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9B16M189

THE ZUELLIG FAMILY FOUNDATION: A BRIDGE TO A BETTER FUTURE

Audrey Chia and Mavis McAllister wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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As he drove across the Candaba Viaduct, Ernesto Garilao could not help but wonder at the economic impact of the stunning five-kilometre bridge. This was a bridge of necessity that not only spanned ponds, streams, and swamps but also ensured that people and goods could travel during monsoon season. This bridge ensured safe passage for all—rich and poor alike.

Garilao had taken the last few weeks to reflect upon the challenge of bridging the health care divide between rich and poor in the Philippines. That bridge would need to have greater capacity and reach further than any bridge Garilao had seen before—certainly bigger than the Candaba Viaduct that he was crossing.

Garilao, a development practitioner trained at Harvard's Kennedy School of Government, had spent much of his career working to bridge fundamental divides within Philippine society. He had served as secretary for the country's Department of Agrarian Reform from 1992 to 1998, and, as a professor and director of the AIM-Mirant Center at the Asian Institute of Management, he had pioneered the concept of bridging leadership.

In 2008, Roberto Romulo, chairman of the Zuellig Family Foundation (ZFF) and former Secretary of Foreign Affairs for the Philippines, invited Garilao to become the foundation's president and take up the challenge of providing health care for the poor of the Philippines. Garilao was particularly struck by the health inequities between the urban rich and the rural poor, as reported by former Health Secretary Alberto Romualdez. The rich had a life expectancy above 80 and the poor below 60; the maternal mortality ratio was 15 among the rich but over 150 among the poor. These disparities soon became the focus of ZFF's agenda.

THE ZUELLIG GROUP

In 1901, Frederick E. Zuellig left Switzerland as a 19 year old in search of commercial opportunities in Manila, where he settled, developed a business, and started a family. His two Manila-born sons,

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Stephen and Gilbert, returned to the Philippines after their education in Switzerland. In the midst of the Second World War, the two brothers found themselves in charge of the company after their father suddenly died.

For the Philippines, the Second World War was devastating and always unpredictable, but it was also a time when deep friendships were forged and tested and unusual risks were taken. Stephen said of that time, "We did things we would normally not have done and could not have done; not in the sense that they were morally questionable; rather, that they were daring and fitted the times." The two brothers defied risks to send money and supplies to friends held locally in Japanese detention camps, and when possible, they hid company merchandise from the Japanese to avoid having it confiscated.

In the aftermath of the Second World War, the Zuellig brothers set about rebuilding the family business after much of it had been destroyed. Here, they found that their father had left them an unexpected gift in the form of the trust and respect he had earned in the business community. As Stephen put it, the family had "strong and recognizable roots in the community." Business boomed, and the company expanded outside of the Philippines, eventually shedding its textile business and concentrating on pharmaceuticals.

In 1972, in a bold move, Zuellig Pharma convinced its international pharmaceutical suppliers to adopt a radical new business model that would change the pharmaceutical inventory financing and allow Zuellig Pharma to concentrate on more effective distribution in the region. Almost overnight, this new business model flourished, tapping Zuellig Pharma's deep understanding of the local business environments and allowing for more efficient and effective distribution in even more remote areas in the region. The new model also facilitated innovation.

Zuellig Philanthropy

In the early 1990s, Stephen and Gilbert Zuellig started to engage in philanthropy, beginning with humanitarian donations in response to natural disasters that occurred in the Philippines. The family viewed this practice as a way of giving back to the country. Given the strength of Zuellig Pharma in the Philippines and the Zuellig family's knowledge of the health challenges the country faced, the focus of their philanthropic efforts gradually shifted to improving health outcomes and quality of life in rural municipalities.

In 1997, the Zuellig Group established the Pharmaceutical Health and Family Foundation. This foundation was announced to coincide with the establishment of Zuellig Group's two important new facilities: a manufacturing plant for Interphil Laboratories, Inc. and a distribution centre in Canlubang, Laguna, for Zuellig Pharma. The mandate of the Pharmaceutical Health and Family Foundation was to address the health needs of the communities that were located around these two facilities.[1]

In 2001, to mark the 100th anniversary of the Zuellig family's presence and engagement in Philippine business, the Pharmaceutical Health and Family Foundation was renamed the Zuellig Foundation. This newly renamed body was given the task of consolidating the social responsibility programs of various Zuellig companies in the Philippines. It was decided that this task could be best achieved by advocating public-health policy reforms and by training health care professionals.[2]

[1] "The Foundation," Zuellig Family Foundation, accessed July 12, 2016, www.zuelligfoundation.org/index.php?option=com_ content& view=article&id=13&Itemid=130.
[2] Ibid.

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Zuellig Family Foundation

In 2008, the board of trustees of the Zuellig Foundation renamed the organization the Zuellig Family Foundation and chose to focus the improvement of health outcomes for the rural poor. The vision of ZFF was "to enhance the quality of life of the Filipino by focusing on the achievement of targets in the country's Millennium Development Goals for health, in partnership with government and other stakeholders in the health sector." To align with this vision, the ZFF mission was "to be a catalyst for the achievement of better health outcomes for the poor through sustainable health care programs and services, with a primary focus on health inequities in rural areas of the Philippines."

"All of this experimentation throughout the corporate foundation laid the groundwork and shaped the dynamics for what would become the family's own personal expression of philanthropy," recalled David Zuellig, Stephen's son.[3] To give full autonomy to the family's expression of philanthropy, ZFF was formed as an entity independent of the Zuellig Group, with its own budget, staff, vision, and mission and goals.

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At its inception, the ZFF board of trustees recognized that in order to improve the health of the poor, it would be necessary to address underlying health and environmental conditions, such as malnutrition, access to clean water and sanitation, and the spread of communicable diseases. Interventions would have to be made at multiple levels, from the micro (individual and households) to the macro (national health system and governance). Among households and communities, it would be necessary to improve access to health services and promote healthy lifestyle practices.

Interventions would have to be made at the societal level as well. There was a powerful need for programs that would improve the general quality of life through education, provide means of livelihood, and build strong health systems and quality health services. Institutions—including local governments—had to be strengthened too, and there was a need to build capacity and leadership skills among health providers, policymakers, and local governments.

Finally, there was a need for public participation and voice to provide feedback and influence institutions and policymakers. While the framework for improving the health of the poor was clear, its implementation faced barriers in the form of geographical features, traditional practices, and decentralized administrative structures.

HEALTH CARE IN THE PHILIPPINES

The Philippines covered a total area of over 300,000 kilometres, with a population of 90 million spread over 7,107 islands. As of 2008, over half of the country's population and over 80 per cent of its poor lived in rural areas. The poverty gap between regions and provinces was both substantial and widening, and as a consequence, there were clear disparities in the quality of health care delivered across the country.[4]

In 2000, the Philippines joined 192 other countries in committing itself to the United Nations' Millennium Development Goals (MDGs) for poverty reduction. Three of the eight MDGs directly targeted health: reduction of child mortality; improvement of maternal health; and control of HIV

[3] Rob John, Pauline Tan, and Ken Ito, "Innovation in Asian Philanthropy" in *Entrepreneurial Social Finance in Asia*, Working Paper No. 2, April 2013, Asia Centre for Social Entrepreneurship and Philanthropy, 84.
[4] "Enabling Poor Rural People to Overcome Poverty in the Philippines," International Fund for Agricultural Development, October 2009, accessed June 15, 2016, www.ifad.org/documents/10180/3407a4bc-4505-4c7a-bcc4-edb5f0bc3819.

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