

# PRIVATE SOCIAL INVESTMENT: THE STRATEGY AND MANAGEMENT OF FOUNDATIONS AND INSTITUTES

## INVESTIMENTO SOCIAL PRIVADO: A ESTRATÉGIA E GESTÃO DAS FUNDAÇÕES E INSTITUTOS

Submission: 20/04/2018

Accept: 22/12/2018

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### ABSTRACT

With the This article is the result of a qualitative research with multiple case studies in CSI portfolio companies with Foundation or Institute, and an exploratory research in articles; sustainability, integrated, or socioenvironmental reports; books; and websites on Private Social Investment and CSI (Corporate Sustainability Index). The return assesment of the PSI is increasingly required in the corporate world, because besides being positively ranked on the São Paulo Stock Exchange, it is critical for the maintenance of social projects, as well as to invest in new actions for the communities. The general objective of this study is to analyze how companies with Foundations and Institutes integrating the CSI portfolio evaluate the return of the PSI. The specific objectives are: i) to identify strategical policies and guidelines for PSI application; ii) analyze the leadership involvement with the PSI decisions; iii) identify possible impacts of PSI actions on the reputational image of the companies. iv) identify the focal point of action; v) check how the community needs are assessed; vi) check how the PSI impacts are evaluated. Among other relevant conclusions, it was found that the way in which PSI management is carried out, expresses the alignment of the sustainability to the business strategy. The study provides scholarly and practical contributions, by highlighting that the PSI actions are important in terms of the reputational image of the companies.

**Keywords:** Private Social Investment; ISE; Foundations; Institutes.

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## RESUMO

*Este artigo é resultado de uma pesquisa qualitativa com estudo de casos múltiplos em empresas da carteira ISE com fundação ou instituto e de uma pesquisa exploratória em artigos, relatórios de sustentabilidade, integrados ou socioambientais, livros e sites sobre o Investimentos Social Privado e o ISE (Índice de Sustentabilidade Empresarial). Nota-se que cada vez mais, que o processo de avaliação de retorno do ISP se faz necessário no mundo corporativo, pois além de ser pontuado positivamente na Bolsa de Valores de São Paulo, ele é crucial para a manutenção de projetos sociais, como para investir em novas ações para as comunidades. O objetivo geral deste estudo é analisar como as empresas com fundações e institutos integrantes da carteira ISE avaliam o retorno do ISP. Os objetivos específicos são i) identificar as formas de gestão do ISP; ii) definir o envolvimento da alta direção com o ISP; iii) identificar possíveis impactos das ações de ISP na imagem reputacional das empresas. Dentre outras conclusões relevantes, apurou-se que a forma como é realizada a gestão do ISP, expressa a proximidade da sustentabilidade com a estratégia do negócio. O estudo fornece contribuições acadêmicas e para a gestão empresarial, ressaltando que a imagem reputacional gerada pelas ações de ISP é uma forma de verificar os ganhos que ele traz para as empresas.*

**Palavras-chave:** Investimento Social Privado; ISE; Fundações, Institutos.

## 1. INTRODUCTION

The Corporate Social Responsibility (CSR), viewed as a set of attitudes and actions of a certain organization in benefit of the society, in a broad sense, or more specifically, of a particular community (ASHLEY et al., 2003), might be a source of important competitive advantages, since it results in benefits regarding reputation, motivation and maintenance of collaborators, and building and strengthening of valuable institutional partnerships, among other aspects. Regarding the environment, the improvement of the environmental performance, through the adoption of innovative products and procedures, is a paramount component to increase productivity and competitiveness. Besides these business advantages, socioenvironmental actions are important sources of development, either articulated by the government, private sector, or by the organized civil society in their many different forms and areas of activity (PORTER, KRAMER, 2006; COELHO, 2007).

In Brazil, the acknowledgement of the importance of the CSR results in an upward trend of the Private Social Investment (PSI), which is a set of resources aimed at social actions led by companies, corporate Foundations and Institutes, or those created by families, communities, or individuals. In 2014, a census of the *Grupo de Institutos, Fundações e Empresas* (Group of Institutes, Foundations and Companies, GIFE) pointed out that R\$ 3 billion were invested in the field of corporate social investment in Brazil. This amount, if compared to 2011, represented an increase of more than 25%. PSI has been going through changes that reflect the maturation of the social segment, but that also point to the need of searching for a broader geographical and thematic distribution of the investments, currently concentrated in the Southeastern Region of Brazil and in the area of education (GIFE, 2015).

One of the Brazilian initiatives that has significantly contributed to the improvement of the processes of management of the CSR was the creation of the Corporate Sustainability Index (CSI) by the São Paulo Stock Exchange (Bovespa). Established in 2005, together with other entities, this index has been established as an important inductive factor for companies searching for a business model that contributes to sustainable development. The CSI follows the international standards adopted by the major sustainability indexes of the world and, based on its own indicators, is selected to make up the investment portfolio of those companies which stand out for promoting good sustainable practices and that are committed to the CSR.

When a person, group, or organization decides to invest private resources in some issue of public interest, there are those that opt for creating Foundations or Institutes, which are legally independent from their creators, with their own statutes, and without any profit motive (MONTEIRO, 2016). They are seen by their supporters as strategical organizations capable of implementing a more sustainable management and able to expand the dialogue between the companies and the society.

Private Foundations and Institutes may have varying degrees of institutional, programmatic, and financial autonomy in relation to their maintainers (NOGUEIRA; SCHOMMER, 2009). However, Perret (2011) argues that, in general, the supporting companies are constantly present in the life of Foundations and exert influence on the determination and destination of the private social investments. According to Oliva (2016), the mobilization of the knowledge accumulated by Institutes and Foundations might affect the supporting companies, making them act in a more integrated, responsible, and articulated way with the social, economic, and environmental contexts in which they operate.

Due to the strategic relevance of the PSI, it is important to evaluate the CSR of the companies that have Foundations and Institutions, as well as the results of their social activities and the monitoring of the PSI. In order to make decisions about the investments to be made, as well as to follow the results and impacts, the companies should be concerned about the return assessment of the PSI, both for the maintenance of the current activities and for the beginning of new projects. Therefore, it is important to systematize the processes of management of the PSI, so that companies are able to provide effective responses to the stakeholders about the model of social and environmental management used by them (OLIVEIRA et al, 2014).

The findings presented herein encouraged this investigation, with the general objective of analyzing the perception of managers about the strategic and management factors of the PSI of companies belonging to the CSI-2016 portfolio, which carry out the PSI through their own Foundations or Institutes. The specific objectives are i) identify strategical policies and guidelines for the PSI implementation; ii) analyze the involvement of managers with the PSI decisions; iii) identify possible impacts of PSI actions on the reputational image of the companies. iv) identify the focal point of action; v) check how the PSI community needs are assessed; vi) check how the PSI impacts are evaluated.

## 2. THEORETICAL FRAMEWORK

Both in Brazil and abroad, the PSI has assumed different forms over time, from more welfare and philanthropic conceptions to more strategic views in which companies assume their co-responsibility for the welfare of society. In Brazil, the participation of the private sector in the social investments started to increase in 1990s due to the huge needs and the difficulty of the government to attend all the social demands (GIFE, 2015; VOLTOLINI, 2007). The concepts of third sector and Corporate Social Responsibility (CSR) have gained relevance since then.

Many academic studies have been published to understand the thematic evolution in its most different aspects. Given the breath of this theme, this theoretical framework does not intend to address it in its full extent and depth. Following Severino (2007), this item clarifies the analytical categories used to better understand the phenomena here mentioned. The issues corporate social responsibility, private social investment and its evaluation, and the index of environmental sustainability are articulated below to support the analysis of the data obtained in the field.

## 2.1 Corporate Social Responsibility

The terms Corporate Social Responsibility (CSR) or Entrepreneurial Social Responsibility (ESR) are equivalent and represent the social actions that companies carry out for their internal and external audiences that go beyond mere philanthropy. The CSR, as referred in the present article, takes place when specific actions become systematic and strategic and are part of the management of the entire company, using resources that, many times, are superior to those required by the legal framework (LEANDRO; REBELO, 2011).

The CSR focus on the ethical behavior and on the quality of the relationships the company establishes with their target audiences. It might be directly or indirectly related to the company activity, being incorporated to the strategic orientation of the business and reflecting the ethical challenges to the economic, environmental, and social dimensions. It might be responsive or strategic. The responsive company acts through projects and actions through projects and actions in its surroundings and reduces its impacts, while the strategic one adopts CSR practices fully integrated to the value chain and intrinsic to the business as a whole (PORTER; KRAMER, 2006; KARKOTLI, 2007).

A proactive attitude regarding the CSR might strengthen the brand over time, providing a sustainable growth; therefore, the CSR actions, together with communication, might reduce the risks and add value to the image of the company. This added value often yields capital or positive reputational image associated to the company (OLIVEIRA, 2013; THOMAS, BRITO, 2010).

The image the stakeholders have of a given company might be influenced by the general assessment of its reputation, i.e. it is influenced by a set of images. Thomas and Brito (2010, p. 8) identified this circularity in the concepts of image and reputation, and stated that the reputational image might be defined as the way a company is seen by its stakeholders, especially by their clients, while reputation is the collective assessment or estimation of the attributes of a company. Reputation depends on the trajectory of the organization, including its relationship with the stakeholders.

## 2.2 Private Social Investments

The CSR is manifested in a group of intangible resources, such as good corporate governance, efficient execution of innovative social projects and ethical business management. In order to be a source of competitive advantage, CSR actions should yield real and consistent results for society (SOUZA FILHO et al., 2010).

The PSI may be considered as one of the CSR actions of the company, and may be defined as the planned, monitored, and voluntary use of private resources – from individuals or legal persons – in social, environmental, and cultural of public interest. The PSI differs from welfare practices since it is a strategy focused on sustainable results and social impact. In addition, the community must be involved in the development of the action and those responsible for the PSI should be concerned with the planning, monitoring, and evaluation of the projects (GIFE, 2015)

This universe is made up of social actions led by companies, foundations, and institutes of business origin or institutes created by families or individuals. It includes not only tangible but also intangible investments, such as the provision of services and the mobilization of collective interests and shared objectives (ANDION; BECKER; VICTOR, 2012; MILANI FILHO, 2008).

There is a growing understanding that the role of companies might go beyond simply generating profits. The company, besides being an important agent of economic development,

might expand its role by performing actions through PSI in the communities where it operates and by dealing with the social issues critic to its business.

In the 2000s there was a change in the attitude of the areas of PSI in the companies, which became social intelligence units with a focus in diversified partnerships and strategies, with the objective of promoting relationship between the companies and the communities around them. Therefore, the PSI has become an important guideline in the corporate scenario. When aligned with the business strategy and the sustainability guidelines of the company, it permeates all processes and areas, with a strong leadership involvement. In this case, it might be denominated as SPSI – Strategic Private Social Investment (PIMENTEL, 2011).

The GIFE (2016) prepared a document called Visão 2020, emphasizing the need the need for companies to incorporate more deeply the support from civil society organizations. This would be a way of producing not only good results from specific interventions, but would have a value in itself, by strengthening the representative institutions of society and, consequently, democracy.

### **2.3 Evaluation of the Private Social Investment**

The term evaluation does not have a unanimous definition among the scholars of the subject. In this study, evaluation is understood as a process of collecting quality information to carry out a weighted and systematic analysis of the operation and/or results of a policy or program, against a set of implicit or explicit standards, with the objective of contributing to the improvement of that policy or program. Evaluation and decision making are closely related (TENÓRIO; LOPES, 2010).

When it comes to the building of indicators, the task requires the analysis of their relevance to measure what is intended, as well as the ease of collecting and analyzing them. It is required that the people involved in the process are aware about the links between what is being measured and the purpose of the indicator. In addition, it is important that the indicators are aligned with the organizational strategy and that the information provided by them is indeed useful for the decision-making process (COSTA, 2003).

The use of indicators in the corporate social investment area seeks to transform the perception of value into a concrete fact, considering qualitative and quantitative perspectives of analysis, in the view of the various audiences involved (COELHO; GONÇALVES, 2007). It is recommended that both the evaluation and the elaboration of the indicators are done in a collaborative way, in order to involve all the parties in the different stages of the evaluation process: design, data collection, analysis, communication, and decisions about the use and dissemination of results. (BRANDÃO, 2007).

### **2.4 Corporate Sustainability Index (CSI)**

With the increase of the PSI offer, the first sustainable indices started to appear, based on the premise that companies that are concerned with sustainability generate value to the shareholders in the long term. The Dow Jones Sustainability Index of the New York Stock Exchange and the FTSE 4Good of London may be mentioned (OLIVEIRA, 2013). In 2005, following the example of the major stock exchanges in the world, the Corporate Sustainability Index was launched in Brazil by the São Paulo Stock Exchange (Bovespa), together with other entities.

Since then, the CSI has been consolidated as an important instrument for the comparative analysis of the performance of companies listed in the São Paulo Stock Exchange, to in

order to broaden the understanding about companies and groups committed to sustainability, discriminating them in terms of quality, level of commitment to sustainable development, equity, transparency and accountability, nature of the product, and business performance in the economic-financial, social, environmental and climate change dimensions. (PEÇANHA, 2012; ISE – BVMF, 2016; TEIXEIRA; NOSSA; FUNCHAL, 2011).

After the presentation of the main concepts that serve as a theoretical basis for the study, the methodological procedures used in this investigation will be presented below.

### 3. METHOD

This is a qualitative applied research, a type of investigation that is focused on yielding knowledge aimed at understanding and/or solving specific practical problems, involving local truths and interests (Prodanov and Freitas, 2013). The objective of the research is exploratory, since it is not intended to obtain conclusions or statistical generalizations. In particular, the interest is to deepen the knowledge and broaden the understanding about the way Foundations or Institutes supported by companies in the CSI portfolio assess the return of the PSI, based on the perception of the professionals with experience and relevant information about this issue.

The method adopted is the case study, a frequent tool used in qualitative applied social research, since it provides a thorough study of one or a few objects, in order to allow a broad and detailed knowledge of them. The method is especially valuable when the researcher is trying to solve a research problem in which there are interrelationships between the various factors (GIL, 2002). This work has opted for multiple cases since they may provide empirical evidence from different contexts, contributing to the elaboration of a research with multiple perspectives about the same issue. The empirical evidence should generate feedback for the theory, that is, provide an analytical generalization (YIN, 2005).

The CSI-2016 portfolio provided the base for the units of analysis, being formed by 35 companies that have been through qualitative evaluations, through the analysis of supporting documents obtained by sampling, and quantitative, through the application of a questionnaire (ISE – BVMF, 2016). Invitations were sent to all the companies that maintain Foundations or Institutes that use sustainable practices in the environmental, social, and economic contexts. Six companies have agreed to take part in this study. Chart 1 shows the sector of activity and the way the data were obtained, the hierarchical status of the respondent and his (her) time at the company. For reasons of confidentiality, the cases are numbered and the names of the organizations were omitted.

Chart 1 – Organizations that took part in this investigation

Sector of Activity	Interview	Status of the participant	Company time
Service Provision	e-mail	Executive	Above 8 years
Commercial Bank	Phone	Executive	Above 8 years
Energy	Phone	Technical	Above 8 years
Retail	Phone	Executive	Less than 2 years
Retail and others	Personally	Executive	Less than 2 years
Service Provision	Phone	Executive	Less than 2 years

Source: the authors

The units of analysis belong to different business segments. Regarding the profile of the participants, five of them occupied executive level positions and one had a technical level job. Half of them had more than 8 years in the company and the other half had less than two years.

The collection of primary data was made through interviews based on a semi-structured script. Secondary data were also collected, using public information disclosed by the questionnaire of the CSI-2016 portfolio about the social dimension.

The process of data collection occurred according to the following procedures:

- a) previous identification of 35 organizations belonging to the CSI-2016 portfolio according to the CSI site;
- b) formalizing the invitation for the companies that have a Foundation or Institute;
- c) performing of the interviews from July 20 to November 1, 2016 to obtain the primary data. Regarding the participants, four of them have opted to be interviewed by phone, one personally, and another accepted to answer the questions only by email, remaining at the disposal of the investigators to clarify any doubts they might have
- d) cross-checking of the data collected in the interviews with the data provided by the companies in the CSI questionnaires about the social dimension
- e) checking the secondary data published in the sustainability, integrated, or socioenvironmental reports from the Foundations and Institutes of the respective companies.

In turn, in the systemic process of the interpretation of the data, the following phases were covered:

- a) Tabulation and analysis of the data obtained from interviews with members of six companies, taking also into account the notes and also the questionnaires answered by the companies with semi-structured questions, which was used as a tool for data collection in the six companies, although of this total, five were made through interviews and one by completing the questionnaire via e-mail, as requested by one respondent.
- b) Comparative analysis between the answers of the six companies, with the aim of raising similar and also discordant responses.
- c) Analytical comparison between the answers provided by the companies in the qualitative research with the social dimension section of the CSI-2016 portfolio.
- d) Checking of the qualitative research answers with similar information in the sustainability, integrated, specific to Foundations and Institutes, or socio-environmental reports of the companies made available via the website or printed by the companies.
- e) Analysis of the answers obtained specifically by the companies of the CSI-2016 portfolio that have a Foundation or Institute.

## 4. DATA ANALYSIS AND RESULTS

In this specific topic, this work tried to analyze the major results obtained from companies that keep Foundations or Institutes, grouped in the strategic and management dimensions of the PSI: a) strategic dimension: policies and guidelines, leadership involvement; PSI fields of application; reputational impact; b) PSI management dimension: community needs assessment, and actions of monitoring and assessment.

### 4.1 Strategic Dimension

Porter and Kramer (2006) consider that the CSR of the organizations might be responsive or strategic. The responsive company acts through social projects in its surroundings and minimizes its impacts. In the strategic company, the social issue is so important that it is part of the organizational culture of the company.

During the interviews conducted different opinions were observed. In the case of Company 3, for example, the participant emphasized the importance of the PSI being linked to the business strategy:

The PSI is already linked to the type of business, it cannot be different. I have tried to achieve more synergy with other area. You are able to connect these like business strategy, the company, and people. The challenge is to make people realize that. A former president brought this issue and since then it was incorporated into the company.

In contrast, the participant of Company 4 mentioned that not all social actions are aligned to the strategy of the enterprise, but he also regards the role of PSI in the society as important:

The actions and projects that are fostered, like those for elderly people and others, are not [...]. Not all are aligned, just some. The actions need to be aligned with the company, with all the participant actors, in the community that it impacts, with the whole chain, to yield results for the company. The PSI also has a social commitment to solve the social problems present in the world, where the objectives of sustainable development involves all the business with the strategy alignment. Companies with global operation play an important role, since they generate impacts in the communities and the PSI is not very high.

#### *4.1.1 PSI Policy Implementation*

Regarding the monitoring of the PSI management in the Foundations and Institutes, the results of this investigation showed that in half of the studied cases there are, in the supporters, internal policies and guidelines established to deal with this issue.

The participant of Company 2 mentioned the passage from philanthropy to transformation:

Our projects are not focused on welfare but in transformation. It is necessary to have a broad vision of the company, not only with the eye of the shareholder. The Private Social Investment provides listening points to meet the social needs, although the company is not the government. The PSI is a connection with business, as well as with the future potential clients. Public policies are important and need to be strengthened, but the PSI has to be aligned with the strategies of the company.

Company 3, according to the participant, makes partnerships with public agencies to promote improvements in the life quality of communities: *“We have a global action in a partnership with the government involving placing street signs with the name of the streets; people regularize their situation, going from informality to a regular situation”*.

The participant from Company 4 emphasized that the focus is on the value chain and highlighted the importance of strategic planning related to the Private Social Investment:

The company operates in the sustainable development of communities, aligned throughout the value chain. The Private Social Investment needs to be aligned with the strategic planning and be spread throughout the chain of value, going beyond the development of the communities. This needs to be a win-win relationship.

#### *4.1.2 The PSI and the leadership involvement of the companies with a foundation or institute*

In recent years, business Foundations and Institutes have assumed a significant role in the context of the companies that aim to contribute to the reduction of the socioeconomic problems in Brazil and to widen the access of the population to cultural goods (MINDLIN, 2009).



Based on the theory of Pimentel (2011), this work tried to identify the involvement of the senior managers of the companies with the PSI. The interviews reported that this involvement was high in five of the companies and average in one of them

For Company 5, although the leadership involvement has been high the participant said it could improve in the following way: “The institute might be more aligned to the strategy”.

Regarding Company 4, the respondent commented on the participation of the present: “The CEO of the company took part in the strategic planning of the institute. Reports are made to him and to the HR board”.

In the group of organizations in which the top leaders have an average involvement, the respondent from Company 2 highlighted that they are internally improving this item: “We are moving from average to high. Our president is the president of the Foundation”.

Thus, this work concludes that four companies, representing 66.66% of the units of analysis, according to the theory of Porter and Kramer (2006), appear to be “strategic organizations”, since their PSI actions are aligned to the strategy of the respective businesses.

#### *4.1.3 PSI Field of Application*

In the specific case of theme selection in which the companies will perform the PSI, five of the analyzed corporations present a formal criterion for defining the themes in line with the materiality matrix, which defines the most relevant issues for a company according to its business strategy and the perception of the impacts of the public with whom it relates. Besides considering the materiality matrix of the sustainability report, when defining the themes that received PSI, Company 4 seeks to know the trends of what is being done in the country and to define themes also aligned with the millennium goals of the UN (United Nations), which were the principles in force at the time of the decision making.

Confirming the data from the 2014 GIFE Census, education appears to be the most valued theme to receive investments according to companies 5 and 6. The others (4, 3 e 2) do not share the themes in which they invest and one of them (Company 1) declared to invest in more than one theme. Comparing these data with their respective sustainability reports, there is a correlation in five companies.

Regarding the origin of the PSI, the results showed that four companies support external projects through their own resources. In the other organizations analyzed the resources are obtained through the participation in calls for proposals and, in one of them, also through a partnership with BNDES – Banco Nacional de Desenvolvimento Econômico e Social (National Bank of Economic and Social Development).

Considering the territorial aspect, companies chose to restrict the public to their territories of action. According to Brás et al. (2014), most companies choose to act socially in the community closest to them. However, in this way, the more distant communities end up not receiving an important social investment for their development.

The information collected in the interviews and in the sustainability reports apparently agree with Pimentel (2011), who argues that companies address social issues that are critical for their business through the Strategic Private Social Investment (SPSI). The evidence that allows this inference is the alignment of the PSI decisions to the business guidelines and strategies. Confirming data obtained by Melo Neto and Froes (2004), the results showed that companies support external projects through their own resources. The GIFE (2014) considers it important for companies to adopt strategies to support external projects, focusing more on civil society or-

ganizations. Doing so, there would be gains for both parties and, especially, for the society, which would have an additional gain.

The analysis of the information found in the sustainability report showed that all companies used the GRI standard (Global Reporting Initiative) for the elaboration of their respective reports. Five organizations mentioned in their reports that they associate their sustainability actions or projects to the SDG (Sustainable Development Goals) of the UN (United Nations).

#### *4.1.4 PSI Reputational Impact*

During the interviews, two questions were prepared to meet one of the specific objectives of this study, which is to investigate whether the impacts of the PSI actions contribute to the reputational image of the company and, in addition, what would be the argument that most reflects the relation of the company with that the issue.

More than simply giving financial resources to other organizations, companies, through their foundations, are developing and maintaining social projects that positively impact society, since the role of private organizations is questioned by the nature of the results of their actions (PERRET, 2011).

As observed in this investigation, 4 of the 6 analyzed companies stated that the PSI has a positive impact on their reputation image. According to the respondent from Company 2, the spontaneous activity on the social media is the main benefit. The participant from Company 4 believed that the PSI improves the brand image in different ways and that the CSI index improves the relationship with the community, besides contributing to the acquisition and retention of talented people, since trainees value social action. Finally, for this company, when the PSI is used well, its effects remain throughout the value chain.

For two companies, what best translates the benefit of the PSI is that it promotes community relations and cooperates with the common good of society. For Company 3, the PSI brings a positive image, but it depends on other external variables. The respondent commented that, although the PSI helps to strengthen the image of the company, it is impacted by the rise of the product prices. For the participant of Company 6, in the first place comes social actions, which are promoted by the company because it believes in the social cause. The reputational image comes as a consequence of the benefit that the PSI brings to the society.

Therefore, following the example of the studies of Thomas and Brito (2010), the company seems to be aware that its reputation depends on the image it passes to its stakeholders. However, among these parties, companies are more concerned with the image formed by the society as a whole than with that held by the investors.

## **4.2 PSI Management Dimension**

The theoretical approaches of the CSR, discussed in the theoretical framework of this work, consider that the company should take full responsibility for the impacts of its operation on employees, the environment, customers, and everything and everyone eventually affected by it.

In addition to defining the policies, guidelines, leadership involvement, and focus of the PSI action, in line with the strategic objectives of the company, it is necessary to assess the needs of the target audience. After the strategic definitions, this is the first step to implement the PSI, in order to diagnose which are the priority demands, the risks involved and, especially, to establish bonds of trust with the community.

Another important point that results in good management of the PSI is the mode of evaluation and monitoring. According to GIFE (2015), evaluation is a tool on which managers might rely to learn from the results obtained and, from there, make decisions that improve processes and make the investments more intelligent.

#### 4.2.1 Community needs assessment

During the interviews, this investigation tried to find out if companies with Foundations or Institutes carried out the survey of the needs of the surrounding communities and, if so, how was it done. Out of a total of six companies, four answered that they made this survey against two that did not. Regarding the method used by the four companies that made this survey, part of them did it through consultant firms and the other part hired third parties but also used internal indicators.

Company 5 is among those organizations that assess the community needs and value the importance of this procedure; therefore, it is already at a more advanced level of assessment of the community needs, as explained by the participant of this company: *"We are in another stage, the question now is how to interact with the communities that are not in our environment, because with those around us, we already have a relationship"*.

On the other hand, in the group of companies that do not perform the assessment of the community needs, Company 3 justified this attitude saying it receives information from other communication channels of the company, as mentioned by the participant: *"We receive the demands of the communities through the channels of internal communication of the company, Ombudsman and SAC - Customer Service"*.

With regard to the methodology used to make the survey, Company 4 hires third parties, which conducts the survey through visits and interviews in the communities. The respondent from this company justified this option saying: *"the focus is on the value chain and the staff of the company involved in this task is small"*.

Another aspect investigated was how the community satisfaction is assessed after the implementation of the social projects. One third of the companies carried out the evaluation, either using third parties or by themselves. Regarding Company 5, which also conducted internal satisfaction surveys, projects implemented in the communities were mentioned, some in partnership with public agencies and another focused on culture.

Company 2 carried out the survey internally, but if necessary, said it is possible to hire a consultant firm only to define which indicators to use. The participant from this company commented: *"We use internal indicators, but a consultancy may also help us to define the indicators. However, it is the company that applies it internally"*.

In the group of four companies that do not perform a survey of satisfaction, respondents from companies 3 and 4 justified this behavior. The participant from Company 4 mentioned that the organization makes impact measurements and in the future expects to use the satisfaction survey: *"We do small impact measurements, still without depth, but it is already on our radar to do"*. Company 3 did the survey in the past, but stopped doing so.

Comparing the methods used to make the assessment of the community needs, it was generally perceived that the data were positive, since they point to a concern with the stakeholders, specifically with the communities involved. These figures seem to indicate that most companies see themselves as agents for promoting economic development, but also for building a more fair society.

#### 4.2.2 PSI Return Indicators and Assessment

The companies surveyed were asked about how to assess the return of the PSI. Melo Neto and Froes (2004) stated that the mode of assessment of the PSI is very important, since it requires an efficient assessment procedure. Otherwise, it is not possible to determine the results accurately. Fernandes (2004) endorsed the importance of using indicators when a certain situation needs to be evaluated, since the result demonstrates, based on a measurement, what is being done.

It was found that, of the six companies, five answered that they assessed the return of the PSI, against only Company 2 companies that did not have this practice, but that intended to start measuring the return of the spontaneous activity on the social media.

For Company 3, the external indicators used were required by the regulatory agencies of the sector and were made by third parties. The participant highlighted: *“We use controls that one of our regulatory agencies requires for our segment and the sustainability area hires a consultancy for the external indicators”*.

Company 4 mentioned that it uses indicators made by third parties for spontaneous activity on social media and that some others are made internally: *“We use the assessment of return of the spontaneous media, which is made by third parties, and the other indicators are made internally by our Institute”*.

Company 5 stated that it uses indicators applied by third parties: *“We use tracking, brand perception for sustainability projects, we hire research institutes, and we also use the Social Progress Index (IPS)”*. The IPS, cited by this participant, is an index that measures the social and environmental performance of nations. Company 6 used several internal indicators, but they are not mandatory.

There is no pattern regarding the type of indicators and the way they are raised. Some companies perform the assessment only through internal indicators elaborated by themselves and other ones use both internal data and those that were collected by third parties. One company does not have focus on evaluation. However, all of them declared that they actually contribute for the sustainable development of the communities and some of them have detailed their practices.

There is a clear inconsistency in these statements since, since all of them claim that their actions yield sustainable development on their surroundings, not all of them conduct, in fact, some type of evaluation. In other words, there are two companies that, despite not having any form of systematic evaluation, argue that the results of their socioenvironmental actions are positive for their relationship communities.

## 5. CONCLUSION

This study was designed with the main goal of analyzing the perception of managers about the way PSI is performed in the companies that support Foundations and Institutes that comprise the CSI-2016 portfolio, addressing strategic and management factors.

It showed that most of the organizations have considered the PSI as strategic. To do this, they have a foundation or institute to deal with this issue. This may be related to the fact that these companies, by participating in a restricted group of the CSI portfolio, already have a differential in relation with corporate social responsibility.

The involvement of top leaders with the PSI is vital for it to flow into every level of the company and to be understood by everyone. Most of the companies reported leadership

involvement and its strategic nature. As for the reputational image, companies believed that social responsibility activities might help to create or maintain it.

The importance of the PSI depends on the business strategy, the involvement of the top direction with the PSI, and the presence of internal policies and guidelines that define how and where to invest. The percentage invested is still small compared to the revenue of these companies, but the values in reais are expressive, since the revenues of corporations are high.

The social investment of the analyzed companies comes from their financial incomes, that is to say, most of it is their own money. Although the invested amounts are still a small percentage compared to their net income, although the numbers in reais are expressed. However, the close observation of the company reports showed that most of them have reduced the amount invested from one year to the other, probably due to the economic crisis of the country.

Education appeared as the most addressed issue, like observed in other GIFE studies. It is assumed that the materiality matrix requested in the sustainability reports might reflect the effect on this choice.

The data collected showed that most of the analyzed companies had carried out a survey of the needs and satisfaction of the surrounding communities. The relationship with the community exists and there is a concern to know the results of the social and environmental actions in the neighboring area. However, there are companies in the studied group studied that do not make any kind of consultation of other interested parties.

Regarding the benefits that the PSI generates for companies that hold a foundation or institute, most of them also think they are positive and believe it results in a favorable reputational image for them. Regarding the return assessment of the PSI, it is performed by almost all companies, but there is no consensus about the indicators used in this process.

The return assessment of the PSI is a necessary process in the corporate environment, since it involves human and financial resources of the company, besides a relationship with the community. It demands the observation of certain procedures for an efficient assessment of the PSI return. The interviews conducted in this investigation revealed that many companies already do it. Nonetheless, regarding the methodology used by the companies, there is a preference for the internal construction of indicators or the use of both internal and third party indicators. This might be worrying, since involving the stakeholders in the evaluation process is important so that the evaluation criteria are transparent and do not result in any type of bias that favors the investing organization.

There is a concern by on the part of companies with Foundations and Institutes of the CSI-2016 portfolio regarding the assessment of the PSI return, as already mentioned. However, it should be noted that one of the companies does not have this concern, even though it is part of a portfolio of organizations that is considered socially responsible.

It is worth mentioning that this study made it clear that there is a process of private social investment management, so much that the companies show a concern during the preparation of their reports in using the GRI. Also, most of them try to associate their actions and projects with the SDG, but even so, there are opportunities of improvement, mainly regarding transparency in the return assessment of the PSI.

There is clearly a lack of use of specific indicators to measure the return of the PSI. Although there is a concern on the part of companies with Foundations and Institutes about this issue, there is not a common methodology for all of them.

However, these results should be understood in light of the methodological limitations of the research, which do not allow for generalizations. Despite their limitations, it is expected

that the results presented herein will encourage other companies to better manage their private social investments and to make formal evaluations in order to maximize the positive results for both their business and for the communities they attend. For future studies, it is important to check which tools are used in the evaluation and to determine which social indicators are the most appropriate.

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<b>Contribution</b>	<b>[Author 1]</b>	<b>[Author 2]</b>	<b>[Author 3]</b>
<b>1.</b> Definition of research problem	√	√	
<b>2.</b> Development of hypotheses or research questions (empirical studies)	√	√	
<b>3.</b> Development of theoretical propositions (theoretical work)	√	√	
<b>4.</b> Theoretical foundation / Literature review	√	√	√
<b>5.</b> Definition of methodological procedures	√	√	√
<b>6.</b> Data collection	√		
<b>7.</b> Statistical analysis	√	√	√
<b>8.</b> Analysis and interpretation of data	√	√	√
<b>9.</b> Critical revision of the manuscript		√	
<b>10.</b> Manuscript writing	√	√	√
<b>11.</b> Other (please specify)			