients.

Outcomes for the corporation, its partners and the community

The major objectives of the programme have included:

- To assist people in deprived areas gain access to employment.
- To improve the broader economic climate within which Diageo operates.
- To build partnerships with state, community and non-governmental agencies.
- To facilitate the professional development of employees and enhance the company's reputation.

Diageo has gained an excellent reputation as a corporate citizen, opportunities have been provided for employee involvement and partnerships have developed with local and national government actors. Diageo has benefited from strengthened links with government. Employees within Diageo have gained new skills and broadened their experience. Successful projects have been used as examples of best practice and applied around the world. For example, the Tomorrows' People *Bar Skills* programme has been rolled out in Brazil and other developing nations. Other programmes aimed at the homeless and unemployed have been established, including the *Foyer Federation*, *Fullemploy* and *INCLUDE* and many community programmes. Government programmes, (such as the *Welfare to Work* strategy) have also been influenced by Tomorrows' People. Tomorrows' People have become increasingly involved in governmental activities including: contributing submissions to House of Commons' Select Committee Inquiries on employment issues; being consulted by departments such as HM Treasury's Cross-Cutting Review of the Role of the Voluntary Sector; providing briefing papers for MPS and ministers in the UK and European parliaments and working with think-tanks such as Demos.

Tomorrows' People has provided 382,000 people with assistance, of whom 165,000 have gained employment, whilst 50,000 have undertaken education/training or voluntary work. Other clients have received general advice and mentoring. Until the mid-1990s approximately 24,000 people per annum received assistance. The switch in strategic focus, which required more intensive work with clients, led to a drop to 7,400. At this point in time the emphasis was more upon those facing major barriers to employment such as ex-offenders, ex-addicts, the unskilled, the uneducated and the socially excluded. Successful outcomes for this more challenging clientele run at about 33% (compared to a long term average of 43%). Tomorrows' People's income has been in the region of £285 million (at today's prices) over 20 years. The majority has come from contracts, *Jobcentre Plus*, local and regional government, *Single Regional Funding* and the *European Social Fund*.

Donations have been received from the private sector and individuals. In 2002/3 14% of total income came from the latter sources. Diageo has historically been the single highest contributor. It is estimated that the total benefits to society of Tomorrows' People's work has been in the region of £430 million (see Box 1 below). During this time a small charity has evolved to become a "national force". It has inspired innovative projects in the UK and beyond and helped create a blueprint for effective engagement between private sector and communities.

Box 1: Breakdown of financial benefits resulting from the work of Tomorrow's People

- Benefits savings, particularly Job Seeker's Allowance - £170 million.
- Additional tax receipts - £130 million
- Reduction in health expenditure - £30 million
- Reduction in costs of crime - £60 million
- Benefits from training - £30 million
- Reduction in government administration costs – £10 million

Source: Oxford Economic Forecasting 2004

How the programme is evaluated

Oxford Economic Forecasting has produced a thorough evaluation of Tomorrows' People during 2004. Individual programmes have also been evaluated, e.g. *Working it Out* was evaluated by the New Economics Foundation. The programme is also assessed regularly according to the criteria set by the London Benchmarking Group model.

Information for this case study has been derived from: (Diageo, 2004b, d, i, New Economics Foundation, 2003, Oxford Economic Forecasting, 2004, Tomorrow's People, 2004).

Case Study 2: Youth Business International (YBI)

Business Division: Diageo

CC Programme: Skills for life, Local Citizens

Location: Global

Duration: Diageo involved since 2000

Programme Outline

The Youth Business International (YBI) is taking a lead in working with business to support and promote youth entrepreneurship around the world. It is an international network of programmes helping disadvantaged young people (usually 18-30 year olds although in some countries the range broadens to incorporate 16-35 year olds) to become entrepreneurs by providing start-up funds and mentoring. YBI is a unit of The Prince of Wales *International Business Leaders Forum* (IBLF), Paul Walsh, Diageo's Chief Executive, sits on the board of IBLF. YBI works alongside local partners such as business, governments and NGOs to help young people into work and to build their self-esteem, prosperity and future prospects. In 2000 the United Nations (UN) adopted a series of Millennium Development Goals one of which focused on "*decent and productive work for youth*". A Youth Employment Network was established focusing upon employment creation, equality, entrepreneurship and employability. The YBI was selected to work within the entrepreneurship group. Diageo has been involved with YBI in a number of community projects around the world through its *Keep Walking Fund*.

YBI projects operate through the provision of seed capital that enable the young person to start their own business. These loans have to be repaid and a nominal administration charge is made. Loans average between US \$250-\$5000 depending on the relative cost of living in each country. Business mentoring is a core component of the programme whereby a volunteer business person acts as a friend, guide and coach to the young entrepreneur over the first 3 years of their new venture.

The projects are components of autonomous national programmes that adopt and adapt the YBI model to local needs and conditions. Youth business programmes join the YBI network once the central YBI unit accredits them. The Johnnie Walker *Keep Walking Fund* has operated a joint programme with YBI in India and Mexico. Diageo presently has an "ongoing, ad-hoc, informal commitment to support YBI".

How the programme started

Diageo became involved at the launch stage following requests from leading figures behind YBI to support the launch Conference. The programme was launched at a conference in October 2000.

Working with partners

Diageo sits on YBI's advisory council, which includes representatives from the Prince's Trust, PriceWaterhouseCoopers, Rotary International and Lovells. Individual YBI projects link in with locally specific partners.

Inputs from Diageo

It is estimated that resources totalling £500k have been donated (to October 2004). This sum comprises: annual subscription to the IBLF; in-market partnerships with YBI in India and Mexico; a commitment to run future programmes in Latin America and China and part sponsorship of, and presence at, YBI's global conference in Buenos Aires, Oct 2004.

A number of key Diageo personnel are committed to supporting YBI activities. These include; the Head of Diageo Corporate Citizenship who is a member of YBI's International Steering Committee and along with the Head of External Affairs, Latin America is on YBI's Latin American Advisory Group; two Finance Directors have assisted in developing the Youth Development Bond (a tool to package and merchandise the youth entrepreneurship model); a firm Consultant has helped develop YBI's brand essence; a Marketing Director has been seconded to YBI for 6 months to develop a global marketing plan for the Youth Development Bonds and create new brand identity for YBI and Diageo's General Manager in India is a trustee of YBI's local venture.

Outcomes for the corporation, its partners and the community

Diageo have set several objectives for their involvement with YBI:

- 1) To raise the impact, profile and global reach of Diageo's corporate citizenship activities by:
 - Gaining access to high profile organisations such as the UN, World Bank, national governments and NGOs
 - Setting up in-market projects that will achieve high levels of external recognition.
- 2) To put something back into the societies where Diageo has a strong business base.
- 3) To help enhance the environment in which Diageo does business.
- 4) To be trusted and respected by our key stakeholders for being a "good citizen".

The YBI partnership offers Diageo's local markets an opportunity to work with governments, business and civil societies in the promotion of youth entrepreneurship. Diageo's employees have benefited from opportunities to act as business mentors to young entrepreneurs or panel members on a volunteer basis. Diageo's presence at the YBI conference provides exposure to representatives from the UN, ILO, World Bank, Governments and the International Youth Foundation. Thus, Diageo has been able to strengthen and deepen its networks of association, particularly with globally influential institutions. For example, the World Bank is providing US\$5 million to promote the YBI model in Latin America; Diageo, Unilever and BP have been approached to advise on this. India and China are keen to develop the concept as a solution to youth poverty - both governments hosted high profile summits in 2004. Diageo has strong business interests in these countries. HM Treasury have also shown an interest.

There have also been some benefits to Diageo's Johnnie Walker whisky brand in its leverage of the Johnnie Walker *Keep Walking*/YBI partnership. The corporate learning outcomes from the association between Johnnie Walker and YBI are clear and have led to a focus on corporate rather than brand association. This learning outcome may be unique to a company like Diageo, whose corporate identity and brands are distinct from each other, and where its brands (alcoholic beverages) need to be managed sensitively according to local conditions, for example, being aware of the legal drinking age, religious sensitivities and so forth.

Youth Business International is run by a small team and has therefore benefited from its link with Diageo in a number of areas. YBI has benefited from developing a partnership with a global organisation experienced in fostering local partnerships. Funding is provided at global and local levels, such as sponsorship of the YBI conference and local support for programmes and projects. Diageo have provided marketing and financial expertise, which has assisted with brand positioning, brand building strategies and innovation (e.g. input into creation and development of Youth Development Bond, a financial instrument for seed-funding of young entrepreneurs). Diageo personnel have been appointed as members of advisory committees. In India and Mexico, employees have become mentors and this support is expected to increase in Latin America. Access to Diageo's corporate contacts and partners has been provided. A Project Advisory Committee has been initiated in Latin America in order to build a network of corporations to develop CSR and to support YBI projects as part of the Inter American Development Bank project.

The individual local YBI projects allow Diageo's business knowledge and experience to be transferred, thus helping young people seeking to build SMEs. Marginalised young people have been able to develop their potential by accessing formal business networks. The support of mentors significantly increases the sustainability of start-ups. Each new entrepreneur tends to stimulate the creation of two new jobs, this increases employment, reduces youth alienation and associated social problems and helps to generate wealth. Youth entrepreneurs are given a route out of the informal sector.

Spin-offs include Youth Development Bonds (YDBs), which have been devised to package and merchandise the youth entrepreneurship model. These are being piloted in Argentina, Canada and China. Diageo is providing assistance in putting together a brand plan for this international roll-out. The UN, World Bank and ILO have established the Youth Employment Network (YEN) to promote youth entrepreneurship globally and are supporting YDBs as a means towards achieving the Millennium Development Goal to provide "*decent and productive work for youth*".

How the programme is evaluated

The partnership between Diageo and YBI is relatively recent and it is therefore too early to fully evaluate the effectiveness of the relationship. However, a thorough internal review of the programme has been conducted within Diageo during 2004. Local projects tend to be evaluated at the discretion of local partners.

Information for this case study has been derived from: (Diageo, 2003c, 2004f, 2003d, IBLF, 2004, Prince's Trust, 2004, Youth Business, 2003).

Case Study of a YBI-Diageo supported project in India (Diageo, 2004f, 1).

The country business manager identified a significant barrier to investment in the form of local distrust and set out to prove that the company could provide “*sarbodaya - moral and material well-being for all.*” The Diageo Foundation funded research to enable the best way forward to be identified in terms of local needs and the identification of appropriate partners. As a result a scheme was set up to help young people set up their own businesses. Through a partnership with the Bharatiya Yuva Shakti Trust (BYST) young people have been able to access business start-up loans and receive practical help, advice and training. Employment has been created for disadvantaged youngsters, whilst relationships have been built with the community, including suppliers and negative perceptions of foreign owned corporations held by government, community and regulators have been challenged. The Diageo Foundation has contributed £80,000, whilst £160,000 has been leveraged from elsewhere. The firm’s staff act as mentors and management trainees help to select applicants and promote the partnership with BYST to other companies and potential supporters.

Sixty-four young people (49 male, 15 female) now run businesses ranging from beauty parlours to clothing factories. Jobs have been created for 200. Ninety percent of loans have been repaid in full. For every £1 invested £7 have been generated. The firm has demonstrated its role as a corporate citizen and strengthened its relationship with government and local community. A corporation spokesman stated “We've shown to the media, the authorities and the people of Pune that we're not just here to make a profit”. The scheme has attracted high-quality management trainees to Diageo, and given staff the chance to hone their skills while making a positive contribution to the local community. The support of the *Confederation of Indian Industry* has been garnered. The success of scheme has encouraged Youth Business International to set up similar schemes in other countries.

Case Study 3: Diageo-Earthwatch Champions Programme.

Business Division: Diageo
CC programme: Water of Life
Location: Global spread within Diageo markets.
Duration: since 2002

Programme outline

Employees from across the entire corporation (see table 1 below) are invited to apply for a place on a 2-week conservation research project run by the Earthwatch Institute. The 15 employees selected (from 243 applications in 2003) are known as “environmental champions”. They subsequently attend one of six projects chosen by the CC team at Diageo with the support of Earthwatch (see list below). In the first year of the programme the field projects involved the themes of water and forests. Now agriculture, biodiversity and climate change are emerging as key themes. These projects bring together Diageo employees from different parts of the world, who work on the project with a mix of international volunteers and individuals sponsored by other corporations. On their return from the field the employees undergo a personal development review with their line manager and subsequently identify and implement a local environmentally-based project (known as a Local Action Plan, LAP) using the knowledge and skills they have gained in the field. An Eforum through which the Champions can share ideas, frustrations and experiences is intended to facilitate the delivery of the LAPs. The centrality of environmental sustainability and employee development to the programme’s ethos reinforces its relevance to current CC strategy.

Table 1
Geographical distribution of environmental champions 2003-4.

Region	Number of winners	Percentage of winners	Number of employees (Total)	Percentage of employees
Europe	13	43.33	11625	47.33
North America	6	20	3914	15.94
Asia Pacific	3	10	2681	10.92
Africa	7	14	5025	20.46
Latin America	1	3	1316	5.36

Earthwatch Field Projects attended by Diageo's Champions 2003, 2004.

- 1) Brazil's Pantanal: Conserving an Ecosystem
- 2) Cameroon's Rainforests
- 3) Costa Rica's Tropical Forest
- 4) Lakes of the Rift Valley
- 5) Mountain Waters of Bohemia
- 6) Rainforests of Northern Australia
- 7) South Africa's Hidden Species
- 8) Malaysian Bat Conservation
- 9) Saving Cameroon's Rock Fowl
- 10) Butterflies and Orchids of Spain
- 11) Wildlife of the Volga River Delta
- 12) Baltic Island Wetlands and Wildlife.

How the programme started

The programme gained its initial impetus from two Diageo employees, one of whom had participated in an Earthwatch project as a Millennium Volunteer. These individuals were heavily involved in the internal persuasion process – “making the business case”. One of these individuals is still involved in the promotion, development and administration of the programme within Diageo. An approach was made to the Diageo Foundation and the programme evolved from there. Earthwatch's excellent reputation and Diageo's past involvement with them via *Water of Life* projects facilitated the process. Diageo gained an awareness of other corporations' partnerships with Earthwatch through its membership of the Corporate Environmental Research Group (CERG).

Working with partners

The Earthwatch Institute (Europe) is the principal partner, (www.earthwatch.org). Earthwatch take the lead in most aspects of the day-to-day running of the programme. For example, Earthwatch draw up shortlists of potential field projects, shortlist potential winners from the employee applications and support Champions in the development of their LAPs. An efficient, mutually beneficial working relationship exists between Diageo and Earthwatch. Diageo take an active role in the partnership and seek to input ideas and resources throughout the process. Various Diageo business sections are involved in the process including risk management experts, the environmental working group and the CC team. Diageo have made a transition from being donors to being active partners in project delivery. Each project (both in the field and in the locality) involves co-operation from local partners. The precise nature of the relationship between Diageo and its local partners varies from project to project.

Inputs from Diageo

Diageo input approximately £100K per year to the programme, which covers Earthwatch's fees for the projects. The individual business divisions meet the cost of travel and one week's extra paid leave. The employee contributes a week of their paid leave entitlement and contributes their own time to the development of the LAPs. Line managers may occasionally include the delivery of the LAP within a Champions job description. The costs of the local projects are usually covered through the Diageo Foundation, mainly via *Water of Life*. In Years 3 and 4 the Foundation are seeking to reduce the level of centralised inputs by 50%. Local businesses will then be expected to meet the costs of the LAPs in full. This approach is consistent with Diageo's broader policy of encouraging project self-sustainability. After 2006 efforts will be made to embed the programme within the businesses, thus moving away completely from financial inputs from the Foundation. Work is ongoing to ensure buy-in from the local business heads. It is estimated that Diageo's CC team input approximately 2 person months to planning and administering each annual cycle.

Outcomes for the corporation, its partners and communities

The execution of the programme has proved to be an excellent internal communications exercise for Diageo as effective information flows are required across all divisions and subsidiaries of the corporation across the globe. This is an important element of the evolution of Diageo as a coherent global company and can be seen as part of the drive to establish an internal Diageo brand. A Champion based in Australia commented that it initially seemed implausible that a person in a distant outpost of the corporation could possibly win – *"I have now shown that it is possible to get there – even for employees all the way down under"*. Thus, the programme does help to promote a sense of unity within the global corporate structure. There have been important dividends in terms of the Champions' personal and professional development, for example, learning about team dynamics and new ways of approaching problem solving. The enthusiasm of the champions can have beneficial impacts upon colleagues and tends to stimulate volunteering via the LAP. In addition, the first Earthwatch programme enabled employees to contribute 1500 hours of work to conservation, in countries such as Australia, Kenya, Costa Rica and opportunities to work with local partners including communities have been stimulated via the LAPs.

How the programme is evaluated

Earthwatch evaluate each field project and report back to Diageo. Line managers utilise the programme as a focus within champions' personal development reviews. Earthwatch review each annual cycle of field projects and report back to Diageo. Progress with the local projects is closely monitored.

Local Action Plans

Outline

On return from their field project Champions are expected to initiate and deliver a Local Action Plan (LAP) based in or around their place of work. Both the Diageo Foundation and Earthwatch support this process. The latter appoint a community advisor to assist the Champion in identifying and planning their project. Funding for these projects has been obtainable from the Diageo Foundation's *Water of Life* programme with approximately £3.5k being set aside for each project. Champions are usually expected to work on the project in their own time, although some line managers have built this work into people's job descriptions where this is a business case for doing so.

The types of project initiated by Champions have varied considerably in their scale and scope, reflecting the embryonic nature of the programme, the diversity of local needs and perhaps the varying ability of individual champions to command access to resources. Thus, some projects have been relatively small in scale, such as the introduction of litterbins to a factory site, whereas others have impacted directly upon business practices, such as changing product-packaging processes, whilst others have focused exclusively upon microelements of the local ecosystem, such as encouraging the nesting of specific bird species. An interesting element of the programme has been the way that it has kick-started many "nice to do" environmental projects, which otherwise would have remained on the drawing board. Several LAPs include paper and plastic recycling, for example, which required on-site champions to get them off the ground.

Local Action Plan Projects, 2003 and 2004.

- 1) Pollution in the local (Cheshire, UK) landscape, improving a neglected wildlife area and recycling at the Diageo packing plant.
- 2) Conservation of Sand Martin species and habitat management (Scotland).
- 3) International Coastal Cleanup 2003, harbour at Kingston, Jamaica.
- 4) Transport, printing and recycling (Diageo UK).
- 5) Greening site at Diageo Maryland including recycling.
- 6) Improving awareness and appreciation of biodiversity at Diageo's distilling sites in Scotland.
- 7) Standardising environmentally friendly packaging at Diageo plants and providing recycling bins for mineral water bottles used by staff (Italy).
- 8) Maintenance and creation of habitat zones near Guinness plant, Dublin.
- 9) Reducing litter around Benin City and Guinness Nigeria sites. Introducing paper recycling.
- 10) Cleaning up local waterways, Connecticut, USA.
- 11) Conservation related to effects of chemical and water pollution upon a local river (Philippines).
- 12) Project H₂O – improved water efficiency at Huntingford factory site in Australia.

Outcomes for the corporation, its partners and the community

The Earthwatch Environmental Champions programme is particularly interesting as the LAP element offers an opportunity to further the benefits gained through the field project. Various stakeholders are in a position to gain through the LAPs. The Champions themselves are able to disseminate their new found knowledge and enthusiasm, the local community may benefit, the Champion's colleagues can be drawn in to new ventures, the business can benefit from the increased motivation levels amongst staff and the local environment will benefit. Whilst a number of LAPs have been conceived and initiated, not all of the 2003 and 2004 Champions have been able to enact an LAP as yet. A number of barriers have occurred stymieing the LAP process in these cases. In some cases Champions' workloads have been too great, especially in cases where Champions have recently gained promotion. In other cases achieving sufficient local workplace buy-in has been problematic. Although there is a thorough and structured post-field trip communication process, some Champions have lost touch with the programme administrators on their return. In the same vein it has proved a struggle to get the Eforum working effectively. As the programme evolves it is hoped that such systems will operate more effectively. Best practice examples of LAPs are now under development, which will assist future Champions in identifying and delivering workable projects.

In sum, as the case studies below illustrate, the programme offers an excellent opportunity to invest in individual employees, who in the best-case scenario will diffuse new found knowledge and skills within the workplace and beyond.

Case Study of an Earthwatch Field project

Jizera Mountains, Northern Bohemia, Czech Republic.

Acid rain resulting from unregulated industrialisation within the Eastern bloc has caused severe damage to forest in the Czech Republic. By 1989 two thirds of the countries forested headwaters had been damaged by acid rain. As a result forests had declined, water quality was diminished and mountain streams were fishless. An Earthwatch Champion described the Jizera mountain area thus “...*just a few healthy trees and hundreds of dead trees that looked like toothpicks. It was eerie to walk around as there was so little bird life and the ground cover was made up of fallen tree trunks*”.

Earthwatch have been supplying volunteers to support the research of hydrologists seeking to overcome the ecosystem damage in the mountains of the “Black Triangle”. The researchers are seeking to rehabilitate the headwaters of northern Bohemia. Diageo- Earthwatch Champions work with other volunteers in the field performing tasks such as collecting and analysing water samples, catching and examining reintroduced fish and evaluating changes within the local ecosystem. Volunteers spend the days collecting samples, which are then tested and data is recorded in the laboratory. The information collected helps to inform the restoration of the fragile mountain ecosystem. Evidence suggests that the forest and water ecosystems are starting to recover.

An Earthwatch champion noted the following benefits from taking part in this project:

- Seeing a holistic picture of environmental damage to our planet.
- Observing the dedication from a small team on a global issue and seeing how this dedication can make a significant difference.
- Gaining an understanding of group dynamics, particularly in a culturally diverse group working in unfamiliar terrain.
- Learning about the people, politics and the environment of the Czech Republic

Sources: (Earthwatch, 2004d, Wallace, 2003)

Case Study of LAP

Project H₂O, Huntingford factory site, Australia.

This site produces alcoholic beverages for the Australian market. Water is a key input to the operation of the factory being used for cooling, bottle rinsing, caustic rinses, general cleaning and the required 1 million-litre tank for fire prevention. Despite recent improvements to production processes water wastage is very high, approximately 130,000 litres a day. Project H₂O sought to improve the efficiency of water usage. The factory had been under no legal obligation to improve water efficiency as it operated within the limits imposed by regulators. However, there had been an unactioned desire to improve the situation. Key managers were delighted that someone was prepared to take on the organisational mantle, be a “champion”, and do something about it. The Earthwatch Champion took responsibility for the project. External organisations were called in to advise, including the Australian Environmental Business Network and Sydney Water, who audited the water practices and made recommendations for improvements.

Various options were considered. Ultimately a decision was taken to introduce a new piece of technology in the R.O. system, which takes water from the mains and removes unwanted ions before it is used for production. The project not only has environmental benefits – water scarcity is a major problem in Australia – but also meets a business need as the company is now able to pay for less water to be brought into and discharged from the plant. The Managing Director was very supportive saying it was a “great project”. The external affairs aspect is seen as very important as it demonstrates Diageo’s commitment to the wider community and the environment. The company had budgeted \$AU50, 000 to develop such a project. The secret to the success of this project is that an individual was prepared to take responsibility and give the project the necessary direction. The fact that the project met a clear business need was seen as important. The Champion was keen to ensure that the project added value to the business as they felt they should put something back having been given the opportunity to be involved in a once-in-a-lifetime experience through the Earthwatch field project. The Champion estimated that the LAP took 5-10% of their working time over a period of 5 months. Work on the project was included within the Champion’s job description for that year as it was so clearly linked to the needs of the company. The Champion reported that the LAP really gave her a focus and that she felt valued as her contribution was being recognised.

Sources: (Earthwatch and Diageo, 2004, Wallace, 2003)

Information for this case study has been derived from: (Diageo, 2004g, w, x, Earthwatch, 2004a, b, c, 2003, 2004d, Earthwatch and Diageo, 2004, Wallace, 2003). Secondary sources have been supplemented by primary data supplied in interviews and electronic communications with Earthwatch Champions and the Earthwatch’s Corporate Liaison Manager.

Case study 4: Projeto Bartender, Brazil

Business Division: Diageo, Brazil

CC Programme: Alcohol Education

Location: Pilot in Sao Paulo, then rolled out to other cities.

Duration: Started June 2000

Programme Outline

Trains young (usually 18-21) unemployed people in bartending skills via a 4-8 month course. The national commercial training service (Servicio Nacional de Aprendizaje Comercial - SENAC) advertises the programme and takes charge of the selection procedures. The following criteria are applied: applicants cannot have a family income superior to three times the minimum salary, which is around US\$ 260 per month, they must be between 18 and 21 years old and unemployed. SENAC analyse the candidates' profiles and call them for an interview, in order to ensure that the programme and its conditions meets their expectations. This process reduces the number of people giving up in the middle of the course.

The programme includes work experience. Two months of the course are spent on citizenship and the promotion of responsible alcohol consumption. Field trips to bars, restaurants, drink plants and museums take place. Conferences are provided with talks from restaurant owners, bartenders and industry experts, including Diageo staff. Course includes training in: IT, health and hygiene, presentation skills, customer service, consumer rights, labour legislation and serving skills. Understanding the role of the bartender in promoting responsible drinking is essential to the course. The students are taught about the social problems that alcohol abuse can cause. The pilot projects were conducted in urban areas with key On-Trade accounts.

How the programme started

The programme began in 2000, when the company felt the necessity to make a social contribution. Diageo established a citizenship committee with twelve employees who considered the necessity to take action related to the business but which would help the society. They devised the Bartender Project, which is a course offering professional skills to young people on low incomes.

Working with partners

The training provider SENAC, are the primary partners in the scheme. Local organisation 'English Culture' contributes basic English lessons. An external consultant supervises the execution of the programme in every city. In Curitiba,

Diageo have just established a very good partnership with bar and restaurant owners, who are sponsoring some of the students. Diageo keep them posted on the evolution of the programme, the partners are invited to contribute to activities, such as lectures on alcohol responsibility, parents meetings and so forth. They usually provide an opportunity for the students to complete their training programme in their bars and restaurants. Hotel chains such as Accor have been key employers. Barbecue Restaurants were formal partners in the programme but the partnership was discontinued because they require waiters rather than bartenders. Operational matters are organised through the training agency, but Diageo aim to maintain a very close relationship with the other partners because they are Diageo's clients in the market. An exit strategy has been built into the scheme via the development of strategic partnerships with On-Trade clients. The intention is to rollout the project via independent partners. There is an intention to produce a spin-off project aimed at older, low-income unemployed servers. Tomorrows' People are being solicited to provide support for the venture.

Inputs from Diageo

The Diageo Foundation have contributed £60,000 annually for 3 years with an extra £20,000 coming from other sources. From 2001/2 funding to be sort via On-Trade clients in order to achieve some level of project self-sustainability. Diageo pays for the course entirely, unless there are other sponsors as in Curitiba. Diageo give employees the opportunity to volunteer either lecturing to the students on their specific area of work or being shadowed during the execution of their duties. The On Trade partners play an important role by helping students to find a job when they graduate. One third of Guinness UDV Brazil employees have provided voluntary assistance. Each employee contributes approximately 1 hour per month to the project. External Affairs and Human Resources offer management support. Volunteers from Finance, Marketing and Human Resources initiated the business plan, set the objectives and checked the resource allocation and budgeting arrangements. No financial support is offered to the students but Diageo try to negotiate with the training agency in terms of ensuring the provision of extra items like transport and snacks, according to the needs of people in each different city. People from Recife (North East of Brazil) tend to have more difficulties and they require more support. Diageo endeavour to adapt and respect people's regional culture and background.

Outcomes for the corporation, its partners and the community

The primary objectives of the programme have included:

- To train skilled bartenders.
- To assist the students in gaining employment (95% employment rate set as a target). In the longer term it is hoped that the course can act as a springboard for people to become independent entrepreneurs. It is a way that Diageo found of contributing to society.
- To increase awareness of Diageo brands. Diageo have the opportunity to present their product portfolio to these students who will soon be on the other side of the counter.
- To contribute to alcohol education by emphasising responsibility and citizenship. Diageo's clients (bars, restaurants and hotels) are very interested in hiring these young professionals.
- It motivates Diageo's employees and helps to build closer relationships with outside clients. Provides opportunities for positive PR exposure for the drinks industry. Overall, it is "*an educational project that's also a strategic initiative*".

The scheme has demonstrated Diageo's commitment to corporate citizenship by targeting alcohol education and providing assistance to disadvantaged young people. Diageo have concrete cases where this course changed not only the student's life but also their family's quality of life as a whole. Other hospitality related industry members are considering becoming involved. On Trade owners consider the trainees to be highly qualified and very well trained. Recognition has been gained from Federal government as the Secretary of Health attended a certificate awarding ceremony. Diageo have gained government recognition as providers of an outstanding preparation course for first time job seekers. The programme has spread to other markets (including Bangkok and Venezuela) as an example of best practice and Diageo have just received a request from Australia for more details on how to implement the programme. All 54 students involved in the pilot gained work with the On Trade. More than 150 students have graduated in Sao Paulo area. Of the first 50 graduates in Sao Paulo 10 graduates were employed as trainees at partner firm Barbecue Restaurants, 12 went to Accor and On Trade clients took on 18. The project is now in its fourth year in Sao Paulo and three years have been completed in Rio de Janeiro. 70% of Rio students have gained linked employment. 59 students have graduated from Recife (home of Smirnoff and Bell's bottling plants) programme (40% female). The programme has been extended to Curitiba and Salvador.

How the programme is evaluated

The programme is reviewed by the training providers and by Diageo in Brazil.

The information within this case study has been derived from: (Anon, 2004a, Daniele, 2003, Diageo, 2004e, 2001b, Diageo Brazil, 2004, Guinness UDV, 2000, Senac Brazil, 2004). Secondary sources have been supplemented by primary data supplied via electronic communications with a Diageo representative in Brazil.

Summary of key outcomes for each Case Study

Tomorrow's People

- Diageo have become actively enmeshed in a wide range of networks, including links with local and national government departments, NGOs, community groups and policy think tanks.
- Diageo personnel have benefited from opportunities for staff development through voluntary work of various forms.
- A number of spin-off projects have emerged in the UK and beyond.
- Diageo's CC programme has benefited from the learning experience provided by involvement in the programme.
- Diageo have learned a great deal about how to work with voluntary and non-governmental sectors.
- Tomorrow's People have benefited from the Diageo's input to the extent that it operates as a highly efficient and successful organisation.
- Diageo have gained positive media publicity and are respected by influential policy actors due to their sustained involvement in Tomorrow's People.
- Diageo's contributions have been disseminated widely via Tomorrow's People's partners and their clients.

Earthwatch programme

- Has been an important internal communications exercise for Diageo.
- Has been an important part of the broader process of developing an internal corporate brand.
- Diageo are active partners in the relationship with Earthwatch, including membership of CERG. Both partners have felt benefits from the partnerships.
- Involvement of enthusiastic and motivated Champions produces benefits for partners in the field.

- Network development occurs in the field via interaction with other volunteers including other corporate champions and Diageo employees from other business divisions.
- LAPs provide opportunity to disseminate knowledge and skills via Champions at a local level. Colleagues are drawn into LAPs.
- LAPs provide opportunities for local recycling and environmental related issues to be recognised and action taken.
- LAPs often require local partnerships to be developed with community groups, NGOs and local government.

Youth Business Initiative

- Has facilitated access for Diageo into networks involving major global institutions.
- Other major MNCs are learning from Diageo's knowledge and experience.
- Diageo are respected as partners by governments.
- The initiative has stimulated various spin-offs.
- Diageo have become aware of the limits of socio-economic upliftment projects as brand marketing exercises.
- Diageo's involvement has benefited the YBI team through the transfer of skills and knowledge from the company's personnel.
- Diageo's personnel have benefited from the opportunity to volunteer and become mentors.

Projeto Bartender

- Diageo have received recognition from government departments.
- The programme is being rolled out into other countries within Latin America and beyond.
- Individual graduates of the programme have benefited greatly from the learning experience and some have further disseminated their learning by becoming entrepreneurs.
- Diageo have benefited from the positive publicity and the respect and trust thus engendered.
- On-trade clients in Brazil are benefiting from involvement in the scheme and will take on its management in due course.
- Respect for the formal economy and national laws have been furthered through the training.
- Responsible alcohol consumption has been promoted through the scheme.
- Diageo's employees have benefited from opportunities to be involved in the scheme.

5. Impacts of Diageo's Corporate Citizenship Programme on Social Capital

Social capital has been defined as 'features of social organisation, such as trust, norms and networks, that can improve the efficiency of society by facilitating co-ordinated actions' (Putnam, 1993, p.167). For Putnam social capital building by firms is external to the firm. Prusak and Cohen (2001) discuss how companies can build internal social capital related to networks, trust and norms. It is clear from the detailed case studies and the summary on the previous page that Diageo's corporate citizenship programme produces a wide array of outcomes that impact on the internal and external components of social capital.

Beginning with internal social capital, all four of the projects discussed in section 4 have successfully promoted *networking* within the firm as employees have worked together on these projects. It is also the case that a project like Projecto Bartender promotes *norms* of good behaviour in terms of promoting the message of responsible drinking *within* the firm. The projects have also facilitated *trust* between employees and between the company and its employees. Thus the Earthwatch Project has been a vehicle for creating a global Diageo identity via its worldwide competition to select champions.

On external social capital, the projects similarly exhibit a contribution to *social networks*. A strong element of this aspect of social capital is the opportunity that social networks offer to the materially and educationally disadvantaged. Thus Tomorrow's People with its strong networks helping disadvantaged young people is a good example of a social capital building institution. It is also interesting to note that the direct involvement of company employees in citizenship projects (as is the case with the YBI project) has the effect of extending social network access from the advantaged to the disadvantaged. The impact of Diageo's corporate citizenship on its perception by the local communities in which it operates and its own heightened sensitivity to community needs is an example of the promotion of *community trust*. This is well exhibited by the development of the YBI project in India. On the promotion of *social norms* the Projecto Bartender Project scores highly as it trains bartenders in socially responsible drinking who then get work for companies other than Diageo.

While much of the social capital building associated with the corporate citizenship projects does have a direct positive impact on external parties to Diageo (in particular the local community and the environment) there are

substantial internal benefits to Diageo. Such internal benefits can lead to monetary payoffs and hence make them worthwhile investments in their own right. Thus much social capital building by a firm like Diageo is in its own self-interest. For instance, the corporation's own social capital may be enhanced through entry into influential networks (such as the UN's Youth Employment Network) or through a variety of mechanisms that benefit the firm. The key point to emerge from this observation is that the business-case is the pre-eminent factor driving Diageo's involvement in the majority of CC projects. Its business interests motivate the firm. This is a crucial point to recognise as it has significant implications for the real potential offered by MNCs via their community programmes.

Engendering Social Capital within external constituencies

All four of the case studies outlined in this paper demonstrate that very high levels of social capital building can occur through the involvement of MNCs. Such outcomes are to be expected as very high levels of resources have been invested in these particular projects. Direct transfer of social capital is a defining characteristic of these cases. Diageo's involvement with Tomorrow's People, for example, has enabled the charity to operate with very high levels of success and to be judged an example of best practice in its field. The key to the success of Tomorrow's People may well be its almost unique access to high level skills and business acumen gained through intimate association with one of the nation's leading private sector entities.

Other projects (including those in Appendix 1) exhibit varying degrees of engagement. The Adult Literacy Awards in South Africa (Brandhouse (SA), 2004, Diageo, 2004a) have been running for ten years and have engendered considerable benefits for individuals and communities across South Africa. In this case the company's investment helps to stimulate activities amongst a wide array of partners, whose contribution engenders significant social capital dividends. It is the prospect of winning an award that provides a very real incentive for action amongst local agencies. Obviously the finance gained through winning an award permits training opportunities to be made available to individuals and communities. The micro-hydro project in Peru is an example of a project that facilitates social capital building by third parties whose involvement has been possible thanks to a grant from Diageo (Diageo, 2004j). The Intermediate Technology Group was able to buy-in expert technical training with monies provided by Diageo. In this case the provision of finance by Diageo has been crucial in facilitating social capital development on a wide scale. The training has benefited parties from across Latin America, who have in turn been able to train local communities in the use and maintenance of micro-hydro units.

Perhaps the most explicit way that Diageo strive to engender externalised social capital is through the objective of ensuring that all projects are *sustainable*, such that Diageo can withdraw their inputs after stated period of time. Indeed, one of the criteria for assessing an initial funding application sent to the Foundation is the existence of a realistic exit-strategy. Some projects are, by their very nature short term, such as disaster relief efforts. Others are longer-term initiatives. Diageo are keen not to become tied into long-term commitments as their involvement is supposed to be catalytic. In order for projects to become self-sustaining rather than dependent there is likely to be a need for skills and knowledge to be transferred to project partners. Such transfers may occur directly through Diageo or indirectly via other project partners.

Building internal Social Capital through external links

Developing a credible reputation amongst policy makers at national and international scales is important to the firm in two ways. Firstly, as the YBI project in India demonstrates western MNCs can be treated with distrust in many markets around the world. A well thought-out country-specific community programme can help the corporation demonstrate its commitment to the local people and thus garner political and industry-based support. Even in long established markets it is important for the firm to reinforce its commitment to local communities as the company's heavy investment into the Liberties Learning Initiative in Dublin illustrates (Diageo, 2004q). Furthermore, a good record of community engagement can be invaluable when the broader reputation of the corporation is under threat. Diageo came under heavy fire in Taiwan during 2003 due to a culturally insensitive reference to that country in a UK advertisement for Smirnoff Ice (Diageo, 2003a). This marketing error nearly led to the company's products being banned. However, Diageo's excellent record of local community engagement helped to mitigate the damage. The strategic thinking in these cases is interesting, as it is believed that a company with a good public relations profile is likely to be able to withstand the impacts of a one-off mistake with relatively little damage, as they will be "*given the benefit of the doubt*" by external observers.

Secondly, entry into influential networks increases Diageo's influence over the direction and content of alcohol related public policy. The YBI initiative has been particularly important to the firm in this respect, as it has facilitated access to major international institutions as well as increasing the company's credibility with national governments. Such network development is essential in furthering the quest for self-regulation within the alcohol industry as the company's key players move within influential circles and gain the trust of establishment, political and institutional figures. Similarly, Diageo's work with the Tomorrow's People has generated considerable network development in the

UK (Diageo, 2004b, Oxford Economic Forecasting, 2004). Diageo's leverage within these influential networks is furthered by their well-publicised endeavours to promote alcohol education. In order to be respected and trusted by the power brokers within the networks it is essential that Diageo demonstrates a well thought out and consistent approach to the promotion of responsible drinking. Many of the alcohol education initiatives also facilitate access to government figures, due to the high profile attained by the campaigns. For example, the South African anti-drink driving campaign "Arrive Alive" (Diageo, 2004p) was launched jointly with the Ministry of Transport, whilst the Bartender project in Brazil has been recognised by the Department of Health (Diageo Brazil, 2004). Thus, major actors within the firm have been able to work with political decision makers, thus facilitating mutual trust and shared understandings. Diageo's success in this regard is exemplified by the fact that Diageo's CEO was seated next to the British Prime Minister at a recent conference focussing on ways of ameliorating the problem of anti-social behaviour associated with excess alcohol consumption.

The generation of positive publicity in the media is an important objective of many CC projects. Such publicity is seen as an important way to engage with consumers. On the one hand, all publicity can raise awareness of brands and products. On the other hand the association between brands and seemingly altruistic endeavours can help to increase consumer trust in a product. The interactions between these factors are complex and not always easy to predict. A recent overview of the Johnnie Walker *Keep Walking* initiative, which has been successful in assisting disadvantaged people to become entrepreneurs, revealed that whilst the programme had achieved a great deal in terms of media coverage, potential Johnnie Walker consumers were not engaged by the focus upon the disadvantaged (Diageo, 2004f). Thus, there were few beneficial outcomes in terms of increased sales. As a result the Johnnie Walker *Keep Walking* initiative has been reviewed and strategy changes are being implemented. In certain markets the initiative is being rolled back.

An interesting aspect of the ethos of Diageo's CC programme is the recognition that the broader health of society defines the potential market size in a particular country. The maxim "*healthy back streets equals healthy high streets*" defined the business-case for Grandmet's involvement in the initiation of Tomorrow's People at a time when high unemployment and increasing levels of deprivation threatened to constrain consumer markets in the UK. Since the end of apartheid in South Africa, Guinness have been heavily involved in funding bodies and institutions seeking to facilitate grassroots entrepreneurial development (Diageo, 2004n). In this way it hoped that the firm can play their part in catalysing improvements in standards of living within society that will ultimately benefit

the company's financial bottom line. Even more ambitious are efforts by corporate strategists to challenge negative perceptions of the African continent, which constrain investment-led growth within the continent. Without significant levels of foreign direct investment it is believed that living standards will remain low and the market for Diageo's products will not increase. As a response the firm has been involved in sponsoring media awards that are given to organisations presenting less stereotypical accounts of events on the African continent rather than the usual simplistic war, famine, AIDS and corruption stories that have dominated the western media in recent years.

Developing Social-Capital within the firm

The development of social capital within the company "internalised social capital" is also an important dividend from Diageo's CC activities. According to Prusak and Cohen (2001) internal social capital encapsulates the relationships that make organisations work effectively. Indeed, the term "*captures the notion that investments in these relationships return real gains that show up on the bottom line*" (Prusak and Cohen, 2001 p.87). In our analysis of Diageo it becomes clear that the term "relationships" encapsulates internal network development and the establishment of internal norms of varying forms. In this way the opportunity to develop internal social capital is a major component of the building of the business-case.

CC activities tend to play well with employees. The company provides many opportunities for employees to undertake voluntary work and is seen to value employee contributions in such realms. Diageo's status as an alcoholic beverage company is important in this context as it is felt that some employees feel a degree of unease about the ethics of working in such an industry. However, the provision of opportunities for employees to make positive contributions within communities is seen as a way of mitigating this concern. Equally, potential employees are attracted by the company's progressive approach to CC, as "corporate vision" is now seen to be one of the influential factors governing the choices of highflying graduates.⁴

The extent to which the business-case drives Diageo's choice of CC initiatives was clear during the early stages of the conceptualisation of the Earthwatch Programme. At this time key employees who supported the idea lobbied hard within the firm by making a strong case built around the positive impacts of the initiative upon the firm. The Earthwatch Programme builds social capital within the firm in a number of ways. There have been potent dividends in terms of motivating employees, increasing employee loyalty and reinforcing the notion that Diageo is a good firm to work for. Not only do the Champions note these

benefits but also the internal publicity generated through the programme clearly demonstrates to all employees the company's commitment to its personnel, local communities and the environment. The LAPs act as a mechanism for harnessing the Champion's enthusiasm and encouraging voluntary endeavours by other employees. Thus, the local multipliers of the programme are significantly enhanced, as each returning champion will encourage a number of their colleagues to contribute to voluntary work. Also, Earthwatch Champions and other volunteers often meet their own staff development needs through their extra-mural activities. For example, team-building skills are integral to the Earthwatch fieldwork, whilst management and organisational skills are developed through the delivery of LAPs. Other voluntary programmes, such as the twinning of managers with their equivalents in voluntary organisations are important in facilitating the acquisition of mentoring skills. All such activities assist in generating increased levels of social capital within the firm.

CC activities can stimulate business-related dividends in various ways. As explained earlier Diageo is a corporation that has drawn together a number of different businesses spread across the globe. Attaining a sense of corporate unity, establishing an "internal brand" and setting up effective means for communicating across the company have been significant challenges. The CC programme offers a route by which these objectives can be achieved. Proclaiming that the company is "Proud of what we do"⁵ backed by internal communications that reinforce the global nature of the company's activities is a tangible means for establishing a sense of unity and common purpose. The Earthwatch initiative has been particularly important in this regard. More than any other initiative it operates across all strands of the corporation. The opportunity to apply and become a Champion is a personal goal that can be shared by all employees in any business division. The internal communication systems required by Earthwatch have also been an important learning experience for the corporation, as information needs to be efficiently distributed across all the company's business divisions and subsidiaries to ensure equal access for all employees. Furthermore, communication with local managers has been required in order to ensure "buy-in" to the objectives of the programme and thus provide the requisite support to applicants and champions.

Elements of the CC programme have acted as a stimulus within the company in terms of altering aspects of daily business practice. The Earthwatch programme demonstrates how instrumental Champions have been in taking forward environmental initiatives within their part of the firm. All too often recycling strategies and environmental improvement schemes have remained on the drawing board for lack of internal impetus. Returning Champions in several

cases have taken on responsibility for effecting these strategies. The passion of these individuals and their ability to bring others on board has been essential.

6. Measuring a company's social capital building activity

Diageo report on their CC activities in great detail, providing a wealth of information about the programme, including single page Html Factfiles about individual projects, whilst some projects are evaluated in greater detail within Pdf Case Study documents. Weblinks are often provided to the homepages of partner organisations. This research exercise has enabled some of the Internet listed projects and the broader CC programme to be investigated in other ways. Thus, comments can be made about the utility of the online materials for research purposes. In particular we wish to review the utility of the data for quantitative analysis. It should be emphasised that these points are not intended as a critique of Diageo's public reporting system rather they are a guide for researchers.

In this context the major points to emerge are as follows:

- The project database does not include all the ongoing projects being put into effect by all Diageo's business divisions. Decision-making and record keeping regarding CC projects occurs within different levels within Diageo. The Internet database records projects that have been processed via the Foundation, but not necessarily all those operating at a local level. Indeed, whilst the CC team conduct an annual audit of the local businesses CC engagements it is only required that projects costing more than £3,000 are reported. The sheer size and complexity of the company implies that it is "*impractical for them (the local businesses) to report on everything they do*" Thus, the database only provides a partial picture of the totality of the company's activities. Furthermore, it should be noted that the individual LAPs emanating from the Earthwatch programme are not at this time reported upon in any detail.
- The database contains a mixture of projects that are ongoing and ones that have been completed. Indeed, some were completed some years ago. However, the Factfiles are often ambiguous about the current status of projects, often leaving the reader to assume that they are ongoing or very recent. The online Pdf case studies do provide more precise information in this regard, although the majority of these are now quite dated.

- Equally, Diageo's precise role in delivering a project can be ambiguous. In order to assess the strength of the firm's engagement in a project it is important to be able to categorise and identify different types of contribution made by the company. Online Factfiles tend to provide variable levels of information in this regard and can often give the impression that the company is directly involved in activities that are in fact being conducted by third parties, albeit paid for to some degree by Diageo.
- The detailed primary research undertaken for this project has enabled us to consider the utility of web-based research for conducting detailed analyses of corporations' community programmes. In previous papers (Jones et al 2001, 2002, 2004) we have deployed a scoring system for quantifying the social capital impacts generated by corporations' interventions within communities. A brief analysis of the application of the scoring system for the Earthwatch programme is indicative of some of the issues confronting researchers. It is clear from the case study details outlined on pages 21-26 that the Earthwatch programme stimulates a range of beneficial social capital outcomes at different geographic scales. Yet, the html Factfile (Diageo 2004g) provided within Diageo's "Proud of what we do" web pages fails to capture the specificity of the processes and outcomes involved. For example, there is an absence of information outlining the precise details of Diageo's financial resource commitments to the programmes, both locally for the LAPs and globally for the programme as a whole. Furthermore, Diageo's long-standing membership of Earthwatch's Corporate Environmental Research Group is worthy of merit in assessing social capital development but is not mentioned within the Diageo Factfile. Our detailed research has revealed that the outcomes from the individual LAPs have varied greatly. Some could be classified as examples of local best practice with the learning experiences from the fieldwork being disseminated fully within a locality, whilst others have struggled to get off the ground. Such differential outcomes are of great interest to researchers but are not apparent through the web-based information. Indeed, we considered the data provided on the web pages to be too generic for the scoring methodology to be applied effectively.
- The original scoring methodology was devised for use with web-based data. It is now apparent that the specific data obtained through case study focused research requires more sophisticated systems for measuring impacts. For example, the original methodology awards points for the donation of resources. It would be useful however to graduate the points

awarded according to the relative size of the resources concerned and according to the purpose for which they are used. In essence, some forms of investment stimulate considerably greater beneficial social capital outcomes, such as those directed towards training, than others, such as investments in physical infrastructure. Equally, the original scoring system awarded points for corporate membership of committees. However, person-to-person interactions at other levels are also important. Thus, engagements such as employee involvement in mentoring and training also merit credit within the scoring system. Through such activities norms, trust and networks can be extended at local levels. Such interactions need to be recognised within the scoring methodology.

7. Concluding observations

We conclude with five observations arising from the above case study.

1. **What social capital building by multinationals involves.** Experience with Diageo's citizenship programme demonstrates how social capital building by multinationals actually works. Citizenship projects are driven by a company's history of community involvement. Thus Diageo has significant corporate involvement in Dublin arising from the origins of the Guinness company. By necessity citizenship projects involve some sort of networking with the local community in which they are located. They often directly involve the transfer of business skills and employee effort to the community.
2. **How the social capital impact of a project is maximised.** The impact of citizenship projects on the community is increased the more extensive the interaction between the firm and community. Projects which involve more employees for more time tend to be much more effective. Thus the YBI project appears to have been a spectacular success whereas the Earthwatch project has been limited by the small number of employees actually involved and some difficulty in these few employees finding time to internalise the benefits of their participation in the programme.
3. **Social capital building by company brings substantial internal benefits.** Corporate citizenship projects can be justified in large part as vehicles for promoting a positive working environment within the company, thus they can be vehicles for teambuilding and employee training. Thus the Projecto Bartender project has raised the responsible drinking message within the company and the Earthwatch Programme has contributed to the creation of a global sense of corporate identity.

4. **Subordinating Corporate Citizenship to commercial objectives reduces its value to the company.** There is an observable trend away from purely charitable projects motivated by community need to projects that more directly serve the interests of Diageo's brands. While this is understandable it is a risky strategy as it undermines one of the major benefits of corporate citizenship projects which is the building up of goodwill towards the company based on its altruistic involvement in the community. The YBI project is of much more value to the company in this sense than the Earthwatch Programme. This is because the impact of the Earthwatch programme is substantially limited to the environment in and around Diageo's production facilities often resulting in local projects which yield a direct return to the company. By contrast the YBI project is of no particular value to Diageo but is of demonstrable social value. In the event of the company having an ethical problem (such as mistakenly putting out a culturally insensitive advert) this sort of altruistic social capital is likely to be of more reputational value.
5. **Governments need to recognise the limitations of multinationals in development projects.** The above observation gives rise to a related conclusion, which is that the sorts of corporate citizenship projects promoted by multinationals are those that tend to be close to company's interests. This limits the value of multinationals in promoting development via social projects. Left to their own devices multinationals will tend to concentrate on social projects that promote sales of their products and not those of most value to the community. This observation is suggested by Diageo's decision to re-evaluate its involvement in the Johnny Walker Keep Walking Campaign. If governments are to maximise the value of corporate citizenship projects to the community they need to be proactive in suggesting the types of projects that would be of value to the community.

Appendix 1

Project 5	Choice Zone – Guinness Storehouse, Dublin
Business Division	Diageo Ireland
CC Programme	Alcohol Education
Location	Dublin
Duration	2002 onwards
Description	The Guinness Storehouse is a six-storey facility built around a 100-foot high glass pint central atrium. The Storehouse houses a visitor centre known as the “Guinness Experience”. It incorporates a gallery, exhibition area, interactive experiences, a retail store and is home to the Guinness archive. A staff-training centre has been developed. The Storehouse, which was opened in November 2000, has been developed on a 4-acre site within a listed building on the brewery site at St James’s Gate. Within the Storehouse is an interactive exhibit, known as the <i>Choice Zone</i> , which encourages visitors to think about their drinking habits. Responsible drinking, for enjoyment rather than excess, is the theme being promoted. Six alcohol-related scenarios are presented for visitors to relate to. It is hoped that people will think carefully about their choices whilst viewing the scenarios, which include titles such as “drink helps me relax”, and “go on twist my arm”. The exhibit is interactive using audio and visual stimuli. The Irish Prime minister, Bertie Ahern opened the exhibit, which is now part of the overall visitor experience attracting 700,000 visitors annually
Intended Stakeholder Payoffs	To promote the importance of responsible drinking amongst visitors and to reinforce Guinness’s (Diageo’s) recognition of the need to encourage responsible drinking in contemporary society.
How did it start?	
Ongoing support/involvement. Relationship to present CC strategy.	Is consistent with Diageo’s focus upon the promotion of responsible alcohol consumption.
Partners: International (I), National (N), Local (L)	
Inputs: Financial, employee, in-kind	The Storehouse development represents a £30 million investment and the Choice Zone cost £850k.
Stakeholder Outcomes including Leverage and evidence of social capital building for beneficiaries	The Storehouse has become Ireland’s leading tourist attraction pulling in over 700,000 people a year.
Internal and External Evaluation Processes.	The degree to which visitors comprehend the Choice Zone is routinely explored as part of the on-going research programme within the Storehouse. Most visitors both comprehend and endorse the intent of the exhibit.
Resources	Factfile, various press releases available via www.guinnessstorehouse.com , information provided directly by contact at Diageo Ireland.

Project 6	Diageo Liberties Learning Initiative (DLLI)- Digital Hub
Business Division	Diageo Ireland
CC Programme	Skills for Life
Location	Dublin
Duration	2002 - 2005
Description	Efforts are being made to regenerate the Liberties area of Dublin through the creation of a digital media enterprise centre. The DLLI is an integral part of the re-generation project aimed at equipping the local community with the skills to participate in the digital economy
Intended Stakeholder Payoffs	To pilot projects that facilitate the use of digital media within the local community by equipping all members of the community with the necessary understanding of digital media and technology.
How did it start?	Building on a 250-year association between Guinness/Diageo and the local community (the “Liberties”), Diageo allocated part of the proceeds of the sale of land to the development agency to fund aspects of the project that focus on ensuring that the technology/employment dividend favours the local community, an area of disadvantage.
Ongoing support/involvement. Relationship to present CC strategy.	Participation in oversight board by Diageo staff
Partners International (I), National (N), Local (L)	N-The Digital Hub Development Agency (www.digitalhub.com); Irish Government
Inputs: financial, employee, in-kind	Approx £1.8 million funding from Diageo Ireland.
Stakeholder Outcomes including Leverage and evidence of social capital building for beneficiaries	The Liberties Learning Studio contains facilities such as video editing suites, video camera and lighting facilities, space for workshops and meetings. A series of exhibitions held in 2003 to showcase the opportunities provided through digital media (in both enterprise and culture). The DLLI serves to demonstrate Diageo’s ongoing commitment to the people who live and work in local communities.
Internal and External Evaluation Processes	Evaluation of new educational approaches embodied in the DLLI project are an integral part of the project
Resources	Factfile, Digital Hub website, information provided directly by contact at Diageo Ireland.

Project 7	Guinness Skills Centre, Colesberg, SA
Business Division	Brandhouse
CC Programme	Skills for Life
Location	South Africa
Duration	Opened in 2002
Description	The Skills for Life Centre is a multipurpose community centre that provides the local community of Colesberg with government services, access to an HIV/AIDS advisor, an enterprise centre, adult education and entrepreneurial training. Courses offered include adult and computer literacy, tourism, agricultural productivity, business skills and life orientation. A communications centre provides electronic and postal services.
Intended Stakeholder Payoffs	To allow local people to become successful in areas such as computing, agriculture, craft making and hospitality services. To demonstrate Brandhouse's role as a corporate citizen.
Initiation Process	The project was initiated by Nelson Mandela as part of his programme of directly requesting Big Business to contribute to the transformation process in South Africa.
Ongoing support/involvement. Relationship to present CC strategy.	Brandhouse is currently in discussions with potential business partners and relevant organisations who could make valuable contributions thus further addressing the needs of the Colesberg community. Brandhouse are currently in discussions with a bank with intent of making finance available to aspirant entrepreneurs within communities. Through this partnership people will be educated on how to start their business and manage successful and sustainable enterprises.
Partners: International (I), National (N), Local (L)	National and Provincial Governments, including the Department for Education's Adult Basic Education and Training division. Brandhouse are in negotiations with the bank and with the University of Port Elizabeth. The Department of Labour is facilitating skills training courses via external service providers.
Inputs: Financial, Employee, In-kind	Funding for the project has come via Guinness SA and the Diageo Foundation. The centre is "a testimony to co-operation between the private sector, volunteers and the state".
Stakeholder Outcomes including Leverage and evidence of social capital building for beneficiaries	A myriad of stakeholders are involved with this initiative. The Centre has become a nucleus of development and source of hope for the community. The training that is provided there has equipped a lot of people with skills that were previously not easily accessible in that community. Some graduates from the Centre have gone on to start their own business but still require training on how to run sustainable enterprises. Recently government donated call centre equipment so that unemployed youths could be trained in how to operate a call centre. The Centre is also a source of hope for people with disabilities because they are also benefiting from the courses offered at the centre.
Internal and External Evaluation Processes	Internal measurements and evaluation processes are still being established
Publicly available Resources	Diageo website and information provided directly by Brandhouse SA.

Project 8	Micro-hydro electric technology training.
Business Division	Diageo Peru
CC Programme	Water of Life
Location	Peru
Duration	1997 - 1998
Description	6.5 million Peruvians have no access to electricity. Through the provision of cheap, safe, eco-friendly technologies this need could be met for many people. ITDG have been promoting the use of new low cost technologies such as micro-hydro. Micro-hydro systems can be used with small streams to generate electricity. One watercourse can provide enough power to light a bulb in every household in a village of 80 homes. Training in using and maintaining the system is also provided.
Intended Stakeholder Payoffs	To enable communities to access electricity for domestic purposes and to develop light industry.
How did it start?	United Distillers <u>G&R</u> del Peru SA and ITDG signed an agreement to carry out work in the field of Dissemination, Development and Transfer of Technology related to Micro-Hydroenergy.
Ongoing support/involvement. Relationship to present CC strategy.	The programme of activities supported by United Distillers was completed in 1998. Project is referred to on the Diageo CC website as an example of the types of Water of Life projects that have received funding.
Partners International (I), National (N), Local (L)	Intermediate Technology Development Group (I).
Inputs: financial, employee, in-kind	United Distillers provided £20,000.
Stakeholder Outcomes including Leverage and evidence of social capital building for beneficiaries	A micro-hydro information day was held in Cajamarca in July 1997. Articles and news bulletins outlining the work in the arena of micro-hydroenergy supported by the United Distillers financial support have been published in the journal HIDRORED. 3 Latin American small manufacturers/installers of micro-hydro electric power stations have benefited from technology transfer training. Such training has strengthened technical capacity in Central and South America. 21 small micro hydro plants have subsequently been installed benefiting more than 15,000 people. IDTG plan to provide a further 18 plants providing electricity for another 12,000 people.
Internal and External Evaluation Processes	Reports detailing the activities involved have been sent to United Distillers.
Resources	Factfile and Final Activities Report sent to United Distillers in 1998.

Project 9	Diageo-Guinness UDV Literacy Awards, SA
Business Division	Guinness UDV SA (now known as Brandhouse)
CC Programme	Skills for Life
Location	South Africa
Duration	1994 - ongoing
Description	These awards are given to recognise and reward community-lead attempts to combat the problems caused by adult illiteracy. The latter is a major problem in a country where many people have had little opportunity to gain a school education in the past. Awards have been granted to projects such as the Matie Community Centre, which uses student volunteers to teach small groups of people in the scattered farm areas of the Western Cape and the Free State Association for Persons with Disabilities. Where people with disabilities run the centres and approximately 300 adult students participating are either deaf or have disabilities.
Intended Stakeholder Payoffs	To demonstrate the company's commitment to the communities in SA and to assist the process of national transformation. To improve literacy levels amongst the South African population, especially those from previously disadvantaged backgrounds.
How the project started	The Brandhouse Adult Literacy was initiated and inspired by a Brandhouse (then known as Gilbeys) employee in 1994 who challenged the company to look beyond sponsoring commercial activities and start ploughing something back into the community. The company took up the challenge and approached a well-known pioneer in the literacy field. A committee was then established to design and manage the Adult Literacy Awards for the company. After intensive consultation with a widespread of stakeholders, amongst others churches, provincial education departments, unions and youth, an Advisory Council was established.
Partners: International (I), National (N), Local (L)	There are many partners at a local level including NGO's, industry, churches, tertiary institutions and national and provincial government.
Inputs: Financial, Employee, In-kind	In the last ten years Guinness UDV SA have offered awards that have helped to fund literacy centres. £300,000 has been spent in this way. Brandhouse has to date invested more than R2.6 million in prize money and more than R10 million in administering the process of this event.
Outcomes including Leverage and evidence of social capital building for beneficiaries	More than 400,000 students have participated in more than 800 literacy projects, which have entered the awards programme. Some students have succeeded in becoming entrepreneurs as a result of the confidence and skills that they have gained. These people in turn offer employment to others. Winning projects have been nominated for the President's Award for Education and Development and also the international UNESCO award. Professionals from NGOs, labour organisations, universities, the Independent Examinations Board, the national directorate of ABET and the Department of Education have been involved in setting the criteria for competition entry and for judging. Social capital is developed at national and local levels with benefits being felt by governmental and non-governmental organisations, firms and institutions with which it is engaging. Individuals, families and their wider communities feel the benefits and there may be intangible benefits such as contributions to a sense of nationhood.
Internal and External Evaluation Processes	An audit has recently been commissioned to track past winners and see the longer-term impacts of their participation within the programme. Some of these individuals are featured in a CD-Rom about the programme.
Available information sources.	Factfile, Brandhouse CD-Rom, Guinness UDV SA online CC report, Brandhouse internal review.

Notes

¹ Interview with Diageo Foundation and Local Community Involvement Manager, September 7th 2004

² Interview with Diageo's Director of Corporate Citizenship and the Manager of the Diageo Foundation, September 7th 2004.

³ Telephone interview with Earthwatch's Corporate Liaison Manager, August 12th 2004.

⁴ Interview with Diageo's Foundation and Local Community Involvement Manager and Diageo's Corporate Citizenship Manager, August 5th 2004.

⁵ "Proud of what we do" is the title of the link on the corporate Homepage that leads to the Corporate Citizenship section.

Interviews were conducted with people holding the following positions:

Diageo's Director of Corporate Compliance, 30th June 2004.

Diageo's Communications Director, 15th July 2004.

Diageo's Director of Corporate Citizenship, 28th July 2004.

Diageo's Foundation and Local Community Involvement Manager and Diageo's Corporate Citizenship Manager, 5th August 2004.

Earthwatch's Corporate Liaison Manager, 12th August 2004.

A Diageo Earthwatch Champion, 12th August 2004.

Diageo's Director of Corporate Citizenship and Diageo's Foundation and Local Community Involvement Manager, 7th September 2004.

In addition, electronic communications were exchanged with Diageo representatives in the UK, Brazil, Ireland and South Africa.

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