Corporate Community Engagement

Geoff Allen
Co-Chairman, The Allen Consulting Group
Chairman, Centre for Corporate Public Affairs

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Social responsibility is an all-embracing concept accommodating all aspects of business activity including employment practice, quality of products and treatment of consumers, environmental impacts and financial stewardship. There is much happening in companies to address these questions and be more transparent and accountable, driven in part by a lack of community trust and the need to rebuild business legitimacy. One example is the current rush to reports on social responsibility or sustainability, documenting corporate impacts including occupational health, environment, community involvement, stakeholder engagement, governance and contribution to economic propensity.

The intended focus today is the community involvement component. The dichotomy between social responsibility and maximising profits referred to in the session blurb is a false one. First we should acknowledge the social contribution of the primary business of companies. The overwhelming beneficiaries of profits are savers, including superannuants and community institutions with trusts and other investments. And of course there is employment, and supporting industries, the products themselves and taxes, all of which are important social contributions.

The Centre for Corporate Public Affairs, supported by the BCA and funded by the Prime Minister's Community Business Partnership, surveyed more than 100 companies a couple of years ago (see report ,which is regarded by some as the bible in this area, at www.accpa.com.au/csrnews). About 15% of CEOs said this core economic activity was the sole appropriate contribution. Milton Friedman *"... the business of business is business."* And it is interesting to note that the Australian Shareholders' Association are opposed to triple bottom line rhetoric because it is perceived to detract from a company's core wealth creation activity. But most of these CEOs who resist the social responsibility concept, in practice are engaged in supporting community activities because of the business case to be made for it. About three-quarters of the companies in this study go beyond this. To quote the report:

"They see involvement not as a means of improving short-term business competitiveness but as a way to maintain trust, support and legitimacy with the community, governments and employees ... [therefore] ... clearly aligned with the long-term commercial interest of their companies."

It is interesting to note also that in international surveys across many countries the Australian public more than any other expects our companies to support the community beyond the provision of goods and services, and economic propensity.

To discipline our discussion there are two areas of distinction that should be made.

First is the necessary distinction between what is appropriate for private companies and for public companies with a widely held and diverse shareholding.

The surplus generated by private companies is appropriately available to its owners to do as they please. This can be direct from their companies before profit distribution or for example channelled through Foundations, often in the family name. The direction of support is sometimes made with business objectives in mind. But it is free wealth to be deployed at the discretion and according to the values and priorities determined by those individuals.

These days it is not considered appropriate for corporate directors and executives to use corporate funds to satisfy their own philosophical aspiration, or personal values or interests however noble. They are stewards of stakeholder, including in particular shareholder, interest and are now expected to build a business case to justify corporate social engagement. It is the perspective of the public company I know best and from which I wish to speak today.

Then there is the need to get beneath the language further. Sponsorship and community involvement counts for many things. There is an important continuum in concept from sponsorship motivated by brand awareness and sales support to what might be called social investment or community involvement with emphasis on community good. From the commercial to the philanthropical there are:

- Sales support – marketing strategies to promote uptake of products and services, which often includes corporate entertainment, and when specifically targeted should be seen as a cost of sales.

- Cause-related marketing, especially with retail products – two cents of your telephone call costs on Sunday night go to handicapped children; buy this cereal and you help lifesavers.

- Brand strategies – brand awareness and image creation, association of brand with activities that enhance desired brand or reputation characteristics.

- Relationship building beyond sales and marketing, using sponsorship to build useful networks and connections.

- Political positioning which includes both the demonstration of commitment to community values and building reputation and trust as a non-tangible asset. But also importantly to build bridges to key political/regulatory/issues advocacy opinion leaders, by association to break-down negative stereotypes and build trust. This use of community involvement or social investment has been understandably pioneered and used most actively in industries with high vulnerability to interest group and regulatory pressures.

- Staff engagement, for example through matched giving or volunteer support which responds to increasing demands for employees not only to be associated with socially aware companies, but to use the workplace as a channel for altruism. In passing I note that meeting staff expectations is the most rapidly growing and pervasive rationale for many forms of community involvement. This is often the closest companies come to the next category.

- Disinterested philanthropy which is now an old-fashioned word in corporate Australia. The response to unsolicited requests, and particularly what has been called in the sexist way 'Chairman's wife syndrome' – supporting her favourite causes – are passing rapidly from the public company agenda.

Very different approaches are taken to these issues, for example, between the USA, Europe and with indigenous Asian countries and I'd be happy to explore these during questions, but there are significant changes taking place in all these areas. With the USA, for example, experiencing many of the trends to business-case engagement, they have called it 'strategic philanthropy'.

An assumed US model is often imposed into the debate and I believe it is not well understood – but there is no time to discuss this now.

I'd now like to touch on some major trends arising from this business-case approach, and I'll focus more on the direct community engagement than on the sales support, marketing and brand sponsorship areas.

First there is a trend towards embedding these activities deeply into the business model. I have been working with seven multinational companies on their community relations strategies in Asia. Most of them are high profile and even iconic US and European corporate brands.

Overwhelmingly corporate community engagement and social investment – which is very considerable – is managed to facilitate market entry, and the sustainability of their businesses in the various Asian environments. Not surprisingly their selected partnerships for social investment are governments in many cases, and particularly in the less developed economies.

A feature of this strategic embeddedness is that companies are determining up front what projects or activities meet their business needs and are seeking the most desirable and relevant partners to assist in their delivery.

Key questions being asked are, (i) What are our business objectives here? The focus in response is often assessment of socio-political risks and opportunities that can be impacted by such engagement. (ii) What are our core competencies or distinguishing features that are relevant to community engagement opportunities? And, (iii) related to this, where can we genuinely make a difference in the community – i.e. as responsible stewards of the resources we are disposing and how can we use this activity to demonstrate important aspects of our culture and values to internal and external audiences.

And the direction of their social investment is now highly predictable. You will find that the focus of resource companies is on the environment and indigenous affairs, banks in consumer issues including financial and computer literacy, IBM and Motorola are deeply engaged in education and technology, pharmaceutical companies in health, and McDonald's on neighbourhoods, children's health and grassroots children's sport. This enables them to engage their most relevant external stakeholders, but also builds on core competencies of the corporate management and staff who are encouraged more and more to follow their corporate dollar into these relationships.

Then there is the nature of these relationships. Partner choice is a critical decision and there is a wide range of criteria used. One interesting development has been the use of corporate funds to work on projects of mutual concern with organisations that might, on other issues, be issues-opponents. This is not so much motivated to bribe or incorporate corporate critics. Rather it is to explore common interests and build relationships that, with familiarity, break down negative stereotypes and build greater trust. Community interest groups benefit from these relationships without compromising their rights to challenge or criticise and indeed such rights are often enshrined in partnership agreements.

The ACF, WWF, and even Friends of the Earth (at least overseas) – all best known for pursuing causes – have all been engaged in these constructive relationships for the mutual benefit of their business partners and their causes.

It is common for these partnerships to be deep, committed over time, and with mutual obligations enshrined in partnership agreements. Winsome McCaughey will have insights into this, but I think recipients of corporate support now accept the need, and indeed are willing, to reward the donor in a variety of ways. With ongoing and substantial relationships, gone are the days of 'cheque over the fence'.

A natural corollary of this is that companies are limiting the number of activities they are supporting to a few they can invest in deeply and leverage most effectively in support of their business case.

The final point I'd make is that, notwithstanding that the current trends lead to substantially greater and more meaningful contributions to community welfare, corporate community involvement does not deliver enough or appropriately on the needs of the community. What suits business will not always satisfy community needs. This can be illustrated by the fact that children's welfare and furry animals are crowded fields for support and companies are competing to occupy some of that space, at least insofar as they can do so while differentiating themselves from their competitors. At the same time it is harder for companies to find strategic business case alignment with geriatric care or the intellectually handicapped for example. I mention this only to ensure governments don't feel increased corporate social engagement can be an excuse for their withdrawal.

In sum, corporations, albeit under enormous pressure, are increasingly seeing corporate social engagement not as a zero sum game vis-a-vis profitability, but as an integral part of their business plan.

With growing community expectations companies are seeing it as a competitive tool – to be an employer of choice, business partner of choice, neighbour of choice, to build community trust, better internal understanding of their external environment, and to build the intangible, reputation, as a valuable asset.

A propitious calculous... enlightened self interest.