

Shifting Philanthropic Motives: Shell's Corporate Social Initiatives in the Philippines

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Abstract

Companies undertake corporate social initiatives for a variety of reasons. Many do it for altruistic motives. Some see it as a way to enhance their corporate reputation or to legitimize their business interests. Others respond to pressures from various stakeholder groups, while others consider this as being true to their corporate values. For a few, corporate social initiatives are integral to their business models, and are, therefore, key to their viability. This paper provides empirical evidence that a company's primary motive for undertaking philanthropy can shift over time, and this results into a corresponding change in its philanthropic approach. In the case of Shell in the Philippines, its philanthropic activities started with altruistic motives, but were later designed to legitimize its presence in communities in which it operates. Today, its major social initiatives are geared towards enhancing stakeholder relations, and address its increasing commitment to sustainable business practices.

Key words: corporate social responsibility, corporate philanthropy, corporate social initiatives

Introduction

Companies have different motives for being good corporate citizens. Some companies engage in socially responsible behavior to promote business interests, to generate public goodwill, or to enhance corporate reputation. These forms of corporate social responsibility (CSR) are considered *instrumental* because they are explicitly meant to serve the purpose of enhancing shareholder value. Some companies, however, engage in socially responsible behavior because their leaders think that this is the right thing to do, whether or not it serves the interests of shareholders. These forms of CSR are considered *intrinsic* (Martin, 2002).

For many companies, CSR usually means engaging in corporate philanthropy, which generally refers to corporate action aimed at giving back to society. It is variously referred to as corporate charity, corporate giving, and corporate citizenship.

In 2008, CSR scholar Dima Jamali wrote that, among the different forms of CSR, corporate philanthropy is “the most controversial of all” (p. 215) because it could run counter to the profit-orientation of businesses. This echoes the position of Theodore Levitt, who wrote 50 years earlier about “the dangers of social responsibility.” Levitt (1958) thought that it was the responsibility of government, and not of business, to address social concerns and the general welfare. Business must, instead, focus on “the more material aspects of welfare.” Giving attention to social problems, he feared, would detract companies from the profit motive, which is the cornerstone of business success.

In spite of Levitt's warnings and in spite of Nobel Prize winner Milton Friedman's (1962) forceful argument that the only social responsibility of business is to maximize the profits of its owners or shareholders, CSR continued to grow in popularity. This was partly due to social movements that defined the times, and to the attempts of “forward-thinking academics [...] to articulate what CSR really meant and implied for business” (Carroll & Shabana, 2010, p. 87). Businesses suddenly had to address heightened expectations brought about by “a quickly changing social environment” and corresponding external pressures “to adopt CSR perspectives, attitudes, practices, and policies” (p. 87). Over the years, the social responsibility movement found advocates from different sectors, including government, academe, and business itself, especially with the rise of the business case for CSR.

Carroll and Shabana (2010) defined the business case for CSR as the establishment of the ‘business’ justification for CSR, i.e. “the specific benefits to businesses in an economic and financial sense that would flow from CSR activities and initiatives” (p. 92). Kurucz, et. al. (2008, as cited by Carroll & Shabana, 2010) put it this way: Can companies perform better financially by addressing both their core business operations and their responsibilities to the broader society? According to Kurucz, et. al. (2008), the rationale for the business case for CSR may be categorized as follows: (1) reducing cost and risk; (2) strengthening legitimacy and reputation; (3) building competitive advantage; and (4) creating win-win situations through synergistic value creation.

In this paper, I present empirical evidence that a company’s primary motive for undertaking philanthropy can shift over time due to external factors, and this results into a corresponding change in its philanthropic approach. This is consistent with Martin’s (2002) proposition that the motivation of firms that engage in corporate innovation in socially responsible behavior “at least initially, tends to be intrinsic”, i.e. corporate managers engage in such conduct for its own sake. This implies that the instrumental motive can eventually assume greater weight, especially when the intrinsically motivated behavior “coincidentally advances the corporation’s strategy”. My findings are a result of my current study on corporate philanthropy in the Philippines. For this paper, I cite the experience of Pilipinas Shell Foundation, Inc. (PSFI), the social development arm of the Shell companies in the Philippines (SciP). Data were gathered from documents provided by PSFI, published materials, and interviews of key PSFI personnel.

Shell’s corporate social initiatives

Pilipinas Shell Petroleum Corporation (PSPC) refines, blends, transports and sells a wide range of high quality fuels, lubricants, bitumen and other specialty oil-based products. It operates a 100-thousand barrels-per-day refinery, 22 oil distribution terminals/depots across the Philippines, and close to 1,000 retail stations nationwide. PSPC is one of the Shell companies in the Philippines (SciP), which include various businesses involved in oil and gas exploration, production, oil refining, distribution, sales, and customer service. SciP started its operations in 1914, and has grown to be one of the country’s largest investors, directly employing over 4,000 people nationwide (<http://www.shell.com.ph>).

Recognizing its obligations to society, Shell established PSFI on August 19, 1982. PSPC provided PSFI a seed fund that enabled it to undertake on a sustained basis social development projects meant “to provide a better life and a brighter future for people from different sectors” (<http://www.shell.com.ph>). Prior to this, Shell had been involved in helping communities since the 1960s through the Philippine Rural Reconstruction Movement (PRRM) and then, later, through the Philippine Business for Social Progress (PBSP). PSFI’s establishment demonstrated Shell’s desire and commitment to address poverty and other pressing social problems.

Responding to society’s pressing needs

PSFI’s mission of enabling the disadvantaged “to become productive and responsible members of society” was particularly apt because the economic crisis that hit the country during the early 1980s forced thousands of skilled workers to seek work abroad, resulting in a labor drain. At the same time, a lot of unschooled young people found it difficult to get jobs because they did not have the right skills. Shortly after PSFI was established, it launched *Sanayan sa Kakayahang Industrial* (SKIL), an industrial skills training program for out-of-school youth, which was meant to address the brain drain and the country’s perennial unemployment problem. The program provided scholarships in trade areas that PSFI identified during the early 80’s as having manpower shortages, due to the migration of skilled workers to the Middle East.

From 1983 to 1998, SKIL was PSFI’s major program. Implemented in partnership with the Technical Education and Skills Development Authority (TESDA), Don Bosco Technical Schools, and other technical training institutions, SKIL is now part of any comprehensive intervention by PSPC in a target area. Unskilled and poor out-of-school youth undergo a one-year training program in any of its modules, including auto-mechanics, electronics, welding, machine shop operations, refrigeration and air conditioning, sheet metal fabrication and high-speed sewing. Part of the program is on-the-job training carried out in PSFI’s industry partners, such as Keppel Shipyard, Atlantic Gulf & Pacific Co., Panasonic Communications and Honda Motors, among others. Beyond helping upgrade skills, SKIL also offers values formation sessions through its Leadership Enhancement and Attitude Development (LEAD) workshop.

In 1985, PSFI launched *Sanayan sa Kakayahang Agrikultural (SAKA)*, an agricultural skills training program designed to encourage farmers' children to use the latest farming technologies and marketing know-how to increase their families' incomes. SAKA scholars are provided a one-year scholarship leading to a Certificate in Agricultural Entrepreneurship in select agricultural state colleges or universities. The scholars also receive loans that enable them to carry out income-generating projects in the SAKA farm in the campus. The money earned while in school serves as their capital in implementing their plans when they are back in their own farms. This was PSFI's attempt to enhance agricultural productivity and to address rural poverty.

In the early years of PSFI, its Board of Trustees directed the foundation to provide assistance to communities even where Shell had no business investment. Cesar Buenaventura, then President of Pilipinas Shell Petroleum Corporation (PSPC), said: "We are very well aware of the fact that a large sector of the population needs help at the level of basic necessities, and that our Government is not in a position to provide for these. It is the responsibility of companies, especially those that derive their income from the mass population, to contribute back part of their earnings for national development" (psfi@twenty, 2002). Clearly, altruism was the central motive.

Over the years, PSFI launched various skills development programs that addressed various social problems. In 1986, it established the first Shell Training Farm in Negros, which helped displaced farmers affected by the slump in the sugar industry. In 1988, it launched *Lingap sa Kabuhayan (LIKHA)*, or Attention to Livelihood, to address a need brought about by the political insurgency. LIKHA assisted dependents of enlisted personnel to earn extra income by teaching them vocational skills. In 1991, it assisted lahar victims through *Sanayan Pangindustriyal at Kabuhayan Angkop sa Pinatubo (SIKAP)* or Industrial Skills Training and Livelihood for Pinatubo.

Shift to community relations

A noticeable shift took place in 1997 when PSFI conducted community-relations (COMREL) workshops for Shell depots in Luzon, Visayas, and Mindanao. After this, various programs were introduced in sites where Shell plants were located. These included the Pililia COMREL Program at the Rizal depot, the Pandacan Community Assistance program in Manila, and the TALIM Sustainable Development Program in Batangas.

In Batangas, PSFI implemented programs geared towards helping the communities surrounding the Shell Tabangao Refinery and the Malampaya On-Shore Gas Plant (MOGP). These communities are collectively known as T.A.L.I.M. (Tabangao, Ambulong, Libjo, San Isidro, and Malitam), a Tagalog word that means 'sharp'. This is likely a reference to the 'balisong', a locally-crafted knife for which the province of Batangas is known (Habaradas, 2011a). Among the programs PSFI implemented in TALIM is Joblink, which was a response to expectations that job vacancies created by industrial projects be filled in by residents of the communities hosting the business.

When Shell embarked on the construction of the MOGP in Tabangao, thousands of workers were required to put up the plant. Since the locals did not initially possess the skills required by the contractors, plans were made to move in workers from elsewhere. To address local demands for employment, however, PSFI convened a Joblink committee that included contractors, project managers, and community representatives. This led to the hiring of deserving local workers and to the provision of skills upgrading courses to selected beneficiaries. When the MOGP was completed in 2001, 3,500 residents had benefitted from Joblink, which has since been replicated in some PSFI sites (PSFI, 2002).

Through Joblink, PSFI did not only help Shell procure needed talent, but also enhanced the company's standing in the community as a responsible corporate citizen, especially since the foundation initiated other local capability building programs for the youth and the women of the community (Habaradas, 2011b).

PSFI implements many other programs in communities where Shell installations are located. Most of these include skills training and livelihood projects. These programs are clearly attempts not only to address the needs, but also to fulfill the expectations, of community residents. Thus, legitimization had become an additional motive.

Listening to stakeholders

The next shift started in 2006, when PSFI launched the *Gas Mo Bukas Ko* (GMBK) Program, which was meant to provide a better future for Shell station staff through capability-building programs that PSFI has already been offering through SKIL. According to SciP Country Chairman Edgar Chua, “we are helping out people from distant places with no connection to us whatsoever, so why can’t we help the people in our own backyard?” (PSFI, 2002).

The financial support provided by PSFI enables GMBK scholars to take short courses such as automotive mechanics, refrigeration and air conditioning repair, welding, basic computer course, bookkeeping, cell phone repair, food preparation, and small engine repair in accredited training institutions such as TESDA, STI, and Don Bosco Technical School. The tuition is shouldered by PSPC-Retail Sales and Operations (PSPC-RSO) while participating Shell dealers / retailers adjust the scholars’ work schedules to accommodate their training, aside from providing them with transportation and meal allowance.

The idea for GMBK came from Ping Sotto, a Shell dealer who wanted his pump attendants to have a bright future. Chua asked Sotto to prepare a concept paper about an idea Sotto broached to him several years back when Chua was still Vice President for Marketing. Sotto recalled Chua telling him: “I haven’t forgotten what we talked about. I think it’s a good idea. So why don’t you pick it up from where we left?” (personal communication, March 5, 2011). The idea was for interested Shell dealers to donate a few centavos of their margins for every fuel sale to a fund that will send their deserving staff to school, thus the slogan *Gas Mo Bukas Ko*, which means “your fuel is our future.” The pilot batch consisted of three individuals who worked for Sotto and Desi Tomacruz, another Shell dealer.

Sotto and Tomacruz, together with Chua, approached the core dealers of the Association of Pilipinas Shell Dealers, Inc. (APSDI), who thought the idea was worth pursuing. With the participation of more dealers, the number of scholars increased. Sotto recounted: “When the other dealers learned about the program, they asked, ‘why are we not included?’ We told them that this was a voluntary thing. If you want to join, why not?” (personal communication, March 5, 2011). In short, the idea caught fire, and the “coalition of the willing”, as Sotto called it, rapidly grew. By 2011, GMBK I “has reached out to almost 900 Shell station crew with the participation of more than 200 Shell station dealers nationwide” (GMBK, 2009).

PSFI later expanded GMBK’s coverage to include the dependents of public transport workers. Dubbed GMBK II, this scholarship program was made possible by a partnership among PSFI, PSPC, and the Public Transport Workers Foundation (PTWF). PTWF is the social development arm of partylist, 1-UTAK, which is supported by major transport groups such as the Alliance of Concerned Transport Organizations (ACTO), Alliance of Transport Operators and Drivers Association of the Philippines (ALTODAP), Federation of Jeepney Operators and Drivers Association of the Philippines (FEJODAP), and Pasang Masda.

PTWF President Mar Garvida recalled how Shell readily responded to the transport sector’s request for assistance when successive oil price hikes took place in 2008. “Of all the companies we approached, only Shell opened its doors to listen to our concerns,” he said This was corroborated by ACTO President Elfren de Luna, who said that “Shell was quick to respond to our requests and did not have second thoughts in offering the scholarship program” (Diaz, 2009). While some transport leaders and workers had been understandably wary in dealing with the oil firm, lingering doubts were dispelled when GMBK II pushed through in July 2009 with the first batch of 46 scholars. More than 350 scholars from all over the country have received GMBK II scholarships since then.

Because of the early successes of GMBK I and GMBK II, PSFI Executive Director Edgardo Veron Cruz and PSPC Human Resource Adviser Cherry Anne Yanzon discussed the possibility of offering the same program to Shell’s contracted staff. They eventually got the endorsement of PSPC HR Manager Gerboy Ortega, which set the stage for GMBK III. Just like its predecessors, GMBK III is a technical and vocational skills training scholarship program, but this time, it is offered to dependents of employees of Shell House contractors. GMBK III, which is implemented in cooperation with the PSPC HR Group and Shell Life Matters, took in its first batch of 10 scholars in July 2009 (Comsti, 2010).

Consistent with its mission of helping the disadvantaged, Shell readily responded to the needs of key stakeholders, who happen to belong to its supply chain (i.e., dealers, forecourt attendants, public utility drivers, contractors). Through GMBK I, GMBK II, and GMBK III, PSFI blurred the boundaries between corporate philanthropy and stakeholder relations (Habaradas, 2011c). These programs also conceivably strengthened the social capital between Shell and its business partners, which could be an additional source of competitive advantage.

Summary and conclusions

This paper provides evidence that external factors could influence the motives of companies in their corporate philanthropic approach. This is consistent with Martin's (2002) implied proposition. In the case of Shell, its motives in undertaking SKIL and SAKA in the early 1980s were clearly intrinsic, as proven by PSFI's original mandate to assist communities even where Shell had no business investments. This was largely driven by the economic difficulties faced by the country during that time.

However, towards the end of the 1990s, there was clearly a shift to prioritize programs based in communities where Shell's facilities are located. This was reinforced by the huge investments made by Shell in the Malampaya project, which affected communities not only in Batangas, but also in Subic, Oriental Mindoro, and Palawan. Shell has been implementing comprehensive social development programs in these communities, which regard the company as a good neighbor. Clearly, there is an attempt to establish legitimacy in these communities, even if the desire to help is still a major consideration. Both intrinsic and instrumental motives are now at play.

GMBK, which was introduced in the mid-2000s, is unique in the sense that the idea came from Shell dealers. PSPC-RSO, however, decided to fully support the program because of the positive response it received from the dealers, who benefitted from the higher-level of service resulting from the training of their forecourt attendants and office staff. More than the improved level of service shown by the GMBK graduates, the program achieved its other goal of providing station staff, particularly the pump attendants, improved income and better employment opportunities. At least 36% of the graduates have been promoted to more responsible positions in the station (cashier, auto-mechanic, office staff, supervisor) while another 12 graduates have become station managers. The idea to extend the same benefits to dependents of public transport drivers also came from the representatives of transport groups, and has generated tremendous goodwill from a sector that previously demonized oil firms. Thus, Shell stumbled upon a valuable mechanism for stakeholder relations.

Clearly, GMBK is a social initiative that falls under what Martin (2002) calls the strategic frontier, i.e. it is intrinsically motivated behavior that "coincidentally advances the corporation's strategy". It can also be held as a shining example of strategic philanthropy, which according to Porter and Kramer (2002), "brings social and economic goals into alignment and improves a company's long-term business prospects" by enhancing its competitive context (i.e. the quality of the business environment in the location or locations where they operate).

While PSFI's philanthropic motive has always been altruistic, as claimed by its Executive Director Edgardo Veron-Cruz, strategic considerations have now entered the picture. Because Shell has gained "collateral benefits" (e.g. community acceptance, higher staff morale, better relations with the transport sector, various awards and recognition) from philanthropic activities directed to key stakeholders, it is more likely to sustain investments in these programs in the future.

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