

# KENAN INSTITUTE NEWS

THE NEWSLETTER OF THE FRANK HAWKINS KENAN INSTITUTE OF PRIVATE ENTERPRISE

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## Study group recommends policies to promote global corporate responsibility

A new report by the Kenan Institute's Washington Center outlines ways the U.S. government can promote global corporate responsibility (CSR) through policy.

"Global corporate responsibility is a national and foreign policy issue," says Barbara Fiorito, chair of Oxfam America, who co-chaired the Kenan Institute Study Group.

"Many foreigners first come to know the United States by working for American companies abroad or by buying American products or services in their home countries," she says. "The U.S. government can and should promote global responsibility in many ways through its policies."

To understand the opportunities for policy impact, the Washington Center convened a study group of stakeholders to examine what the U.S. government is doing and how more could be done to promote global CSR.

The study group included leaders from business, labor, non-governmental organizations (NGOs) and academia, as well as former government officials and Congressional staff.

Building on existing policies and initiatives, this diverse study group found common ground on ways the U.S. government can give greater priority, focus and consistency to its efforts to promote global corporate social responsibility.

"This set of recommendations represents a major step forward in creating a stronger partnership among business, labor, government and NGOs to address the new governance challenges that arise from globalization," says Bruce Moats, corporate vice president for Levi Strauss & Co.

The Kenan Institute Study Group recommended these key actions:

- Promote transparency and disclosure practices.
- Encourage adherence to internationally accepted social and environmental standards.
- Offer resources to improve governance institutions worldwide.
- Strengthen U.S. government coordination and capacity to promote global CSR.
- Convene multi-stakeholder dialogues to encourage and strengthen global CSR practices.



U.S. Rep. Cass Ballenger (R-NC) comments on the recommendations from a Kenan Institute study group on how the U.S. government can promote global corporate responsibility through policy. Ballenger co-hosted a Congressional briefing on the recommendations in October with fellow congressmen Sam Farr (D-CA), Sander Levin (D-MI), George Miller (D-CA) David Price (D-NC) and Melvin Watt (D-NC).

- Provide incentives and use government procurement policies to promote global CSR.

A panel of study group participants discussed their recommendations with members of Congress at an Oct. 30 briefing on Capitol Hill hosted by U.S. representatives Cass Ballenger (R-NC), Sam Farr (D-CA), George Miller (D-CA), David Price (D-NC) and Melvin Watt (D-NC). Participating with Moats and Fiorito in the briefing were John Foarde, staff director for the Congressional Executive Commission on China; Ron Blackwell, director of corporate affairs for the AFL-CI; and Michael Gadbow, vice president and senior counsel for General Electric.

The project was funded by the Ford Foundation, United Nations Foundation and Levi Strauss Foundation with support from Intel Corp., Pfizer Inc., Starbucks Corp. and an anonymous corporate donor.

Copies of the report may be downloaded at <http://www.kenan.org>.

For more information on the CSR Policy Project, contact the Washington Center at (202) 289-6282.

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## Study: Federal incentives can help build wealth in America's distressed cities



Michael A. Stegman

As Congress debates creating new tax incentives for banks that expand savings options for working poor people, a new report by the Kenan Institute's Center for Community Capitalism shows

widespread support among bankers to continue such saving programs with federal support.

The report, "Financial Institutions and Individual Development Accounts: Results of a National Survey," shows that banks, thrifts and credit unions who offer Individual Development Accounts (IDAs) believe in their long-term value to create wealth for low-income people and opportunity in America's distressed communities. Participation by the nation's financial institutions is critical for this kind of market-based solution to work long-term.

"We found that financial institutions now are driven largely by their community development objectives, but that many share a longer-term view of the role IDAs can play in helping them develop a new customer base," says Center Director Michael A. Stegman, who led the research team.

"While not immediately profitable," Stegman says, "banks believe the accounts will lead to profits as their new customers' incomes grow and their demand for higher-margin banking products and credit increases. Federal incentives offered now can help develop a new market for banks and encourage working poor people to save and build wealth – a win-win for everyone involved."

A growing body of evidence indicates that matched savings programs encourage saving by low-income people as IRAs do for middle-income families. In the nation's first IDA demonstration, the American Dream Demonstration (ADD), the average participant saved more than \$1,500 and accumulated nearly \$2,600 when match funds were included.

The Center worked with Sen. Joseph I. Lieberman and his staff in 1999 to craft legislation that would take the IDA concept to national scale as a means of building wealth for low-income families and communities. That legislation proposed channeling federal matching funds in the form of tax credits through financial institutions rather than community-based nonprofit organizations

because of their ability to deliver the scale and geographic coverage needed for significant impact.

A bill containing the Savings for Working Families Act (SWFA) provisions passed the U.S. Senate in April 2003. The U.S. House of Representatives version passed in September without the SWFA provisions. A Conference Committee will reconcile the two bills. SWFA would allocate \$450 million in the form of tax credits for financial institutions that contribute IDA match funds to their programs. Collectively, these tax credits would generate sufficient matching funds to support 300,000 IDA accounts.

*"Federal incentives offered now can help develop a new market for banks and encourage working poor people to save and build wealth – a win-win for everyone involved."*

*Michael A. Stegman*

*Director, Center for Community Capitalism*

The Center for Community Capitalism's IDA survey was designed to assess the experience of financial institutions that offer IDA pilot programs to determine how the program can be expanded.

Key findings are:

- Financial institution participation in IDA programs is significant. At least 339 U.S. banks, thrifts and credit unions sponsored some form of matched savings programs in the fall of 2002. Banks sponsor most IDA programs (86 percent).

- Those institutions that participate are committed to offering IDA programs long-term, motivated by community development and a desire to develop the lower-income banking market.

- Financial institutions rely heavily on nonprofit partners to successfully operate their IDA programs. Nonprofits not only help improve program quality but make IDA programs more cost effective by taking on some labor-intensive program elements.

- Federal sources of financial support are particularly critical, as they are the primary source of match funding for more than three-quarters of all IDA programs. Participants depend on and recognize the need for public-

sector funding for IDAs and favor proposed SWFA provisions as a way to significantly expand the program nationally.

"We are unlikely to see significantly more growth in either the number or size of local programs without a larger and more certain source of publicly funded program matching funds," the report concludes. "This is why pending federal legislation to create a national IDA program is so important."

The report may be downloaded at [www.ccc.unc.edu](http://www.ccc.unc.edu). For information, contact the Center for Community Capitalism at (919) 962-8839 or [communitycapitalism@unc.edu](mailto:communitycapitalism@unc.edu).

### KENAN INSTITUTE NEWS

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The Kenan Institute of Private Enterprise, part of The University of North Carolina at Chapel Hill's Kenan-Flagler Business School, works with business, government, nonprofit and academic partners to create knowledge and practical solutions for business and community success.

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## Opportunity abounds from commercial mortgage market transformation

When Cohen Financial decided to bid on servicing rights for a \$3 billion federal commercial mortgage portfolio, they turned to the Kenan Institute's Center for Real Estate Development for help.

Research and expertise offered by Center Director Tony Ciochetti, an expert in commercial mortgage risk and loss analysis, helped Cohen Financial estimate its probable loss from default so it could bid on the servicing rights with confidence.

Earlier this fall, Cohen Financial returned the favor. Chief Investment Officer Bruce Cohen and Managing Director/Portfolio Management Mary Briggs visited UNC Kenan-Flagler to share their knowledge and expertise of commercial mortgage capital markets with

Center is to advance knowledge about real estate development to benefit the industry and the people it serves. In this case, our work helped Cohen Financial push the envelope in the dynamic world of capital markets. They in turn are helping educate the next generation of real estate leaders."

Briggs told Ciochetti's students: "Opportunities for new people in capital markets are fairly dramatic. There are fundamental, watershed changes under way."

In the last decade, Wall Street has entered the world of commercial real estate lending formerly dominated by banks and life insurance companies. Investment firms create securities by bundling commercial real estate loans as investments. They help close the gap in capital



Cohen Financial Managing Director Mary Briggs tells UNC Kenan-Flagler students how to capitalize on dramatic shifts in commercial mortgage markets.

*"We feel we're in the second or third inning of this transformation."*

*Bruce Cohen, Cohen Financial*

MBA students in the real estate concentration. Cohen Financial is a leader in the area of commercial real estate finance.

"This is how learning and discovery come full circle," Ciochetti says. "Our job at the

needed to finance construction and development, creating significant market opportunity in the process. Nationwide, lending for commercial real estate projects has risen from \$22 billion in 1990 to more than \$100 billion today.

"We feel we're in the second or third inning of this transformation," said Cohen. "The real impact will happen when people with a finance background understand how to create the next level of opportunity."

## UNC Kenan-Flagler among sustainable enterprise leaders



UNC Kenan-Flagler has been recognized among the world's leaders in educating MBAs in sustainable management practices.

UNC was among the six cutting-edge schools cited in a new

report, "Beyond Grey Pinstripes 2003: Preparing MBAs for Social and Environmental Stewardship," released Oct. 8 by The Aspen Institute and the World Resources Institute (WRI).

"In today's business climate, taking a leadership role on complex global issues reflects a commitment to expand the limits of current research and teaching," said Meghan

Chapple, WRI business education manager. "UNC Kenan-Flagler is one of only six schools that have reached a new frontier of innovation on social and environmental issues in business."

UNC Kenan-Flagler's MBA curriculum and activities in sustainable enterprise are coordinated by the Kenan Institute's Center for Sustainable Enterprise, which helps organizations understand how global sustainability is inevitably changing the competitive landscape and how to benefit from that change.

On average, the six leading schools offer four times as many courses in sustainable management and more innovative programs than other schools that participated in the survey, the report said. Each school also offers an extensive array of extracurricular activities and have faculty who conduct research on social and environmental topics.

## LOGTECH hailed by logistics society

The International Society of Logistics has awarded the UNC Center of Excellence in Logistics and Technology (LOGTECH) the Eccles Medal for outstanding achievements in the development of logistics education.

The U.S. Department of Defense (DoD) established LOGTECH in 2000 to guide the advancement of logistics in the military. DoD selected the Institute for Defense & Business, a Kenan Institute affiliate, to manage it.

LOGTECH brings together logistics leaders from DoD, business and academia for education and exchange. It includes executive education, ongoing research into logistics practices and technological improvements, a logistics-focused MBA program and an annual LOGTECH forum designed to promote discussion on current military logistics issues.

# Shaping Community Futures: OED leads AdvantageWest visioning initiative

The Kenan Institute of Private Enterprise's Office of Economic Development (OED) is guiding the 23-county AdvantageWest region of North Carolina through a visioning process to create a plan for future economic development.

"This is a chance for mountain leaders to think regionally about how to connect workforce development and economic development in a strategic way," says OED Associate Director Leslie Stewart, who is directing the project.

AdvantageWest has convened a task force of the presidents of each community college and the chancellors and presidents of the university and college campuses in the region along with AdvantageWest board and staff executives.

The \$25,000 project will help the group develop a five-year plan for economic development that includes envisioning the future job market for the region and specifying the community college and university courses needed to provide the skilled workforce for those jobs.

The project is designed to respond to a state law introduced by N.C. Sen. Walter Dalton in the 2002 North Carolina General Assembly (S.L. 2002-126, Section 8.3) requiring regional economic vision plans. All seven regions of the state are developing a response to this requirement.

OED is incorporating data and recommendations from numerous previous studies conducted in the region; synthesizing the region's economic strengths, weaknesses, opportunities and threats; identifying the growth sectors in the economy; and facilitating the task force's visioning process.

OED is an office of the Kenan Institute and The University of North Carolina at Chapel Hill's Office of the Vice Chancellor for Research and Economic Development. OED brings the significant resources of the University to the task of helping communities in North Carolina and elsewhere address critical challenges of competitiveness and economic development.

For more information, contact OED at (919) 843-7304 or [oed@kenan-flagler.unc.edu](mailto:oed@kenan-flagler.unc.edu).



Photo by the Asheville Convention & Visitors Bureau

## UNC Kenan-Flagler 2004 Executive Education Offerings

### GENERAL MANAGEMENT PROGRAMS

**Executive Development Institute 2004**  
Three-week program:  
*Feb. 15-20, March 21-26, April 18-23*  
Two-week:  
*Nov. 7-19*

**Senior Executives Institute 2004**  
Four-week program:  
*Aug. 22-27, Sept. 26-Oct. 1, Oct. 24-29,  
Nov. 28-Dec. 3*

**The Business of Human Resources**  
Four-day programs:  
*April 27-30, July 20-23, Oct. 26-29*

### FOCUSED SEMINARS

**Strategic Leadership Workshop for Senior Executives**  
*Dec. 8-10, May 12-14*

**Leadership Effectiveness Workshop**  
Three-day seminars:  
*May 3-5, Nov. 10-12*

**Financial Analysis for Non-Financial Managers**  
Three-day seminars:  
*March 1-3, June 14-16, Oct. 11-13*

**Negotiation Skills for Effective Managers**  
Two-day seminars:  
*Feb. 26-27, Sept. 2-3*

**UNC Marketing Management Institute (MMI)**  
Seminar series begins December 2003

**UNC Business Institute for Scientists (BIS)**  
Seminar series begins January 2004

For information, call (800) 962-1531 or visit [www.kenan-flagler.unc.edu](http://www.kenan-flagler.unc.edu).

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