

Frequently asked questions

Formulating the strategy: “How should a strategy be stated? In a specific document like the shareholders’ agreement or a charter? You need to distinguish between a situation where the mission is written into the charter and one where it is only a verbal commitment.”

A verbal commitment is not a tangible element. If the commitment is not conveyed in official documents, it remains a tenuous one and can be rescinded at any time, e.g. when the managing director who made the commitment leaves the organization and is replaced. In this example, formulating the strategy in a shareholders’ agreement or a social charter is more of a guarantee that a strategy will be sustainable, independently of changes that might affect the organization.

Services and partners: “What is the difference between a key service provider and a key partner?”

Within the framework of the Scorecard, “**key service provider**” refers to a service provider who has a commercial relationship with the business but is not part of the target market, and is vital to the business model and/or technical operations. This relationship is analyzed in Dimension 5, “HR Policy” to ensure that as an essential link in the social business model, such a service provider benefits from decent working conditions.

Examples: field workers who help distribute the franchised products/services; distributors who deal primarily with the products/services described under Dimension 1, “Product”.

A **key partner** refers to a stakeholder who is closely involved in the social business’s design, operations and growth. The partner can be private or public, local or international, and may provide financing or not. It may be a multinational like Danone or Veolia. The key partner makes a vital and long-lasting contribution to the social business. This relationship is discussed under Dimension 7, “Partnership”.

Upstream and downstream target markets: “How to distinguish an ‘upstream’ market from a ‘downstream’ market?”

A **downstream market** refers to the end users of the product/service being offered.

Examples: at-risk populations with access to a low-cost basic product/service (access to drinkable water in rural areas, nutritional food products for children from poor families, access to clean energy, etc.).

An **upstream market** refers to actors positioned further up in the value chain.

Examples: the upstream market is less easily identified with a social business, although such models can serve to integrate small excluded producers/farmers into the value chain. It can also be the social business’s own employees through work integration (people who distribute a product and who are subject to discrimination due to their origins or a handicap, etc.)

Continuous improvement: “Can you provide examples of how the views of upstream beneficiaries are taken into consideration in the development of products/services?” (Practice 3a2)

Examples:

- In the case of Philéol in Madagascar, the price of each type of cereal was set in agreement with the producers.
- In the case of Guanomad, also in Madagascar, the price of guano is negotiated with the collectors, and the conditions for accessing and protecting the caves are defined in agreement with the districts where the caves are located.
- When it changed its legal status, one organization (of which upstream beneficiaries are also shareholders) anticipated the worries of its beneficiaries, consulting with them and organizing information sessions on the consequences of the change.
- The views of the people who assemble and distribute an energy-efficient/improved cookstove were taken into account before any changes to the line of products were made. An iterative process was used to integrate the views of these upstream beneficiaries into the new design, and the beneficiaries received training in the new assembly methods.

Statutory social benefits: “Should it be considered that these benefits are provided directly by the organization?” (Practice 4b1)

No. On the other hand, here you must take into account the benefits provided by the organization to make up for what the State does not cover.

Example: Certain benefits are covered by the national health insurance funds, such as disability coverage or retirement pensions. These benefits are not assessed on the Scorecard, whereas setting up a supplementary retirement scheme within the organization is. In other cases, companies have increased the salaries of their employees, after concluding from surveys of household budgets that the minimum wage does not cover the monthly needs of an average family (housing, food, health, clothing).

Wage analysis: “Practice 4b1 mentions ‘a decent wage is paid’. Are they talking about the average, median or lowest wage?”

The point here is to take into account the organization’s lowest wages more particularly, i.e. the wages most likely to be under the minimum income or insufficient to cover the basic needs of a family.

Communication strategy: “It is not easy to understand the link between setting up a communication strategy and achieving the social goals, or to what extent the practices are responsible.” (Practice 7c1)

The idea here is to ensure that there is no green- or social-washing in the partnership: communication is transparent between the partners and is based on concrete actions without being overvalued.

***Tax evasion:** “How to verify that the organization’s funding sources do not come from tax evasion? Where can this information be found?”*

It is possible to do some research to follow up on suspicions of fraud or other dishonest dealings, using these steps:

- Identification of the actual shareholders
- Discussions with the entrepreneurs to understand the source of the funds, and further informal research on the reputations of these entrepreneurs by consulting with banks or with other entrepreneurs in the network who know them, for example. Since business networks in some of the countries of operation are fairly limited, it is possible to obtain useful information in this way.
- For natural persons, Google searches can be used (e.g. by typing in the name and key words like “fraud” or “money laundering”), also to verify that these people do not appear on any sanctions lists or anti-terrorist lists:

<http://www.un.org/sc/committees/1267/pdf/AQList.pdf>

http://www.un.org/french/sc/committees/1737/pdf/ConsolidatedList_fr.pdf

<http://www.un.org/sc/committees/1988/pdf/1988List.pdf>

http://eeas.europa.eu/cfsp/sanctions/consol-list/index_en.htm

http://www.tresor.economie.gouv.fr/4248_dispositif-national-de-gel-terroriste

- Specific investigations can be carried out for politically exposed people, i.e. people who hold important positions in the civil service, e.g. heads of state or government, senior policy-makers, government members, judicial or military officials, executives of state-owned companies, and heads of important political parties. Continuing the business relationship could be contingent on management approval or further reputational investigation, etc.

There are also specialized sites, for example, where you can access a database on criminal convictions for a fee. The usefulness of these sites can be relative in some countries, in particular African ones, where access to information is often more difficult.

The Financial Action Task Force’s (FATF) website gives international standards on this subject: [http://www.fatf-gafi.org/documents/guidance/?hf=10&b=0&s=desc\(fatf_releasedate\)](http://www.fatf-gafi.org/documents/guidance/?hf=10&b=0&s=desc(fatf_releasedate)).

***Historical dynamics:** “I don’t think it’s possible to capture the essence of a social organization without a look at the dynamic nature of the business model. So the issue is not just to know if something has been set up, but also if the organization has thought about that something, and how it has dealt with that over time; how it has reacted to challenges as they crop up, etc.”*

An assessment consists in taking a picture at a precise point in time. The Scorecard helps to explain the mechanisms and procedures that exist within the organization to ensure both the purpose’s sustainability and that it is adhered to. The analysis should rely on the **tangible elements** observed during the period defined by the assessment.



Each new assessment of the organization will show the progress achieved from one observed period to the next and the areas that still need improvement, enabling a better understanding of the model's dynamic nature.

However, the documentary analysis and the interviews do help to apprehend the organization's capacity building process and the reasons for the choice of structures or activities observed during the assessment.

This document aims at easing the use of SBS, the Social Business Scorecard developed by CERISE and its working group. The grid and this document are available online for free on: <http://cerise-sb.org/>.

