CORPORATE COMMUNITY INVOLVEMENT

Establishing a Business Case

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Study of 115 large Australian companies' community involvement

Many companies have long sought to be good corporate citizens through involvement with the local or wider community. This study has assembled the views of 115 large companies on their current attitudes and commitment to community involvement. It explores their motives for community involvement, their programs, the outcomes they expect and their sense of future directions in this area of business activity.

The study demonstrates that Australian business is experiencing a transition in expectations of its social role. The social obligations of business have traditionally been met through producing goods and services responsibly, acknowledging community standards and expectations, with optimum returns on shareholder funds. Many companies now believe they should go beyond this. The great majority of companies in this study support involvement with the community as part of an expanding social role that contributes to the continuing health and growth of their businesses.

Companies' rationale:
- *three-quarters support community involvement as linked to business sustainability*
- *around 10 per cent support community involvement on the grounds of "putting back into the community*
- *more than 10 per cent consider social obligations are met through core economic mission"*

For three-quarters of the companies in this study the goal of long–term business sustainability is at the heart of the 'business case' for community involvement. 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. They see community involvement as a social responsibility of business but one that is clearly aligned with the long–term commercial interest of their companies.

A further 10 percent of the companies studied embrace community involvement activities as an obligation to 'put back into the community' in which they do business, without looking for a commercial return or business benefit. Indeed, some strongly resist the idea that they might be seeking a return to the business. They are happy for these activities to be a cost to their business; they celebrate their involvement and regard any intangible benefits that accrue to them as a bonus.

About half of the companies have a vision statement or management policy – possibly developed within the past five years – that relates to their view of social responsibility or community involvement.

Around 10 per cent of the companies in this study maintained that their social responsibilities were met exclusively by returning value to their shareholders. (Subsequent qualitative investigation suggests the proportion of companies in this category is more likely to be in the 15-20 percent range.)

Companies not supporting active community involvement programs point out that, apart from meeting public needs through core activities, their profits provide the savings and income of retirees and other investors. While these companies may contribute to the community through philanthropy and as a by-product of product promotion such as through 'cause related marketing'; they regard further structured activity as an unjustified cost. They do not see themselves as necessarily competent to assume additional roles in the community, and are suspicious of being asked to accept a transfer of responsibility in areas traditionally served by government.

The Business Case for Community Involvement

A minimum condition for any concept of good corporate citizenship is the ethical pursuit of a company's core economic mission while acknowledging the legitimate interests and expectations of stakeholders. Community involvement expands the definition of good corporate citizenship to include contributing money, time, products, services, leadership or other resources to the community in which the company operates. These resources primarily meet social and economic needs in the community. They also strengthen the link between business objectives and the life of the community.

The priority benefits sought by companies from community involvement are an enhanced reputation, improved community relationships, and positive effects on employee morale. Across all industry sectors, companies also regard community involvement as an important symbol, particularly for employees, of their ethos and corporate direction. For most, these benefits are credible and rational business outcomes that serve the interest of the business and its shareholders.

Perceptions of benefit vary among business sectors. Resource companies emphasise securing from community and government the 'licence to operate'. The retail and the service sectors, on the other hand, see 'customer good will' and 'market access' as more compelling benefits. Medium size manufacturing located in a well–established industrial zone may not perceive either of these benefits nor feel any additional pressure to engage with the community.

Interestingly, no sector regarded 'investor attraction' as a particularly significant benefit of community involvement. This runs counter to an emerging trend in North America where companies are rated on these activities for the purpose of advising investors about companies with socially responsible attributes.

Patterns of Involvement

Identifying the patterns of community involvement programs, and certainly measuring them, requires agreed definitions of 'community involvement', 'sponsorships' or 'marketing'. Such definitions have always been difficult to arrive at. Similarly, estimating the total expenditure by companies, including the value of 'in kind' resources, executive time or costs for publicising community activities has been near to impossible. One estimate of business support for non-profit organisations has put the annual figure at around $1.8 billion and business sponsorships account for around $467 million, totalling around $2.3 billion in 1996. However, because of definitional and measurement problems this number needs to be interpreted with caution. It is also likely to underestimate total corporate community involvement as it excludes in-kind support and contributions made directly to the community rather than channelled through non-profit organisations.

Within these constraints, this study estimated about one third of corporate community funds goes to sporting and cultural sponsorships that cultivate community involvement and serve marketing purposes. Community participation activities, philanthropic donations and community business partnerships each attracts approximately 16 per cent of corporate community funds.

Community involvement activities range very widely and are clearly a source of pride for companies. They include locally directed programs such as partnerships with local education and training institutions and construction of community recre-

ational facilities. Activities also embrace significant social welfare programs such as assistance with the homeless and socially dislocated, management and infrastructure support for voluntary helpers with the sick and elderly; and assistance with young unemployed people. Support is also provided to culture and the arts, often with a regional emphasis. Others assist in more integrated regional development initiatives where support is provided for communities to evaluate their needs and local leaders are supported in economic and social development.

Priority themes:
• *education*
• *cultural activity*
• *environment*

Some companies are specialising more in environmental projects or education assistance, for example, while other programs spread across numerous stakeholders and themes. Some have retained an arms length approach to providing assistance, perhaps using an intermediary to allocate resources on their behalf. Others consider partnerships and alliances with community bodies are more productive and many intend to expand this way of operating.

Business Strategy and Management

Management quality varies: around 15-20 per cent would gain full business from community involvement

Perhaps the most important finding of this study was that some companies are reflecting more deeply than in the past on the business benefits that flow from community involvement. They are also drawing on more internal and external expertise and adopting more formal approaches to program development and delivery and this is expected to spread more widely. For many, this has been a development of the past five years. Companies, however, vary in the quality of their approach and a comparatively small proportion – around 15-20 percent – would nominate their programs as exemplary in that they gain full business benefit from their community involvement. The study has concluded that, given the attention that is currently directed at lifting performance in this area, the proportion of companies in this category will grow dramatically over the next few years.

Leading practice:
• *focus on business goals*
• *choose the right vehicles*
• *involve employees*

Improvement in quality and enhanced business results will come from the increasing use of strategic planning and business management disciplines. Many companies define objectives for community involvement and select the most constructive activity for the community and for the company. Measurement and reporting of business and community outcomes is also the focus of attention. While most say they are 'not very accomplished in this area', more companies expect to embrace techniques such as triple bottom line reporting in the future. One immediate consequence of adopting more concentrated business planning in community involvement is that companies are reviewing the level of staffing expertise they need both to plan and manage programs strategically.

In all of this, companies appear to be motivated by the need to respond to rising community expectations as well as the need to demonstrate the business case more effectively.

Strategic management of community involvement brings into play the particular features of industry sectors. For example, 'cause related' marketing combines community needs with marketing strategies and is therefore of considerable interest to retail companies looking for innovative brand differentiation and market access. Engagements are sought that align the brand or the company with particular characteristics or stakeholders – computer literacy with information technology companies and children's welfare with companies producing children's products.

Community relations programs, including forums for stakeholder dialogue, are

valued by companies whose operations are physically located in a community and where stakeholder support is needed for longer–term development. Utilities and telecommunication companies also engage with local communities, local businesses and special interest groups. Some see that assisting in building local infrastructure has a strategic benefit in that a robust local economy and a cohesive community are important for business to flourish there.

Vision for the Future

In the future, most companies expect to see greater strategic emphasis on the role of employees in corporate community involvement. Many CEOs anticipate employee activities will almost double. Securing employees' support or involving them directly appears central to some companies' motivation for community involvement. Involvement improves employee morale, helps teamwork and broadens management perspective when volunteer employees and managers come into contact with locations, interests and social groups with whom they do not routinely engage. Companies also regard community involvement as contributing to their reputation as the 'employer of choice.'

Vision for the future:
- *more partnerships*
- *fewer activities – tighter focus*
- *reduction in resources – increase in activity*
- *more employee involvement*

A few companies take this perspective further and believe their organisations will gain from thinking of the company as part of the community, not separate from it, and as a social institution in its own right. For a business to be sustainable, they argue that it needs to be deeply engaged with and responsive to consumer attitudes, community expectations and employee preferences. Engaging employees in community involvement programs is only one small part of this endeavour and it would be unwise to overstate its impact. Nevertheless, some companies value employee engagement and support in community involvement as a contribution to the well being of their organisation and the sustainability of their business.

The future community involvement activity profile for Australian business will include, in addition to activities that engage employees, more partnerships and alliances with community groups and more opportunities for dialogue with the community. In order to gain greater benefits and impact this will mean a narrower spread of activities with fewer partners, and projects that are conducted over a longer period of time. There may not be a greater allocation of financial resources, but smarter use of existing resources, more in–kind support and leveraging of existing infrastructure. Intermediaries, either groups or systems, operating between companies and community bodies to facilitate allocation of resources, may well grow in importance.

Community organisations will need the 'value proposition' for their activities

These trends have implications for those community bodies that traditionally seek corporate support. Some areas of social concern may not easily align with the goals of the business, with the result that community groups may miss out on support as corporate community involvement becomes more strategically linked to business outcomes and longer–term partnerships become the preferred vehicle.

As arms length 'cheque-book' support gives way to these deeper relationships, greater attention will be given to mutual benefit and mutual obligations will be negotiated carefully and built into contractual relationships between partners. Community organisations will need to present the 'value proposition' for their activities when seeking support from business. Companies will also be seeking improved measurement and evaluation techniques to assess the value of their contributions

and benefits to their business. As well, some companies may prefer to engage directly with audiences or stakeholders rather than use a community group as the conduit for their community activities.

Expanded Social Expectations of Business

The study found that the rise of community and government interest in expanding corporate community involvement is best understood as part of a wider and changing set of social expectations of business. Many aspects of public policy are changing as governments throughout the developed world reconceive how public needs can be met. This includes the role that business, as an important social institution, should play in this transition. Further, communities themselves are transforming the meaning of democracy, seeking to have their voice heard on issues that directly concern them and expecting increased opportunities for involvement in matters that affect their lives.

New context for business:
- *changing government role*
- *community expectations*
- *business organisational imperatives*
- *global information society*

The changed business environment also has an impact on the social role of business. Business competitiveness in a global market is increasingly mediated by information technology. Standards and expectations in one part of the world are rapidly applied elsewhere and affect companies' intangible assets such as reputation and employee commitment.

This study has shown that Australian business has been increasingly active in recent years in considering its role in the community. Companies expect community involvement and stakeholder engagement to intensify over the next five years. There was a strong view, expressed by survey respondents, that the Australian public and government do not appear to understand the extent and depth of current activities.

Nevertheless, while business is embracing the discussion of social responsibility and community involvement it is also sensitive to the need to achieve a balance among all its roles. Achieving competitiveness in the global marketplace, embracing information technology and the knowledge economy and meeting social and community expectations whether in Australia or globally are all challenging tasks. Business needs to give its full attention to its primary stakeholders, in particular to provide returns to investors whose resources are being used and whose support it is necessary to retain. Its first responsibility is to undertake its core mission ethically and responsibly. From this position, the challenge is to find the most productive approach to community involvement – one that meets business imperatives and also aligns with the Australian government and community context.

The chapters of the study are as follows:

Chapter one is a discussion of the broad context in which Australian business is being asked to take a greater role in meeting social needs. The role of government is transforming throughout developed economies, including in Australia; people are seeking more involvement in their communities; companies are reconsidering how they relate to employees as they build high performance workplaces; and the global knowledge economy is transforming the nature, flow and use of information. The chapter also covers the key concepts that are used to describe business activity in this area, concepts such as social responsibility, enlightened self-interest, stakeholder relations, and the firm as a citizen. It refers to a number of similar studies that explore the benefits for business of community involvement.

Chapter two discusses the results from this survey of large Australian companies

on their community involvement activities. It examines companies' rationale for involvement, the business benefits they experience, the nature of the activities and their management, and the trends and challenges for the future.

Chapter three explores the trend in companies to adopt a more strategic approach to planning and managing corporate community involvement. Drawing on case studies and interviews with companies, it covers setting objectives and selecting a theme or focus. It also illustrates how leading companies are increasingly directing their attention to achieving business outcomes.

Chapter four explores the main vehicles or models that leading companies have established for community involvement programs. Along with more strategic planning, there is a need to select or construct the most productive way to deliver a program. Forming longer-term partnerships, alliances and other targeted structures where the respective parties work to meet mutually agreed goals would seem to be a preferred model and one that will expand in popularity.

Chapter five looks more closely at the theme of employee involvement. While it is not necessarily a common element throughout all companies in this study, there was sufficient attention given to the actual and potential benefits of employee involvement to warrant a separate discussion. Some companies see the employee perspective and ways to enhance employee support as a core feature of how they meet social responsibilities.

Chapter six examines the measurement and reporting techniques being adopted in companies. Measurement of community involvement in terms of both business outcomes and the community is important in the minds of many companies, but it is not necessarily easy to do. There is a convergence with broader measurement techniques such as reputation mapping and triple bottom line reporting, which includes a social audit.

A Social Role for Business: Background and Concepts

Australian business is experiencing a transition in expectations of its social role. The social obligations of business have traditionally been met through producing goods and services responsibly, acknowledging community standards and expectations, with optimum returns on shareholder funds. Many companies now believe they should go beyond this and take a greater role in meeting social needs. Even so, it is difficult to pin down an agreed definition to guide companies' social performance. Some aspects are clear and specified in corporate law and social regulation. Yet, there are new pressures on business which introduce different expectations.

Some companies take a broad view of their social responsibilities and include the expectations of all the groups that make up the internal and external environment of a company – employees, customers, suppliers, shareholders as well as external communities. Others see the issue more as one of extending financial support for community welfare, sport, the arts or disadvantaged groups such as the unemployed or the homeless.

The origin of these new pressures is complex. Business is concerned for its reputation, which has suffered over the past two decades in Australia and internationally. It is aware that it needs community support and trust. Also driving heightened community demands of business is a broader cultural change that is as pervasive in our lives as the economic transformation we are experiencing. The role of government is in transition throughout developed economies, including in Australia and people are seeking more involvement in their communities. Companies are reconsidering how they relate to the attitudes and expectations of employees as they build high performance workplaces. The global knowledge economy is transforming the nature, flow and use of information in the new social environment for business.

A range of concepts and models has been developed over the past decades, particularly in the United States, to describe the social role of business and its involvement in the community? The key concepts that are used to describe business activity in this area are terms such as corporate social responsibility, enlightened self-interest, stakeholder relations, and the firm as a citizen. However, no one set of concepts or definitions prevails in practice in Australian business.

There have been a number of studies, some led by business, that explore the benefits for business of community involvement, although they have been mostly in North America and the United Kingdom. The Australian context differs in a number of respects and the business community has embarked on its own study of one aspect of its social role – corporate community involvement.

Introduction

The social responsibilities of companies are, and will continue to be, of key concern for Australian business. The topic is regularly in the media, popular in political commentary and discussed in the community at large. Many business leaders and company employees echo the call for a greater social role for business, and many companies have converted these sentiments into company policy.

The translation of social responsibilities into business practice is multifaceted. Companies have focussed their attention on various issues ranging from business ethics and corporate governance, product and service quality, environmental performance and sustainable development to responsibility for supporting the arts, community events and social welfare. To complicate matters, these issues arise at a time when the globalisation of markets is challenging companies' efficiency and productivity.

Even though the question of accepting wider social responsibilities has become a prominent issue for business, it is not easy to pin down a common understanding of what this means in the Australian environment. Some responsibilities of an Australian company are straightforward. Corporate law specifies fiduciary responsibilities and accountability to shareholders. A large body of law regulates aspects of a company's economic and social performance and determines the boundaries for employment practices, production standards, environmental standards, service standards and so on.

New pressures on business, however, introduce different expectations. Some companies take a broad view of their social responsibilities and include all the groups that make up the internal and external environment of a company – employees, customers, suppliers, shareholders as well as external communities. Others see the issue more as one of extending financial support for community welfare, sport, the arts or disadvantaged groups such as the unemployed or the homeless.

The origin of these new pressures is complex. Business is concerned for its reputation, which has suffered over the past two decades in Australia and internationally. It is aware that it needs community support and trust. Instances of poor corporate judgement and failure to meet community standards have clearly sharpened the community's attitude to business and tolerance is eroding on a number of fronts.

Important as it is, this explanation only partly delineates the new context for business. Also driving heightened community demands of business is a broader cultural change that is as pervasive in our lives as the economic transformation we are experiencing. The attitudes and expectations of community, governments, employees and their families all comprise elements of the new social environment for business.

The community's case for business involvement is perhaps readily explained. The task of this study is to understand '*the business case'* for community involvement by business. What does business anticipate as outcomes or benefits? How is success or failure evaluated? What are emerging trends for the future? Discussion is not limited to conventional financial indicators such as return on investment. Valuing intangible assets such as reputation, employee loyalty and community support is increasingly part of a broadly defined assessment of commercial returns and business sustainability. The benefits from community involvement are best seen in this light.

To set a general context two key questions must be explored. First, what conditions are driving present concerns for the social role of business? Secondly, what definitions, concepts and models have developed over the past few decades to describe

the social role of business and its involvement in the community? The literature about the social role of business is mostly from the United States, with some from the United Kingdom and Europe and very little from Australia. Clearly this weakens discussions of the Australian cultural context; but there are, however, enough general features of business and corporate life to make the literature useful.

The Context: Pressure for an Expanded Corporate Social Role

Four interconnecting themes explain why business is being challenged to go beyond its traditional core activity of producing goods and services responsibly with optimum returns on shareholder funds (Figure 1.1).

The first theme concerns the changing institutional relationship between business and government and the challenge for the whole community to ensure that public needs are met. As the nature and role of government continues to evolve, this is a question that is relevant in most developed economies at this time.

The second theme is the heightened community expectations of business behaviour and the demands for greater participation in business by community and interest groups.

The third theme is the structure of the corporation itself and its organisational dynamics. This includes the role of managers and their personal response to social issues, as well as the growing importance of employee commitment.

The fourth theme, closely related to the third, is the implications of operating in a global and information rich context.

Business and Government

'Mutual dependency' between business and government is changing

Thinking about the roles of business and government provides an important perspective on why business is called on to be more socially active. In all democracies, the institutions of business and government intersect in different yet highly structured ways, each with specific characteristics. While there is an institutional separation between the state and business, there is also a high level of mutual dependency.[1] The government leaves many, if not most, of the major decisions in the economy to business. Thus, government cannot be indifferent to how business performs its role and business depends on appropriateness and certainty in government policy.

FIGURE 1.1 **CONTEXT FOR A SOCIALLY RESPONSIBLE ROLE FOR AUSTRALIAN BUSINESS**

Government and public responsibility

Community voice and participative democracy

COMPANY

Organisational and management imperatives

Information rich global markets

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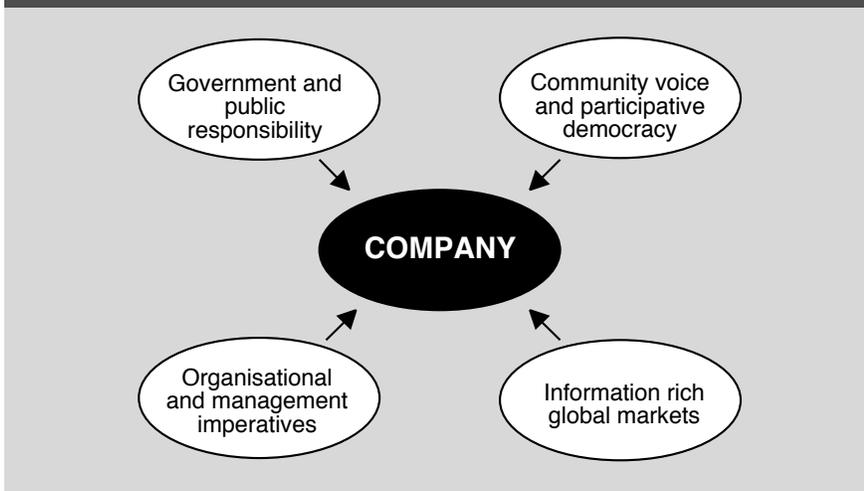
1   Lindblom C, *Politics and Markets: The World's political–Economic Systems*, Basic Books Inc, New York, 1977.

Governments are making fundamental changes to how they operate: steering not rowing

The balance in the relationship is often so much part of everyday life that it is taken for granted. What has been occurring over the past decade, however, is that the characteristics of this mutual dependency are changing.

Governments in all developed economies are grappling with how they should best conduct government business, and many are instituting fundamental structural and budgetary reforms. In Canada, the United States, Europe and the United Kingdom, as in Australia, governments of all political positions are recasting their budget priorities and policy approaches – following the 'steering not rowing' paradigm.[2] Governments are shedding or restructuring most of their business enterprises and many government services are being conducted through partnerships with the business and non–government sectors.

Changes in government social policy and programs, such as education, health, support for the unemployed and social welfare, are particularly relevant to this discussion. Business is now active in many of these fields and governments are urging even greater participation by business. In many countries, community bodies and business are being encouraged to adopt more structured roles in the realignment of mechanisms to meet community needs and so assume wider public responsibilities.

American traditions in business community involvement differ markedly from Australian traditions

Different socio–political conventions play a big part in how business responds to these ideas. Historically, in the United States, business and government have interrelated in very different ways from Australia. The business and government relationship in the United States is rooted in the origins of American economic development and industrialisation, which saw substantial growth of the business sector before significant state formation. American business accordingly adopted a broad spectrum of social and economic responsibilities and gave high profile leadership. The great industrialists such as Ford, Carnegie and Rockefeller embodied the American liberal tradition. They assumed leadership responsibility, particularly in the provision of many social services, and established large personal charitable foundations for those activities.

The story of business's social involvement in the United States predates the modern corporation. Indeed, early social programs by American business, such as building a higher education system, were not simply for benevolent reasons. There are many instances where business initiated social programs expressly to keep government at a distance – as well as to build a positive reputation for business.

American charitable foundations are integral to social support infrastructure

In many ways, these traditions are evident today where the charitable foundations, on behalf of wealthy individuals and corporations, are a social institution in their own right contributing over $US20 billion to educational, humanitarian and cultural organisations. No other country can claim such a large and substantial commitment to philanthropy. The charitable foundations, both corporate and personal, form an essential pillar in the infrastructure of support for the vast non–government sector.[3] (However, it needs to be pointed out that the USA philanthropic experience is not monolithic; different locations have seen the evolution of different philanthropic cultures. For example, the deep involvement of major companies based in small mid–west communities, such as Hudson Dayton, Honeywell and Dow, has influenced the general perception of US corporate involvement.)

By contrast, British assumptions about the roles of the state and business in pro-

2   Osbourne D and Gaebler T, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*, Plume New York, 1993.
3   Porter M and Kramer M, *Philanthropy's New Agenda: Creating Value,* Harvard Business Review, November–December 1999, pp121–136.

viding education or alleviating poverty meant that by the mid nineteenth century the beginnings of the welfare state were beginning to emerge. Ultimately, it was the Second World War that brought Britain closer to a government funded system of welfare; but from the end of the nineteenth century, business owners in Britain, unlike their counterparts in the United States, played only a marginal role in supporting mainstream social services and education.

As we know, the Australian experience reflects British rather than American history. Following Britain, community social needs and infrastructure in Australia were seen primarily as the responsibility of the state, to be met by government programs funded by a relatively high rate of personal and business taxation.

Further, there is a history in Australia of a high level of structured interdependence between business and centralised government. Minimum living conditions for employees were mandated through government intervention in the employment contract and business was compensated through industry protection in an economy underpinned by exports of raw materials. Although marginal to this particular topic, it is another example of how government and business have largely operated in a state of relative harmony with mutual gains from sustaining their respective roles.

There are several trends, evident over a couple of decades, that signal inevitable change to the traditional balance of responsibilities in the Australian environment. The volume of social regulation, for instance, to ensure product safety, consumer awareness, occupational health and environmental standards has already grown substantially in the past twenty years in Australia. It is unlikely that governments or business can continue on this same trajectory to meet community standards. Alternative mechanisms to meet community expectations will need to be identified by governments. These may well require different business responsibilities in regulating social standards.[4]

Also, in Australia and other nations, such as the United Kingdom, that have traditionally embraced a welfare state, budgetary challenges are significant. Direct welfare and social security expenditure in Australia has risen steadily since the 1970s from 6.9 per cent of Commonwealth budgetary outlays in 1970–71 to approximately 35 per cent in the late 1990s (direct welfare service expenditure grew by 89 per cent between 1986 and 1989). Driven by rising expectations and changes in the dependency ratio, combined outlays on welfare services, social security, education and health could rise as high as 25 per cent of GDP by 2050. In addition 'the level of unmet need has continued to rise and shows no sign of falling'.[5] Understandably, governments are asking whether they continue with the same public policy prescriptions, assuming traditional roles and boundaries among our social institutions, or whether new models should be developed.

British business has greatly expanded its community involvement activities, initially in a difficult economic environment in the 1970s and then more because of the legitimate avenues that were opened up for a private sector role in the provision of social services throughout the Thatcher and Major governments. For example, programs for unemployment and training during the 1970s and 1980s featured in the new style of business, government and community relationship. A number of signifi-

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4   See for example, Bureau of Industry Economics, *Business Licences and Regulation Reform,* Report 96/10, Australian Government Publishing Services, Canberra, 1996.
5   Encel, S., *Welfare Services and the Private Sector,* Committee for the Economic Development of Australia, Information Paper No. 62, July, 1999.

cant associations such as *Business in the Community*, supported by more than 400 companies, led the new partnerships between government, business and local communities. In practice, these programs became a conduit for corporate involvement.

Associations for assisting business with approaches to a new role in community involvement to supplement the government's role continue to flourish with *The Prince of Wales Foundation*, the *London Benchmarking Group* and *Business in the Community*, as just three examples sustaining high levels of credibility with business and government.

There have been several significant overtures by government for greater business community involvement in Australia. The Keating Government in *Working Nation* in 1994 called for heightened levels of business involvement in reducing unemployment and in training and co–operating in a 'job compact' to support the long term unemployed.

The Howard Government has issued a call for a *'social coalition'* between business, families, individuals, welfare and charitable organisations and government in meeting a range of social needs.[6] This is underpinned by a view of 'mutual obligation' where those who have done well have an obligation to give back to the community from which they derive their profit. The *'social coalition'* concept is framed as a response to the perceived failure of thirty years of different approaches to social policy.[7]

Australian business government partnerships relatively new

The Prime Minister's *Community Business Partnership* was established in 1999 to foster these partnerships between business, government and the community and to promote philanthropy in all its forms. Eleven prominent Australians now play a key role in brokering major philanthropic and partnership efforts.[8]

Similarly, *Australia Foundation for Culture and the Humanities* was re–vitalised in 1998 to facilitate greater business sector support in the arts.[9] Greater mutual awareness between cultural organisations and business enterprises is being fostered by government, again in a sector where support from the wider resources of the whole community is seen as important to the sector's future viability.

Not a transfer of responsibilities; challenge is to develop optimal response for Australian cultural context

While subsequent chapters examine more closely the characteristics of business community involvement activities, the point being made here is that the changing nature of government is an important feature of the context for business. It would appear that government overtures to business for greater involvement and financial contribution to broad social and economic causes and a higher leadership profile are essentially part of an institutional transition being experienced throughout developed economies. Neither government nor business is suggesting that this involves some simple transfer of responsibilities or that business could, or would, ever assume financial responsibilities for significant parts of social welfare, for example.[10] What is evident, though, is that a transition in the role and size of government is occurring and that this will most likely have consequences for business.

This study shows that Australian business understands some aspects of this transition and is increasingly active in social programs. Business is, however, acutely sen-

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6   The Centre For Corporate Public Affairs Oration, The Prime Minister, The Hon John Howard MP., Melbourne, 26th March 1999.

7   Howard J, 'Quest For A Decent Society', in *The Australian*, Wednesday, January 2nd, 2000, p 11.

8   *Community Business, Working Together in Partnership*, Department of Family and Community Services, Canberra, November, 1999.

9   'Pratt Lobbies for Arts Support', *The Australian Financial Review*, 15th October, 1999.

10 The Australian social welfare budget is around $40 billion. Contributions from business would not impact on this in any significant way.

sitive to achieving balance among all its roles. Most businesses will continue to pursue those community involvement activities that ultimately deliver benefits but it remains to be seen if these activities will coincide with government expectations for business involvement in the community. Finding the most productive approach for a community involvement role appropriate to the Australian experience will be challenging.

Changing Social Expectations

More than a criticism of business; cultural change is more profound

Community attitude research is finding that Australians want 'security and predictability' in the face of what they see as increasing isolation and confusion in understanding how modern living can continue to support employment and personal well being.[11] A recent CSIRO survey found that 52 per cent of those responding saw that life was 'getting worse' and half of those said that it was 'much worse'.[12]

Or, as one commentator describes it:

The community's demand for security and safety in a mesmerising world is palpable, and ironically, this attitude prevails in spite of the recent comparative economic success for Australia.[13]

People also want to engage more and use their voice and are, 'showing a new willingness to become involved; to insist that things should be done differently and better.'[14] Many sectors in business have experienced over two or three decades the growing strength of community 'voice' in setting standards for business behaviour and in bringing about regulatory controls. Current data demonstrate that while this level of scrutiny will continue, community expectations are growing for a deeper social transformation – where people seek security, new levels of involvement and greater accountability from our social institutions.

Growth in the organisation of the community voice

One important expression of this has been the growth in the number of interest groups and non–government organisations. Many are successful both in the support they receive from the general public and in the role they have won for themselves as intermediaries between government and the community.

Internationally, the pattern is the same. Community activists put pressure on traditional institutions and develop movements that have the political power and logistical capacity to mount the level of opposition seen in 1999 in Seattle at the meeting of the World Trade Organisation.

What does this mean for business? The 1998 Clemenger Report, *How Stakeholders are Changing the Rules,* asked small shareholders about their social and economic expectations of business. They found 'business is largely seen as a self serving entity, driven by short term interests and quick gains for the privileged few'. This report found that many small shareholders of companies would like to see their companies take into consideration more than the pursuit of profits.

In addition to their dividends, they would like companies to be seen as good corporate citizens, looking after all of the stakeholders, employees, suppliers, shareholders and the community in which they operate. They would like to see them investing in research and development, caring for the environment and being more charitable.[15]

11 Mckay H, *Turning Point , Australians Choosing Their Future*, Macmillan, Sydney 1999
12 Eckersley, R., *Redefining Progress, Family Matters*, Australian Institute of Family Studies, No.
13 Kelly, P., *Future Tense,* The Australian, 1999, p.7
14 Mackay, H. *Turning Point, Australians Choosing Their Future,* Macmillan, Sydney, 1999, p. xix
15 The Clemenger Report, *How Stakeholders are Changing the Rules,* 1999, p.10

Morgan polls over the past twenty years show that Australian business leaders are only trusted by 20 per cent of the population, and are rated sixteenth in 'trustworthiness' out of thirty occupational categories. Interestingly, this level of support has not varied during this period.[16]

Australians stand out internationally in wanting business to embrace social concerns

The Conference Board and the *Prince of Wales Leaders* Forum in 1999 conducted an international study of public opinion of the changing role of companies.[17] It found that public opinion in Australia was the strongest out of twenty-three countries in wanting companies to go well beyond the traditional business role to embrace social concerns. Globally, while one in three forms an impression of a company on its commercial performance, six in ten people look for factors related to a company's broader social role, such as labour practices, business ethics or environmental impact. The majority of citizens in all but three of the twenty–three countries surveyed thought companies should go beyond the minimum definition of their role in society as producer of goods and services and as employers to embrace more socially directed responsibilities.

'Tell me', 'trust me' has become 'show me', 'involve me'

Community attitude data such as these have led some writers to talk about the need for greater community 'trust' or 'social inclusion.'[18] In the United Kingdom and United States, business is being asked to help in re–building communities and to be more responsive to *stakeholders.* In the past, it may have been sufficient for business to adopt a 'tell me' and 'trust me' attitude to community engagement. Now, the demand climate is much more 'show me' and 'involve me'. Interestingly, this applies not only to 'external' communities and their interaction with business, but also management's interaction with their 'internal' community of employees.[19]

Some Business is 'building social capital'; being 'inclusive' and 'far sighted'

Increasingly, business is also adopting a different language. Terms such as 'social capital' are starting to appear in business statements.[20] International business groups considering their national strategies for building competitive advantage and long term sustainability[21] are using key words such as 'inclusive', 'far sighted management', 'community co–operation', providing the flavour of new levels of concern and respect for communities' desire for involvement in and deeper understanding of business.

Many instances of community involvement programs conducted by Australian companies illustrate the strength of understanding of community expectations. Indeed many Australian companies are the benchmark for international best practice. Community expectations of business for responsiveness and involvement are, however, not static. Again, the task is to find the balance in meeting the range of new expectations of business. As will be discussed later, some businesses see this being achieved through strategic integration of the range of social and economic responsibilities of business.

16   'Morgan Polls', Roy Morgan Research, www.roymorgan.com.au
17   *The Millenium Poll,* The Conference Board and the Prince of Wales Foundation, 1999
18   For example, Fukuyama F, *Trust, The Social Virtues and the Creation of Prosperity*, Free Press Paperbacks, New York, 1995 and Puttnan R, *Making Democracy Work, Civic Traditions in Modern Italy,* Princeton University Press, New Jersey, 1993.
19   For example, Shell, *Profits and Principles.*
20   For example, *CommunityLink*, the *National Australia Bank*.
21   For example, *Prompting Prosperity: A Business Agenda for Britain*, Institute for Public Policy Research, Vintage, 1997, *Tomorrows Company: The Role of Business in a Changing World* RSA Inquiry, June 1995, *Principles of Stakeholder Management*, Clarkson Centre for Business Ethics, University of Toronto, 1999.

Corporate Management and Organisational Demands

Internal organisational features of business are increasingly important in explaining how to achieve high performance. They also seem to be driving business to consider its social role and community involvement.

The experience of past decades illustrates the importance of thinking about the internal dynamics of the business organisation and the roles and motivation of people in an organisation. A major strand of the prolific business writing from the United States in the 1950s through to the 1970s focussed on the importance of 'managerial discretion' in how a company might adopt a social role in addition to economic responsibilities.

These managerial theorists[22] drew attention to the separation of ownership from control of companies. This, they said, enabled corporate management to pursue their own agendas beyond a strict interpretation of return on stakeholders' funds.

Managers as individuals sought job security, social esteem, pleasant surroundings and like comforts. They had a range of personal interests and motivations in addition to maximising corporate profits. Managers could only partly achieve the best interests of the shareholders and Nobel Prize economist Herbert Simon[23] substituted the concept of 'saticificing' for 'maximising' shareholder value.

As one writer concluded:

The 'conscience of the corporation' was to be understood in the person of the manager. The more independent management was in position to consciously take account of philosophical questions…(such as) the kind of community …which they will help construct and maintain.[24]

Or as another said,

…a company's social involvement (was) only limited by the humanitarian propensities of its management. [25]

In the global corporation of today, organisational dynamics are far more complex than they used to be. Nevertheless, managers do influence the company's approach to social responsibilities and community involvement. Indeed, this often explains why business entities differ quite markedly in their approaches to community issues when all the external pressures would seem to be the same. Management discretion, particularly at the top, is a significant driver of community involvement.

In a similar way, employee expectations are now an important driver in an organisation. In the past, employee interests were mostly embraced through the core economic role of the company – essentially providing stable employment – but there have been shifts in what employees want from a job, how they see their employers, and in many cases the terms on which they are employed.

The 'employer of choice' concept drives much recent thinking about recruitment and retention of quality employees. This includes understanding and meeting

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22 For example, Cyert, R. M., and March, J.G., *A Behavioural Theory of the Firm*, Prentice-Hall, Englewood Cliffs, N.J.,1963; Berle, A., *The 20th Century Capitalist Revolution,* Harcourt, Brace and World, New York, 1954.
23 Simon, H.A., 'New Developments in the Theory of the Firm', American Economic Review Vol 49, 1959,283.
24 Berle, A., *op cit*, p. 64
25 Jacoby, N. (ed), 'The Corporation as Social Activist', *The Business Government Relationship: A Reassessment,* 1975, Goodyear, California, p.234.

employees' expectations for the business to be involved in the community. Indeed, many organisations believe that employees do reflect the attitudes held more widely in the community and therefore have similarly high expectations of business. Meeting the broad slate of employee expectations has therefore become another important management task, much like meeting external expectations.

The Knowledge Economy

Employees expectations of company as a social institution

With the growth of the knowledge economy, sustaining intellectual capital and maximising the contribution of all the people who make up a business are sources of competitive advantage. Research on high performance workplaces shows that one of the most critical factors for long term success is the human resource practices of the business.[26] The basis for a sustainable business is now seen by many to depend on the long–term investment in people and people systems.

No one can hide; information is instant and global

Management in the global knowledge economy needs to be open to external community needs and pressures but acknowledge that those challenges also exist inside the business organisation. Rapid access to information means that few internal or external audiences will remain isolated from the mainstream of social or economic discourse. Indeed, the impact of information technology is being felt across all aspects of business interaction with its audiences or stakeholders. In this era of multiple changes to social conditions, the information revolution is now seen as the most far reaching. Not only does it directly affect business but it also mediates changes in the social context of business.

Bringing the agenda and initiatives of social responsibility and community involvement inside the business organisation is a leading preoccupation of Australian companies. Later chapters discuss how this is occurring.

Understanding the Concepts: Social Responsibility and Corporate Involvement

Many different terms are used to describe business and its social responsibilities. This section will discuss their development. Underlying them, however, is a persistent question of whether there is an inherent conflict between pursuing commercial goals and responding to wider social expectations. Should economic and social goals be seen as compatible? The question is perhaps simplistic but it is important because to answer it convincingly requires us to clarify basic thinking about the social role of business.

Neo classical economics: Business of business is profit

Traditionally, there have been two opposed schools of thought: neoclassical economists and advocates of corporate social responsibility. Neo-classicists such as Milton Friedman and Friedrich von Hayek put the view that the economic mission of the corporation is ultimately pre–eminent: the 'business of business is profit'. Against this view, advocacy for corporate social responsibility appeared around the beginning of the twentieth century and resurfaced as a mainstream business topic in the 1960s through to the 1990s. (In Britain, as in Australia, discussion about corpo-

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26 Pfeffer J, *The Human Equation: Building Profits by Putting People First,* Harvard Business School Press, Boston, 1998.

rate social responsibility has developed from the 1970s but not nearly as intensively as in North America.)

More recently, a third framework has been added where an enterprise has social goals with outcomes that are valuable in their own right, alongside and not subordinate to economic outcomes. The *stakeholder* view of the firm embodies this approach.

The following section will outline these key concepts and their development. The discussion embraces the broader notion of corporate social responsibility, of which community involvement, the focus of this study, is an important component. However, it needs to be said at the outset that these terms may be interchangeable in discussion and hard to distinguish in practice.

Social responsibilities of business and stakeholder relations

Neo–Classical Economists

When the modern debate on the social responsibilities of business started to grow in the 1960s and 1970s, prominent post war neo–classical economists were firm in their views on the role of the corporation in meeting its economic and social obligations.

Economists and analysts such as Milton Friedman, Friedrich von Hayek and Theodore Levitt argued that the free enterprise model in the United States had by the 1960s already been modified too much through government constraint and that further changes would do more harm than good. This included harm in a social as well as economic sense.

Friedman was the most eloquent defender of the faith in Adam Smith's 'invisible hand' – the metaphor coined by the 18th and 19th century classical school of British economic theory to suggest that society advances when consumer demands are satisfied in a market untrammelled by external intervention.

In this view, the public interest is a comprehensive output of various inputs or forces competing in an open market. By pursuing maximum profit and strict accountability to the owners of capital, the wealth created would be sufficient to meet any social responsibilities. A business that fulfils its commercial obligations not only secures its own survival, but also contributes to the overall wealth and prosperity of society.

Social responsibilities met through creating wealth and prosperity

These views still have considerable currency. A recent publication by the New Zealand Business Roundtable[27] rejects the relevance of notions such as 'community' or 'stakeholders'. 'Social responsibility' as an obligation of a company, rather than as a response to market forces, it concludes, is an unjustified cost for business and therefore bad for both business and society.

Broader social obligations an unjustified cost

It must be understood that the neo–classical position does not dismiss the existence or importance of social concerns and their resolution. The argument is that economic efficiency and maximum outputs – the core business of an enterprise – will necessarily satisfy broader social goals.

In a context of massive economic structural change and struggles for corporate redefinition one might expect the neo-classical view of corporate responsibility to have wide support. In fact, alternative views espousing corporate social responsibility are now a competing orthodoxy. Two decades ago, Friedman, Hayek and Levitt

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27 Barry, N., *Anglo–American Capitalism and the Ethics of Business*, New Zealand Business Roundtable, 1999.

were galvanised into action precisely in response to widespread business and popular endorsement of social responsibilities for business in its contemporary forms.

The shortcomings of neoclassical theory in addressing the social dimensions of the business environment are familiar.[28] Firstly, responsibility is not allocated for the externalities of business operations, such as environmental pollution and damage to employees' health. In effect, the full cost of doing business is not borne by those engaged in the production or purchase of goods or services. Secondly, there is an inability to account for business values that are not purely economic. Thirdly, there is a limited understanding of human relationships and the organisational dynamics of the business environment.

Short term versus long term perspective on social responsibilities

Furthermore, the neo–classical model of the corporation has a short–term approach to maximising shareholder value. The market–based theories of the responsibilities of the firm assume an adequate information flow where participants in the market know about the environmental or health consequences, for example, of production and consumption. Social harm can be caused when short–term gain for shareholders is pursued in a market environment where the longer–term consequences of business activity are not commonly known.

These are general criticisms that need to be taken cautiously. Small or medium sized firms, for example, may well fulfil all their social responsibilities simply by operating soundly, making a profit and caring for employees and the communities in which they operate. Neo-classical theory breaks down more clearly in the case of large businesses operating in global markets, with complex management and ownership and resources that rival those of governments.

Social Responsibility and Enlightened Self Interest

Advocates of wider and active social responsibilities for business express a wide range of views about the nature of community involvement. We will start with a quick historical overview of how business has embraced the idea of social responsibility and community involvement.

Consciousness raising an early expression of social responsibility intentions

Discussion in the 1950s and 1960s of the social responsibility of business and how community involvement should be conducted were directed at raising consciousness of the issue. The basic position was worthy. Growing business power (perceived or assumed) should be balanced with responsibility. Shareholders needed to be encouraged to invest and rewarded for their capital but business should go beyond this; it should work for social betterment; and it should understand its ethical and discretionary obligations as well as its economic and legal imperatives.[29]

Community involvement initiatives were mostly altruistic, guided very much by individual managerial discretion and available only from surplus resources. Again, it is mostly commentary from the United States that we have to draw on, but the same assumptions about a social role were applied in Australia albeit on a smaller scale.[30]

In the 1970s and 1980s life became more complex for business. Public expectations rose with rising levels of education, affluence and sensitivity to social failings.

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28 For example, Galbraith, K.K., *Economics and the Public Purpose*, New York Library, New York, 1975
29 D. Wood, *Corporate Social Performance Revisited,* Academy of Management Review, Vol. 16, no. 4, 1991, 691–718
30 Lyons, M., *From Philanthropy to Corporate Citizenship*, Centre for Australian Community Organisations and Management, University of Technology Sydney, December, 1998

Business, along with many institutions, lost community trust and respect. Communities and interest groups exerted pressure on business. Governments developed social policies and regulations to force business into meeting social expectations in areas such as environmental protection, occupational health and safety and product safety.

Enlightened self interest –
pragmatic extension of
social responsibility

Business responses to these pressures came to be seen as a form of *enlightened self–interest,* a pragmatic, even defensive, resolution of the conflicts between economic objectives and intense social and moral expectations. Corporate survival in modern society requires an awareness of social responsibility as an indispensable part of business strategy. Indeed, in reality, the pragmatism of this approach reconciles the classical 'Friedmanite' with opposed models. Social involvement can be seen as a way to pursue profits.

This position is now conventional wisdom in Australia and is reflected in mainstream business practice.

Business legitimacy and
licence to operate

As a result of this shift, business developed a sharper appreciation of how it was interconnected with other parts of the economic and social environment. If a firm was seen to be causing social problems, it had a responsibility to remedy the situation. If it did not, its legitimacy, its longer term licence to operate and its commercial viability were all in jeopardy. A heightened awareness of a firm's social obligations and strategic social action became a competitive advantage. Responding to social needs was in the firm's self interest.

This understanding expanded community involvement initiatives beyond the discretion of senior managers to a more strategic and structured set of programs linking the company and the community in new and innovative ways. The company is seen to be advancing long–term economic interests. There has been a drive to build community relationships through dialogue and resourcing community activities, particularly in local communities. Resources are often directed towards issues of real concern to the future of the business, such as environmental and science education. Other activities such as support for major cultural events or national celebrations aim to build a credible reputation for business.

Stakeholders, Citizenship and Community Involvement

A *stakeholder* view of business responsibilities sees the business corporation as a complex entity that affects and is affected by various groups – shareholders, customers and suppliers, employees, specific communities, the public and so on.[31] Each of these groups has different interests and expectations of a company and they push and pull a company in different ways to exert pressure to achieve their ends.

Identify stakeholder
expectations and plan to
meet them

Seeing a company in the light of its stakeholders is for some a surer route to understanding the social role of business because it enables a company to establish to whom it should be responsible and in what ways. A company or an industry sector is able to engage directly, ask stakeholders what they actually want, and target their responses accurately.

For some, however, this is more easily said than done, and not simply because of the immense complexity in sorting how to balance interests and determining which stakeholders to listen to. In reality, stakeholder demands are often mutually exclu-

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31 Clarkson B (Ed), *The Corporation and its Stakeholders: Classic and Contemporary Readings,* University of Toronto Press, 1998.

sive. Further, to treat all stakeholders as somehow equal gives a misleading view of a company's ultimate responsibilities and accountabilities.

Even so, it may well be in the self interest of business, in the medium to long term, to acknowledge and demonstrate sensitivity to any groups that hold significant power or influence over a corporation or over business in general. Even if sorting out how to reconcile the various economic and social objectives that stakeholders may express is fraught with difficulty, there is a sense that the process heads a corporation in the right direction.

In 1998, the Conference Board of Canada published a position for Canadian business that has embraced a stakeholder concept of the social responsibilities of business:

> *Corporate social responsibility is the overall relationship of the corporation with all its stakeholders.*[32]

Similarly, in the United Kingdom a vision for business published in 1995 under the leadership of the chairman of IBM asserts:

> *(We have) tackled the sterile debate over shareholder versus stakeholder head on … only by giving due weight to the interests of all key stakeholders can shareholders continuing value be assured.*[33]

Clearly, the term '*stakeholder'* resonates in the prolonged search for language to describe how the social role for business might be conceived.

Company as citizen: a new paradigm for organisational dynamics

A parallel concept defines the company as a *citizen* with rights and obligations and intrinsically part of the community. These are in some ways attempts at redefining the focus of a business entity, providing new tools and concepts so as to enable it to compete more effectively – in much the same way that the Total Quality Management movement successfully identified new strategies for competitiveness. Tools such as '*triple bottom line'* accountability systems apply here along with management approaches that are seen as 'holistic' and integrated.

The community involvement approaches that flow from a stakeholder view or a view of the firm as a citizen, necessarily embrace interactive dialogue in the community that results in forming longer–term partnerships with community using resources positively. Attention to employees, and sometimes their families, is a strong feature of this approach. Unlike a simpler notion of philanthropic activity without any expectations of commercial returns, or indeed a defensive strategy to get the community on side, this approach implies that there are more fundamental business gains from community involvement. Often the term '*sustainability'* is applied. Community involvement is tied in with business strategy, and social objectives are integrated with economic goals.

An Amalgam of Concepts and Strategies

No one model or definition of corporate social responsibility or community involvement will prevail

While the protagonists of these differing views defend their positions, what is increasingly evident in the global business environment is that no one model for social responsibility or community involvement will prevail. Indeed, as this study found, highly credible views of social responsibility and community involvement currently range across all the above definitions in Australian business and many of the terms are used interchangeably.

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32 The Conference Board of Canada, *Taking Action on Corporate Social Responsibility*, 1998. P. 1
33 *To–morrow's Company: The Role of Business in a Changing World,* RSA, London, 1995, p.iii

This study shows that community involvement activities range from philanthropic activity at the discretion of management without an expectation of a commercial return, as in many major privately owned businesses, to complex business and community partnerships that are integrated into a business strategy.

It is also apparent that differing approaches to the social role of business and to community involvement can be driven by differing features of industry sector environments. Later chapters illustrate the variety of purposes and programs for community involvement that are evident in Australian business. Companies operating in a retail market have different external conditions to manage from companies in manufacturing, that sell from business to business. Large companies located in rural or provincial regions have different stakeholder expectations to manage compared to medium sized companies in well-established outer metropolitan industrial locations. As business becomes more focussed on analysing and understanding community expectations and strategic in generating community involvement programs the specific context of the company will come more into play.

Box 1.1 summarises the range of concepts of corporate social responsibility currently evident in the literature. Later chapters will discuss the patterns of community involvement in Australian business, but it should be said at the outset that businesses are located along the full length of this continuum and mostly have a business rationale to back up their choice.

What does Business Gain from Community Involvement?

The outcomes of community involvement for business are hard to measure. Like other intangibles such as employee loyalty and corporate reputation, community involvement is built in specific contexts for long-term results. A later chapter will outline the measurement and evaluation approaches being adopted in Australian business. Below are some of the conclusions from other studies of the character and impact of business engagement in social or community activities.

BOX 1.1 **DIFFERENT VIEWS OF A SOCIAL ROLE FOR BUSINESS**				
Profit Maximisation	**Socially Responsible Principles**	**Enlightened Self Interest**	**Stakeholder Engagement**	**Company as a Citizen**
Social obligations best met through making a profit for shareholders.	Social obligations additional to responsibility for stakeholder returns.	Social role delivers business benefits and community outcomes.	Proactive social role through listening to internal and external stakeholders.	Seeks to align community and employee values. Business sustainability drivers.
Business not competent to do otherwise.	Driven by management discretion.	Focus is: • external relations • corporate regulation • secure legitimacy	Strong business sustainability drivers.	Redefinition of company's internal and external priorities.
Driven by fiduciary responsibilities to shareholders.	Reactive sponsorship and community contributions.	Community approach often a contingency approach, defensive strategy.	Focus is on stakeholder partnerships.	Community involvement focuses on employee involvement and strong stakeholder partnerships.
May include modest philanthropic contributions.				

Source: The Allen Consulting Group

Empirical Findings

Empirical studies of the impact of community involvement on business vary in their findings. Studies are mostly from the United States and more recently in the United Kingdom and Europe with only a few such studies to date in Australia. A sample of conclusions from these empirical studies reveals that:

- the broad area of corporate socially responsible actions by companies is increasingly part of a well rounded management strategy, despite the fact that definitions and outcomes are not clear;[34]
- the relationship between corporate social responsibility and financial performance in the short term is ambiguous. Benefits to business may include short term financial gains but results are variable and contested;
- importantly, community involvement and related activities do not cause financial loss even though they are a business cost;[35]
- a range of intangible benefits, generally in the form of impact on stakeholders such as shareholders, customers, employees and community, are evident but no clear patterns are observable except that these stakeholders are influenced by a socially responsible profile and that they do have a role to play in the success of the firm;[36]
- social control of business occurs through business's relationship with broad stakeholder groups via, for example, government regulation and market pressure from customers.[37]

Business Study Conclusions

Throughout the 1990s, many business groups, or groups sponsored by business, conducted case studies, roundtables, benchmarking and the like on the meaning, application and results of community involvement and the exercise of social responsibility. These often serve as guidelines for advocacy of greater social involvement by business. A sample is described below.

Community Involvement Benchmarks – Canada

The Conference Board of Canada for the Canadian Business Council conducted[38] a review with twenty-three companies to develop benchmarks for social responsibility, including corporate community involvement (Box 1.2).

These benchmarks were developed from discussions that looked at community involvement strategies, resources, employee activities, partnerships and community economic development. Companies have subsequently measured their own performance against these benchmarks for best practice.

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34 Neu, D., Warsame, H., Pedwell, K., 'Managing Public Impressions- Environmental Disclosures in Annual Reports', *Accounting Organisations and Society*, 23(#), 1998, pp. 265-282.

35 Pava, M.L and Krausz, J., *Corporate Responsibility and Financial Performance: The Paradox of Social Cost*, Conneticut: Qourum, 1995.

36 Murray K., and Vogel C., 'Using a Hierarchy of effects Approach to Gauge the Effectiveness of Corporate Social responsibility to Generate Goodwill Towards the Firm', in *Journal of Business Research,* 38, 1997, pp.141-159.

37 For a summary of empirical research see Wood, D., and Jones, R., 'Research in Corporate Social Performance', in Burlingame, D. and Young, D., *Corporate Philanthropy at the Crossroads,* Indiana University Press, 1996, pp.41-85.

38 The Conference Board of Canada, *Taking Action on Corporate Social Responsibility*, 1998

Principles to Guide Corporate Community Investment – United Kingdom

The *Business in the Community* association, with support from over 400 businesses, seeks to raise the quality and extent of business support for the social and economic regeneration of communities. It aims to make community involvement a natural part of business practice. To assist this, the association developed community investment principles to guide companies in the planning, management and evaluation of their 'investment in the communities in which they operate.' Their nine principles have been aligned to the European Foundation for Quality Management Model for business excellence (Box 1.3).

National Competitiveness Guidelines – United Kingdom

In 1993, the Royal Society for the Encouragement of the Arts, Manufactures and

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BOX 1.2 BENCHMARKS FOR CORPORATE COMMUNITY INVOLVEMENT

Benchmarks for corporate community involvement are:

1. The community involvement strategy is a core element of the company's commitment to corporate social responsibility.
2. Employees are engaged in the strategic development and practical delivery of the company's community involvement program.
3. Adequate corporate resources are in place to effectively manage the community involvement program.
4. Communication of the community involvement policy and program is clearly defined and transparent.
5. The community involvement program is evaluated regularly for impact and effectiveness.
6. Interactive relationships are established with community groups.

Source: Conference Board of Canada, 1998

BOX 1.3 MANAGEMENT MODEL FOR BUSINESS EXCELLENCE

1: LEADERSHIP
The behaviour and actions of the executive team and all other leaders inspire, support and promote a culture of Corporate Community Investment as an integral part of achieving the organisation's objectives.

2: POLICY & STRATEGY
The values and concepts of excellence in Corporate Community Investment are incorporated in the policy and business strategy of the organisation.

3: PEOPLE MANAGEMENT
The organisation releases the full potential of its people (ie, its employees) using employee involvement as a mainstream skills development tool.

4: RESOURCES
The organisation effectively manages and costs support for the community in the form of cash, employee time and donations in kind.

5: PROCESSES
The organisation manages and reviews all key Corporate Community Investment activities to ensure continuous improvement.

6: CUSTOMER SATISFACTION*
The organisation ensures it is working to satisfy the needs of its project partners.
* When assessing Corporate Community Investment, the customer should be considered as the project partner.

7: PEOPLE SATISFACTION
The organisation ensures it is working to fulfil the expectations of its people (ie, its employees).

8: IMPACT ON SOCIETY*
The organisation ensures it is working to satisfy the expectations of the community.
* When assessing Corporate Community Investment, society can be defined as all the community stakeholders with an interest in the organisation's activities.

9: BUSINESS RESULTS
The organisation ensures it is achieving results – against its planned business objectives – which satisfy the needs and expectations of all its stakeholders.

Source: UK Business in the Community Association.

Commerce (RSA) gathered the views of twenty–five of the UK's largest businesses, under the leadership of the Chairman of IBM, to develop a vision for *To–morrows Company*.[39]

One conclusion was that:

…relationships with the community have proved to be the most difficult to define and measure. Many companies are not yet sufficiently rigorous in identifying their key community relationships. Nevertheless, there is evidence of a growing recognition by UK business that the community in general – as well as government in particular – has a major influence on its ability to compete successfully.

Business leaders were urged to continue to engage in community partnerships, open dialogue and broad networking in the community in order to create 'a climate for sustainable success' (Box 1.4).

Trends in Corporate Giving Strategies – United States

In 1995, The Conference Board studied the increasingly complex environment for corporate giving in the United States. Around 450 companies responded to a survey examining their 'strategic philanthropy' practices and some thirty companies were interviewed for case study material. Organisations face a number of increasing social demands that they need to balance against their budgetary constraints. Astute 'giving strategies' are those that balance company needs with the increasing challenges of a global business environment (Box 1.5).

Measuring Community Contributions – United Kingdom

In 1994, six companies combined to form the *London Benchmarking Group* with the aim of evaluating more accurately the worth of their 'community investment' programs. To test the viability of their approach, the group was augmented by a further twelve companies. A report explaining their approach was published in 1999.[40]

To define a company's engagement in society, they outlined three components, with the last described as community involvement: the wealth the business creates; the value chain through forward and backward linkages; and wider, voluntary contributions.

BOX 1.4 A CLIMATE FOR SUSTAINABLE SUCCESS

Though business alone cannot provide a complete solution to the UK's need for a more supportive operating environment, business leaders can fulfil a significant role in creating a climate for sustainable success. They can:
- continue and increase their participation in national and local community partnerships, like Training and Enterprise Councils. Business in the Community and Business Links;
- contribute to the establishment of a more open dialogue and a closer working relationship between business and government to facilitate joint management of the national competitiveness agenda;
- put in place more effective business representation and networking structures;
- work co–operatively with others to enhance supply chain performance; and
- help remove barriers to the birth and development of smaller businesses – for example, by encouraging smaller businesses to adopt an inclusive approach and by finding ways to ensure that their views on the competitiveness agenda are communicated.

Source: To–morrow's Company, 1995

BOX 1.5 CORPORATE GIVING IN THE UNITED STATES

The following trends in corporate giving in the US have been identified:
- programs are becoming narrowly focused and aligned to business goals;
- giving is moving towards investment that yields a measurable return for the company;
- image enhancement and increased employee loyalty are emerging as value–added for corporate giving programs; and
- the link between corporate giving strategies and customer concerns is strengthening.

Source: The Conference Board (1995), Corporate Giving Strategies that add Business Value.

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39   *Tomorrow's Company: The Role of Business in a Changing World,* RSA, London, 1995
40   Logan, D. and Tuffney, M., *Companies in Communities,* CAF, 1999.

Voluntary contributions are separated into three categories for measurement of inputs, and outputs, including community benefit and business benefit. The categories for community contributions are: charitable support for good causes; community investment, such as involvement in partnerships around business related social issues; and commercial 'social' initiatives to support a brand (Box 1.6).

Benchmarking Community Relations – United States

Working with an extensive number of North American companies, the Centre for Corporate Community Relations, Boston College, has developed a set of benchmarks or standards to guide how a business can most effectively develop and sustain community programs. These business guidelines are relevant to all levels of community involvement but they essentially focus on the management practices that will deliver the best outcomes: leadership commitment; systems and responsibilities that apply throughout the company; and strategy development (Box 1.7).

Valuing Community Involvement – Australia

A recent Australian initiative involved twenty–three companies in an exploration of the business rationale and benefits for corporate involvement in the arts and culture.[41] It mounts a case for strategic business investment in Australian arts and

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BOX 1.6 **DEFINITION OF CORPORATE COMMUNITY INVOLVEMENT**	BOX 1.7 **STANDARDS OF EXCELLENCE IN CORPORATE COMMUNITY RELATIONS**
A company's engagement in society is extensive and multi–faceted… corporate community involvement can be defined as: "…the wider contributions the company voluntarily makes to the community, usually in partnership with charities and community–based organisations." The model divides the wider contributions into three broad categories, essentially differentiated by the company's motive for the contribution and the desired mix of business and community benefits: **Charitable gifts** Intermittent support to a wide range of good causes in response to the needs and appeals of charitable and community organisations, increasingly through partnerships between the company, its employees, customers and suppliers. **Community investment** Long–term strategic involvement in community partnerships to address a limited range of social issues chosen by the company in order to protect its long–term corporate interests and to enhance its reputation. **Commercial initiatives in the community** Activities in the community, usually by commercial departments, to support directly the success of the company, promoting its corporate brand identities and other policies, in partnership with charities and community–based organisations. Source: London Benchmarking Group, 1999	Standard I: Leadership Commitment: top level executives demonstrate support, commitment and involvement in community relations efforts. Standard II: Corporate Wide Roles and Responsibilities: all levels of the organisation have specific roles and responsibilities for meeting community relations objectives. Standard III: Supporting systems and Policies: the company incorporates systems and policies to support, communicate and institutionalise community relations objectives. Standard IV: Issue Identification and Management: the company identifies and monitors issues important to its operations and reputation. Standard V: Relationship Building: company management recognises that building and maintaining relationships of trust with the community is a critical component of company strategy and operations. Standard VI: Strategy Development: the company develops a strategic plan for community programs and responses that is based on mutual issues; goals; and concerns of the company and the community. Standard VII: Measurement and Evaluation: the company establishes an ongoing process for evaluating community relations strategies; activities and programs, and their impact on the company and the community. Source: Boston College, Centre for Corporate Community Relations

41 *A Business for Cultural Investment*, The Australian Foundation, 1999

culture on the grounds that such investment, 'can deliver measurable commercial benefits to individual businesses while helping to build a strong community and strong marketplace' (Box 1.8).

Social Responsibility and Community Involvement Guidelines – International

Many other business and community groups have developed broad statements to guide and measure how business should interact with their national and international communities. Some of these specify community involvement responsibilities but mostly they are at a higher level of principle.

For example:

- Caux Round Table, *Principles for Business,* Washington DC., 1994;
- London Institute of Business Ethics, *Codes of Ethics and International Business,* 1997;
- The Hitachi Foundation, *Global Corporate Citizenship,* Washington DC., 1997;
- The Prince of Wales Business Leaders Forum, *Business as Partners in Development,* London, 1996; and
- Clarkson Centre for Business Ethics University of Toronto, *Principles of Stakeholder Management,* 1999.

A Framework: Corporate Community Involvement

A framework for understanding how corporate community involvement is interpreted and implemented needs to reflect the diverse emphases and views on how business might meet its social obligations. While the history of the development of ideas and strategies might suggest there is a current end point in conceptual thinking, this is not necessarily the case. Highly general statements of principle on social roles exist in the business community alongside complex stakeholder engagement strategies, and each is valid.

An approach that is inclusive of all attitudes to corporate community involvement requires capturing a number of features of the way business is dealing with this in the Australian context.

A comprehensive framework needs to embrace:

- the *principles or values* that are guiding a firm's activities;
- the *management and organisational* processes that support and activate programs based on the values that are held; and
- *the outcomes* – both business outcomes and external or social outcomes that flow from any activities.

The following chapter examines Australian companies' community involvement attitudes and activities within this framework.

BOX 1.8 **A BUSINESS CASE FOR CULTURAL INVESTMENT**

The study concluded that companies use investment in the arts and culture to achieve benefits in three areas:

- 'corporate legitimacy' (reward for being perceived to contribute to community while also achieving financial objectives);
- market advantages (eg,brand awareness, customer retention, sales, price premium); and
- employee benefits. (eg, recruitment and retention, productivity, networking).

Critical success factors that characterise the most successful cultural investments are:

- investments have clear commercial objectives and are managed in a commercial manner;
- Sponsorship objectives are linked to the business strategy;
- Senior management is committed; and
- Benefits accrue across a number of business functions.

Source: Australia Foundation for Culture and the Humanities (1999), *The Business Case for Cultural Investment*

State of Play

SNAPSHOT

In total, the study represents the views of 115 Australian companies. This chapter draws on 76 of these.

Business objectives and benefits

Over three-quarters of respondents consider corporate community involvement to be related to the long–term business interest and benefit of a company. The four main benefits are:

- enhanced corporate reputation;
- improved relationships with the community;
- increased employee morale, team work and retention; and
- changed culture that indicates long term corporate direction.

Community Involvement Activities

Ideally business leaders envisage an increase in the following community involvement approaches: employee involvement projects; dialogue with the community; and longer term partnerships with the community.

Education is the area of interest that receives the largest community involvement contribution, followed by cultural activity and the environment. (This excludes the sponsorship allocation.)

Management of Community Involvement

Around a third of CEOs include community involvement in senior management objectives and three quarters include community involvement in business planning. Management of community involvement is becoming more formal and strategic. However, the most popular approach to allocation of funds is still 'responding to requests', with a very small number proactively seeking new opportunities.

Assessing Benefits

Techniques for assessing business benefits are not especially developed at this stage – the most popular are community attitude surveys, project feedback and employee surveys.

Trends for the Future

Future activity in community involvement activity will most likely involve:

- more strategic focus, with fewer activities;
- reduction in resources but an increase in the overall level of activity; and
- greater employee involvement in strategic partnerships.

Introduction

This chapter outlines the current state of play in the area of community involvement by large Australian companies. Community involvement is broadly defined. It goes beyond a narrow view of 'corporate giving' to embrace the notion of business involvement in social issues and community activities and concerns. Corporate community involvement is described in the following way.

> *A corporate citizenship philosophy recognises that a company in pursuing its core economic mission ethically and in a responsible manner needs to acknowledge that community standards and expectations demand a greater social role for the corporate sector.*

> *Corporate community involvement is an important aspect of good citizenship and concerns the active role of companies in contributing money, time, products, services, leadership and other resources to the communities in which they operate. The resources address a variety of social and economic issues and strengthen the link between business objectives and the needs of the community.[1]*

The primary sources of information used to identify and explore the main issues of community involvement include:

- input from 115 large Australian companies (either surveyed, interviewed or through workshop participation) as follows:
    - detailed discussions with the Chief Executive Officer and/or the manager of community involvement activities from 40 large Australian companies;
    - survey responses from 76 companies – a company response rate of 38 per cent;[2]
    - workshop participation by 54 companies and organisations; and
- a review of Australian and international literature.[3]

The conceptual framework used to explore community involvement in Australian business and to understand *'the business case'* for these activities has three core parts: management rationale for community involvement; management and organisational processes; and business outcomes (Box 2.1).

BOX 2.1 FRAMEWORK FOR ANALYSING COMMUNITY INVOLVEMENT

Core components	Issues
Management rationale underpinning the activities	The motives, anticipated benefits and the expression of this in company policies
Management and organisational processes for the initiatives	Decision making, size of commitment, focus and structures of the activities;
Outcomes to the business and futures development	Measurement and evaluation techniques being employed and how well the intentions for community involvement are met. It also includes a view of anticipated future trends

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1 Definition developed by the Centre for Corporate Public Affairs.
2 The survey results reported in this chapter may be slightly biased toward firms that are involved in community involvement activities or at least familiar with the jargon surrounding corporate community involvement. That is, non respondents are likely to include a greater proportion of those who do not see that community involvement is a responsibility of business than the proportions discussed in this chapter.
3 Attachment 1 outlines the research methodology in more detail.

Rationale for Corporate Community Involvement

Policy Commitment to Corporate Community Involvement

Increasingly, both in Australia and overseas, companies are developing policies on corporate citizenship. To demonstrate corporate commitment and ensure that community involvement becomes an integral part of business decision–making, companies are tending to refer to their commitment in a corporate vision or some other policy statement. Such documents provide insight into a company's values, culture and often strategies for achieving its aims. The vision of a company committed to community involvement frequently refers to a purpose beyond 'making a profit' and specifies that it will seek to create value for a variety of stakeholders. Several such statements are:

Ford Australia will run its business operations ethically, legally and profitably and will seek to enhance the well being of the communities in which it operates by supporting education, community services and improving the environment.

Ford Australia Corporate Citizenship Vision Statement

[Definition of Corporate Citizenship] Contributing to a sustainable society by acting with openness, fairness, integrity and respect.

Ansett Australia: Great Business Plan, 2000

… we will be pro–active corporate citizens.

Smorgan Steel Group Mission Statement

We are successful when: our shareholders are realising a superior return on their investment; our customers are benefiting from the use of our products and services; the communities in which we operate value our citizenship; and every employee starts each day with a sense of purpose and ends each day with a sense of accomplishment.

BHP Charter: *Moving into the 21st Century*

We aspire to be a leader in the economic, environmental and social aspects of everything we do; first choice for our shareholders, our customers, our employees, those with whom we do business, society and future generations.

The *Shell* Report 1999 *(People, Planet and Profits: An Act of Commitment)*

We care about humanising the business community: we will continue to show that success and profits go hand in hand with ideals and values.

The Body Shop Results 1998: *The New Bottom Line*

52 per cent have policies or statements that relate to community involvement

This survey revealed that approximately half of Australia's large companies have policies related to community involvement, social responsibility or stakeholder engagement to varying degrees (some formal, some informal). This is a relatively recent trend, with most companies having developed and introduced such policies within the last decade – policies for more than half of the companies were developed after 1992. However, one company responding to our survey reported developing its policy as early as 1932.

The trend of Australian companies strategically integrating community involvement into their corporate vision is in line with their counterparts in the US, UK and other countries. A 1997 study conducted by the Boston College Centre for Corporate

Community Relations found that 67 per cent of American companies include community relations in their strategic plan, and 73 per cent of companies have a written policy or mission statement for their community relations program.[4]

Management Rationale for Corporate Community Involvement

Understanding CEO and managers' views of their company's approach to community involvement is perhaps the most complex of issues to explore. Companies become involved with their communities in many different ways for many different and interrelated reasons (Box 2.2). Even though most large Australian companies have been thinking deeply about their relationships with the community and other stakeholders, there have been different starting points, and the way that these views are expressed tends to be spread along a continuum.

Rationale for community involvement can be grouped into three broad categories…

To show their pattern, responses have been grouped into three broad categories. At one end, companies explain their attitude to community involvement activities mainly as a commercial responsibility and explain that their core business purpose to meet shareholder needs is the predominant means to meet community involvement expectations. This might well include financial commitment to cultural or sporting marketing sponsorships that meet a community need but are also integral to product or brand marketing, and would be expected to achieve a medium term effect on market position and returns to the company.

Commercial interest

At the other end of this continuum are companies that define community involvement primarily as activities and resources that support the 'public good', such as through philanthropic donations to worthy causes and bodies. These companies tend to hold the view that they do not expect a commercial return for their community involvement initiatives and that there are no obvious direct business benefits to be gained from community involvement. Community involvement is not part of the commercial focus of the business, although these contributions may well depend on sound returns.

Public good

Enlightened self interest

Somewhere in between these two categories lies the view that community involvement is in the longer term self interest of the business – what has been termed '*enlightened self interest'*. Many corporations accept that a business can only operate successfully over time where it has in effect a community *'licence to operate'*. Community involvement is mostly directed at achieving a level of *legitimacy* where businesses have community and government respect and trust. Accordingly, understanding and meeting community expectations, at least to a certain degree, is a pre–condition for the long–run return to shareholders.

As an extension of this view, a few companies are expanding their core business objectives to meet, in a more integrated way, the social, environmental and economic needs of their internal and external stakeholders . An example of this is the *Triple Bottom Line* approach.[5] The term *'stakeholders'* is frequently used among these companies to mean that successful community involvement results from striking a balance among multiple expectations.

Of course, some CEOs and managers hold views that cross these boundaries, but they are, perhaps surprisingly, a minority in this study.

In our survey of large Australian companies, we asked an open ended unprompted

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4   Boston College Centre for Corporate Community Relations (1997), *Community Relations Index.*
5   This involves measuring the economic, social, and environmental performance of a company.

question to explore the views and attitudes of CEOs and managers to corporate community involvement (Figure 2.1).

Approximately 10 per cent of respondents stated that community involvement activities are largely about providing a public good with no anticipated business benefits.

More than three-quarters of respondents see community involvement as a responsibility and initiatives that further the 'self interest' of the business.

> *We draw all of our total revenues from local communities and have a responsibility to make a contribution back to them.*
>
> CEO from the Retail Sector

About 10 per cent of companies were of the view that corporate community involvement is best expressed through their primary responsibility to satisfy customers and maximise returns to shareholders.[6]

> *[Our] main responsibility is to maximise shareholder wealth and employee well being while servicing key clients. Community well being is important but secondary to the above if it is outside our main business thrust.*
>
> CEO from the Financial Sector

The majority of respondents, to varying degrees, took the 'enlightened self interest' view that community involvement is crucial to a company's future success

> *Although a company's main responsibility is to its shareholders, it operates within a community. If a community prospers, so does a company and vice versa.*
>
> CEO from the Services Sector

The majority group of companies that consider community involvement important to their sustainability – and who use terms such as 'enlightened self-interest' – is not homogeneous. Within that group there is considerable variation in how programs are generated and conducted. Later aspects of the survey explored management practices for community involvement. It is apparent that many of these companies are just starting to reflect more deeply on ways their programs can deliver greater business benefits. While many companies use the same terminology to describe their programs, there is in fact considerable variation in depth of management practices and business strategy.

FIGURE 2.1 **ATTITUDES ABOUT CORPORATE COMMUNITY INVOLVEMENT**

Source: Centre for Corporate Public Affairs and the Business Council of Australia, Survey 2000
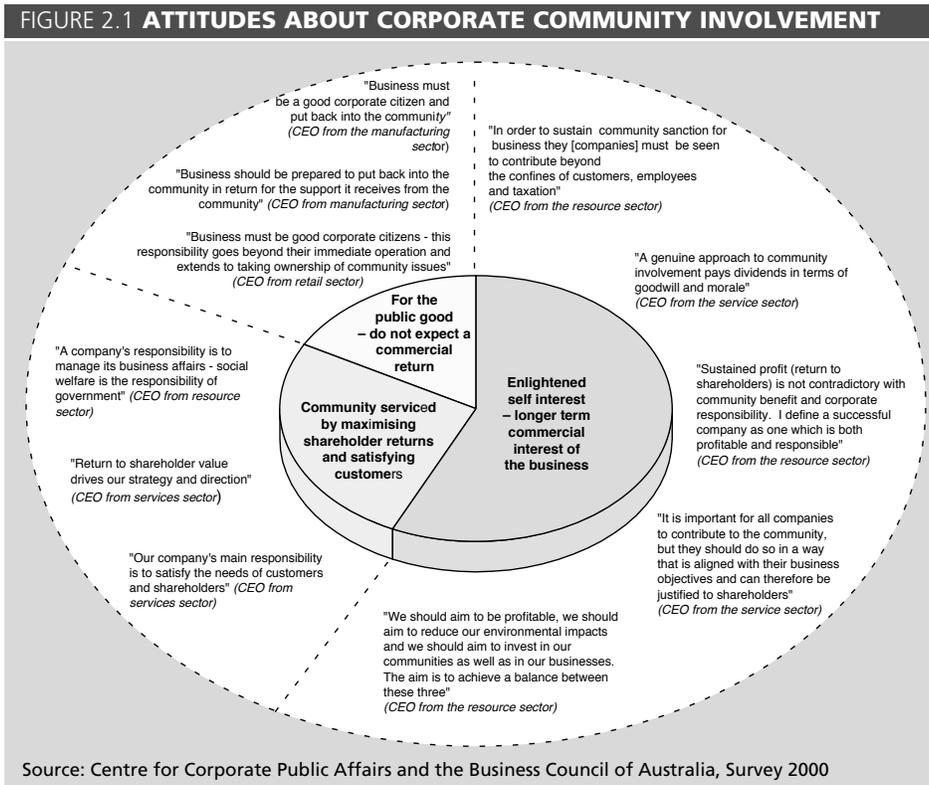
6   Anecdotal evidence suggests that this figure underestimates reality, as non respondents are likely to include a greater proportion of those who do not see that community involvement is a responsibility of business.

What do Companies Hope to Gain From Community Involvement?

There is a diverse range of motives and anticipated benefits driving community involvement activities in Australian companies. The four most important perceived benefits (in priority order) for large Australian companies are:

1. Enhanced Corporate Reputation

Ranking 'reputation building' as the most important benefit comes as no surprise. In fact, this result supports other research that indicates that positive reputation often underlies many other benefits attributed to community involvement. For example, a study conducted by Fomburn and Shanley found that benefits such as attracting investors and enhancing access to capital markets were improved with a positive corporate reputation.[7]

2. Improved Relationships within the Community

Building relationships with local communities is increasingly becoming part of companies' strategic perspective. These relationships reportedly provide benefits such as access to local political processes and reduction in local regulatory obstacles.

3. Increased Employee Morale, Team Work and Retention

Leading companies in Australia are aware of and are taking advantage of the employment benefits associated with effective community involvement programs These programs are particularly effective when employees are directly involved in and take ownership of the program. The overriding benefit to the company is increased productivity due to positive employee morale and retention and the attraction of quality employees. A 1996 American study found that employees involved in their company's community activities were 30 per cent more likely to want to continue working for that company and help it achieve success.[8]

FIGURE 2.2 **PERCEIVED BENEFITS OF CORPORATE COMMUNITY INVOLVEMENT**
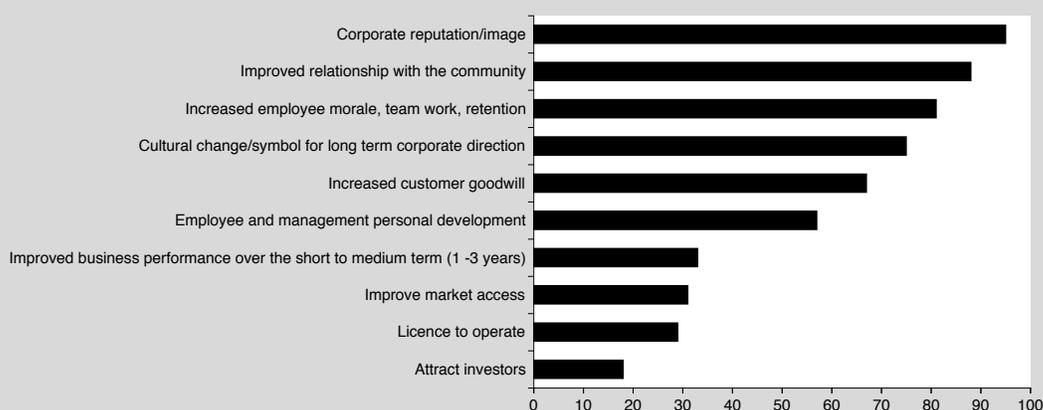
Source: Centre for Corporate Public Affairs and the Business Council of Australia, Survey 2000

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7   Fomburn. C. and Shanley M., 1990, "What's in a name. Reputation Building and Corporate Strategy", *Academy of Management Journal*, vol 33, no. 2. pp. 213–32.
8   Council on Foundations, 1996, *Measuring the Value of Corporate Citizenship*.

4. A Changed Culture that Indicates Long Term Corporate Direction

Cultural change was rated as the fourth most important perceived benefit of community involvement. Many companies are committed to closing the gap between what they say they stand for and the reality of their actual performance. Such change becomes an important symbol to a diverse range of stakeholders (employees, investors and the community), and many companies believe it is the key to their future success.

Local community and employees are the most important community involvement stakeholders

Other perceived benefits of community involvement identified by our survey include (in order of importance): increased customer goodwill; employee personal development; licence to operate; improved business performance over the short to medium term; improved market access; and attraction of investors (Figure 2.2).

Another way to understand the motives driving community involvement activities is to assess the importance that corporations place on receiving recognition from particular stakeholders. Given the above 'perceived benefits' rankings, it is not surprising that corporations consider the local community and employees to be the two most important stakeholders of community involvement. This result is in line with the current trend for Australian community involvement approaches to become more strategic in both targeting and involving communities and employees. (These strategic approaches are detailed in Chapters Four and Five, respectively.)

Perhaps a little more surprising is that investor awareness is considered to be of low importance. However, this is in line with the low rating given to attracting investors as a perceived benefit of community involvement (Figure 2.3).

All industries rate 'reputation' and 'improved community relations' as important motives for community involvement activities. However, the survey results, broken down into four broad industry sectors, show that the motives for involving the community vary across industry sectors. For example, the resource sector considers

FIGURE 2.3 **STAKEHOLDERS THAT COMPANIES PREFER TO RECOGNISE AS PART OF COMMUNITY INVOLVEMENT**
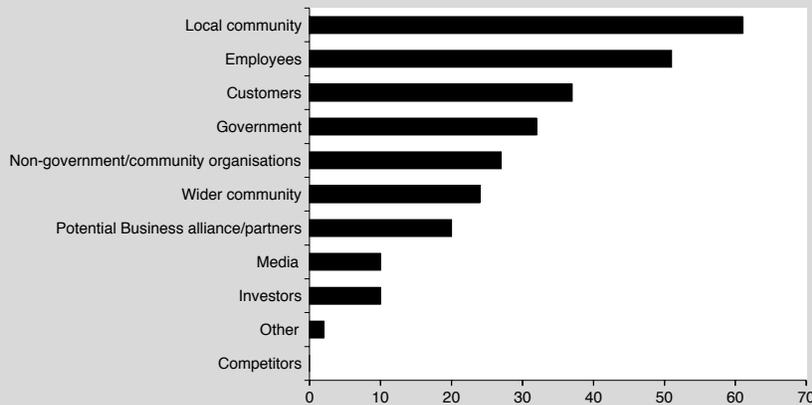
Source: Centre for Corporate Public Affairs and the Business Council of Australia, Survey 2000

BOX 2.2 **PROPORTION OF INDUSTRY RESPONSES RATING VARIOUS MOTIVES AS IMPORTANT OR VERY IMPORTANT (PER CENT)**

Motive/perceived benefit	Industry Sector			
	Resource	Manufacturing	Retail	Service
Improve community relations	94	86	92	85
Improve employee morale, team work, retention	94	76	59	85
Broaden management perspective	63	58	33	63
Change culture to indicate long–term corporate direction	100	60	70	70
Improve customer goodwill	44	57	75	85
Improve business performance: short–medium term	44	29	42	26
Ensure licence to operate	75	14	25	15
Access market	25	24	50	33
Attract investors	31	19	25	7

Source: Centre for Corporate Public Affairs and the Business Council of Australia, Survey 2000

'licence to operate' to be an important motive. Conversely, all other sectors view the enhancement of 'customer goodwill' as an important motivating factor. Box 2.2 shows the proportion of industry responses rating various motives as important or very important.

Size and Structure of Corporate Community Involvement in Australia

Size

Estimating the size or dollar value of corporate community involvement activities is a difficult task, complicated by factors such as associated administration costs, in–kind support and definitional issues (Box 2.3).

Despite the difficulties associated with measuring the cost of corporate community involvement activities, several studies have estimated corporate expenditure on particular aspects of community involvement.

A study conducted by the Centre for Australian Organisations and Management focussed on one dimension of corporate community involvement – that is, the support of non–profit organisations. The results – drawing on data from many sources – roughly estimated that corporations gave approximately $1.8 billion to non–profit organisations in 1996.[10]

Another study conducted by the Australian Bureau of Statistics (ABS) focussed on business sponsorship and estimated that the total value of business sponsorship in 1996–97 was $466.5 million. (In this study, the ABS defined sponsorship as payments made in return for advertising and promotional benefits. It excluded sponsorship in–kind donations; purchases of artworks, tickets etc.) Sport was identified as receiving more than 60 per cent of the total value. Other major areas of business sponsorship included arts and cultural activity (6 per cent), education (8 per cent) and trade

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BOX 2.3   DIFFICULTIES OF MEASURING COMMUNITY INVOLVEMENT

The cost of administering community involvement programs is often overlooked or ignored. However, it is an important dimension of community involvement programs and, in some circumstances, administration costs have been estimated to be almost as large as the dollar amount of actual contributions donated to the community. (For example, research of 8 large UK companies found that the cost of managing community involvement activities ranged from 5 to 22 per cent of the total community involvement budget.[9]) Calculating administration costs is difficult but ignoring it underestimates a corporation's total community involvement effort.

In–kind support can include administrative costs and, more broadly, donations of products and services. Companies have difficulty quantifying this support partly because they do not have the required management and information systems to monitor these transactions and partly due to definitional issues.

There is no universally consistent definition of community involvement and hence no clear picture of the business activities that should be included in such measurement. One example highlighted from our discussions with large Australian companies was the treatment of sponsorships. Many companies tend to define some but not all sponsorship activity as community involvement. Some factors that determine whether sponsorship is defined as community involvement or marketing include: the department responsible for coordinating it (ie the marketing or public affairs department); the type of targeted activity (for example, sports or arts); the potential or public awareness created; and/or the extent of signage rights.

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9   Logan, D.& Tuffrey, M. (1999) *Companies in Communities: valuing the contribution (Practical guidance on using the London Benchmarking Group model to evaluate corporate community involvement)*
10 Lyons, M. (1998), *From Philanthropy to Corporate Citizenship*, Centre for Australian Organisations and Management Working Paper No. 44, University of Technology, Sydney.

shows (11 per cent).[11]

30 per cent of the community involvement budget is allocated to sponsorship

This survey revealed that more corporate dollars are allocated to sponsorship than to any other community involvement initiative – approximately 30 per cent of the community involvement budget. Three other initiatives attracted approximately 16 per cent each of the budget: community participation, philanthropic donations, and partnerships with communities (Figure 2.4). This estimate may be imprecise since many company sponsorships are managed from marketing departments and community involvement components may not have been isolated from other marketing activity.

Although there is no conclusive evidence of corporations increasing or decreasing the money they give to support community activities over the past decade, there does appear to be a trend to increase support in the form of goods, services and staff volunteers.

Community Involvement Program Activities

Australian companies are engaging the community in a broad variety of ways: employee involvement programs (and 'loaning' executives and managers); sponsorship; philanthropic donations (including foundations); and various dialogue, partnership and participation initiatives with the community.

Australian companies tend to be most active with the community through community participation initiatives (such as community development and education activities that may or may not involve partnership elements), philanthropic donations, and sponsorships.

In general, CEOs view this current balance of activity as adequate. However, the 'ideal view' of CEOs would see an increase in community involvement activity in the areas of: employee involvement; dialogue with the community and community partnerships (ie, hands–on, long–term relationships with recipients of community involvement funds). As discussed in Chapter Four, there appears to be a trend in this direction from leading edge firms (Figure 2.5).

FIGURE 2.4 **COMMUNITY INVOLVEMENT EXPENDITURE ON VARIOUS INITIATIVES (PER CENT OF BUDGET)**
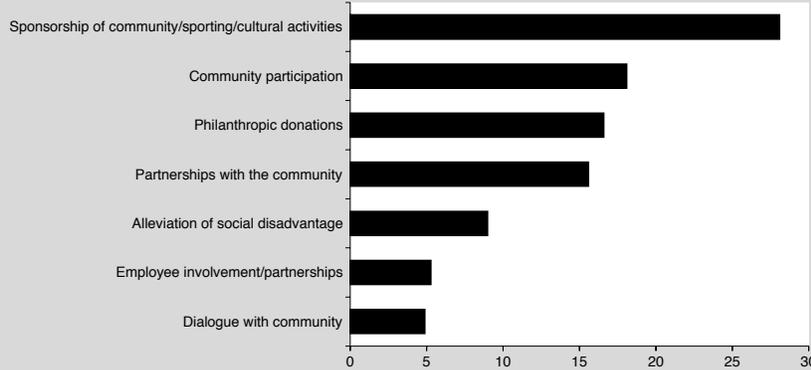
Source: Centre for Corporate Public Affairs and the Business Council of Australia, Survey 2000

FIGURE 2.5 **CEOS VIEWS ON CORPORATE COMMUNITY INVOLVEMENT ACTIVITIES**
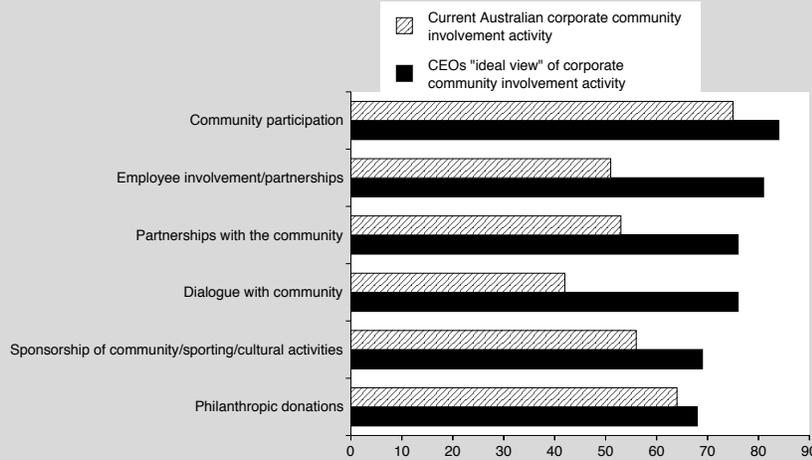
Source: Centre for Corporate Public Affairs and the Business Council of Australia, Survey 2000

11 Department of Communication, Information technology and the Arts (1999), _Cultural Trends in Australia No. 8: Business Sponsorship of Cultural Activities 1996–97._

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Each of the various activities used to engage the community has its own strengths and weaknesses, depending on its objectives or perceived benefits. Obviously, employee involvement initiatives are useful techniques for improving employee morale and broadening management perspectives. Using the technique of correspondence analysis to analyse our survey responses, we were able to map the relationship between initiatives and perceived benefits. Box 2.4 shows that companies view community dialogue as an effective vehicle for avoiding or replacing regulation and partnerships as an effective way of ensuring long term sustainability.

It is interesting to note that some companies focus on a single area of commitment in their community involvement effort – for example, the environment. Other companies aim to integrate community vision into all aspects of their organisation.

Our survey shows that education is the largest beneficiary of Australian community involvement funds (approximately 19 per cent of the community involvement budget). The other areas receiving a large proportion of funds are cultural activities (15 per cent), environment (14 per cent), sport (13 per cent) and health (12 per cent) (Figure 2.6).

BOX 2.4 **STRONG RELATIONSHIPS BETWEEN PROGRAM AND OBJECTIVES**

Programs		Objectives
Employee involvement	➤	Employee morale
		Broadening of management perspective
Community sponsorship	➤	Market access
Dialogue with the community	➤	Avoid/replace regulation
Community partnerships	➤	Long term sustainability
Philanthropic donations	➤	Public common good

Source: Centre for Corporate Public Affairs and the Business Council of Australia, Survey 2000

FIGURE 2.6 **PER CENT OF COMMUNITY INVOLVEMENT EXPENDITURE IN AREAS OF INTEREST**

Source: Centre for Corporate Public Affairs and the Business Council of Australia, Survey 2000
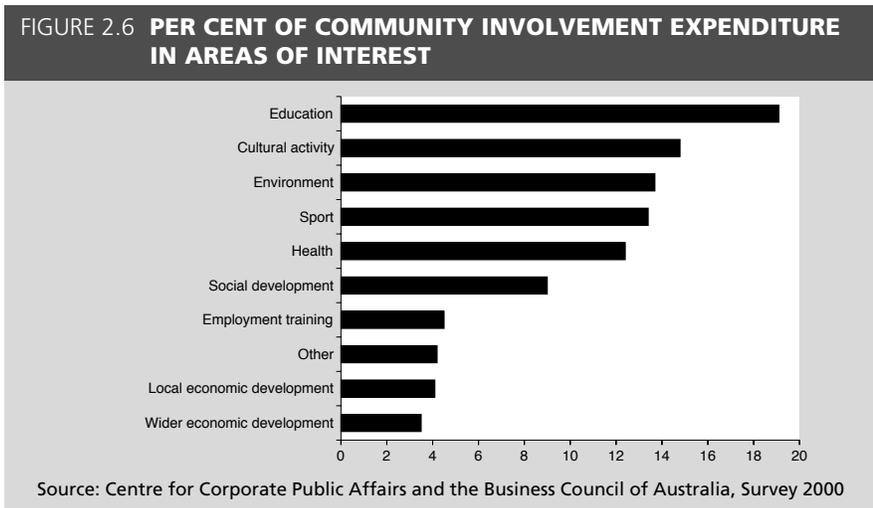
Management, Planning and Reporting Corporate Community Involvement

Companies are increasingly looking at their community involvement activities from a strategic perspective, defining themes that are aligned with core business objectives, taking advantage of core competencies, and often customising areas of focus based on stakeholder (ie employees and local communities) desires.

Management: Internalising Corporate Community Involvement

Many respondents in our study indicate that they now align community involvement activities more closely with their business objectives and capacity. The resulting choices are generally more strategic – reflecting the goals of the corporation rather than the personal preferences of managers. The management and implementation of community involvement differs across companies due to a range of factors such as the company's size, sector, culture and the commitment of its leadership.

Consultations and survey results indicate that strategic approaches are being internalised at two levels: employee performance requirements and business planning.

Employee Performance Requirements

Some companies include in their managers' performance reviews the ability to encourage community involvement among their subordinates. This is a trend appearing both in Australia and overseas. A recent American study found that 17 per cent of site managers had community involvement included in their performance appraisals.[12]

Community involvement objectives are part of senior management performance requirements

38 per cent of CEOs responding to our survey indicated that meeting community involvement objectives is part of senior management performance requirements.

Business Planning for Community Involvement

Companies now build community involvement activities into their planning process. 75 per cent of CEOs responding to the survey indicated that their company's community involvement objectives are internalised in the business planning system. This result aligns with similar overseas research conducted by the Boston College Centre for Corporate Community Relations, which found that 67 per cent of companies included community involvement in their strategic planning process.

Planning processes for community involvement activities vary considerably across companies. The corporate vision of some companies is driven by their CEO or Managing Director and sometimes the Board; other companies delegate the responsibility to a single senior officer. Sometimes, senior managers collectively consider the interests of stakeholders before important decisions are made (Figure 2.7). This study revealed that companies are engaging their employees as partners in planning community involvement activities. Some companies have employee advisory committees. Others use regular employee surveys to determine which causes or organisations to support. It goes without saying that successful participation by employees in planning requires support from the top.

There are various approaches to planning community involvement budgets and priorities. Some companies allocate fixed budgets to community involvement programs; others allocate a percentage of profits; and some have a more ad hoc 'responding to requests' approach.

12   Boston College Centre for Corporate Community Reputations (1997), *Community Relations Index*.

Planning community involvement activities has historically been reactive in approach – companies have tended to respond to requests rather than seek opportunities. Responding to requests remains the dominant approach (with 63 per cent of companies *mostly or always* using this approach, compared to 17 per cent seeking new opportunities). However, in both cases, companies are likely to use a policy framework to guide decisions.

Management: Practices

Managing corporate community activities is resource and time intensive. The extent of demand depends on the type and scope of programs, management competence and corporate commitment.

There is a trend to use community involvement experts and/or engage fewer agencies

For more complex community involvement programs, such as long–term sustainable partnerships that require a thorough understanding of benefits, expectations and needs, some companies now hire community involvement experts and engage with fewer agencies. Among respondents to our surveys about one in three stated that they outsource some management of community involvement. These respondents are of the view that they do not have the 'comparative advantage' nor is it their core business activity to manage community involvement activities. Forming partnerships with fewer agencies generally reflects the more strategic approach being adopted by companies that wish to focus their community involvement resources rather than spread them thinly over several competing priorities . Over 20 per cent of respondents to our survey stated that they *always* prefer to deal with fewer rather than more agencies.

Another issue related to the efficient and effective management of community involvement initiatives is that of centralised versus decentralised coordination. A central approach has the advantage of coordinating a corporate vision with minimal resources. A decentralised approach, managed at the site level and requiring more resources, is generally better attuned to local issues and can deliver a more targeted community involvement initiative. Many companies are now combining both management approaches.

Evaluating Community Involvement

Companies have developed a wide range of strategies for measuring corporate community involvement, from self–reporting on specific initiatives to conducting comprehensive audits that measure the full range of social and environmental impacts of a company's entire operations and activities. Although benchmarking techniques are increasingly being used overseas as an effective measurement tool, there is little evidence that they are used in Australia.

Companies typically measure community involvement initiatives for a number of reasons: to

FIGURE 2.7 **LEADING THE COMPANY'S ATTITUDE AND APPROACH**
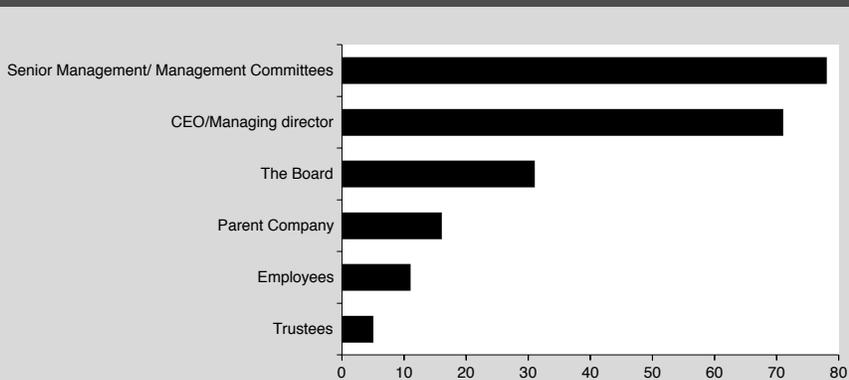
Source: Centre for Corporate Public Affairs and the Business Council of Australia, Survey 2000

improve the focus and strategic approach of programs and their objectives; to identify their strengths and weaknesses in order to improve company operations and decision–making; to quantify the non–financial aspects of their operation; to identify potential liabilities; and to respond to stakeholder requests for increased disclosure.

In general, measurement techniques used by large Australian companies are unsophisticated. A majority of companies responding to our survey reported that their ability to evaluate programs is "moderately or not very accomplished" (83 per cent). Companies are, however, aware of their importance and are beginning to devote resources to developing practical useful measurements. Three measurement tools were identified as the most commonly used by Australian firms: community stakeholder attitudinal surveys (80 per cent); project specific feedback (76 per cent); and employee attitudinal surveys (73 per cent) (Figure 2.8).

Other useful measures also identified include: third party advocacy support; customer attitudinal surveys; and government attitudinal surveys. Some companies mentioned reputation measuring.

Reporting Community Involvement

It is important to report on community involvement activity. Externally, reporting promotes awareness and provides feedback on various initiatives to targeted stakeholders. Internally, reporting improves the efficiency and effectiveness of community involvement efforts. Australian companies have developed a variety of strategies for communicating the outcomes of community involvement activities. Some use the information solely for internal use, while others choose to release reports more widely.

95 per cent of companies' communicate their activities with employees

The objectives of companies determine which stakeholders are the target audience for reporting. If employee morale or retention is a major objective, then communicating with employees will be important. A recent American study found that "the more an employee knows about the company's programs, the more likely he or she will be loyal and positive about the company".[13] Our results indicate that 95 per cent of companies communicate about their business with employees, 85 per cent communicate with shareholders, and 71 per cent with other external stakeholders.

FIGURE 2.8 **MEASUREMENT**
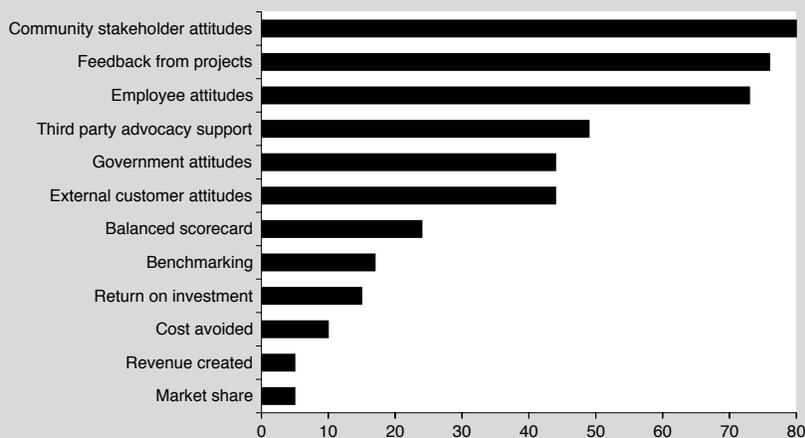
Source: Centre for Corporate Public Affairs and the Business Council of Australia, Survey 2000

Management Variations among Companies

A high proportion of large companies (around three quarters of survey respondents) view their community involvement activity as a strategic business activity as well as part of their social contribution. However, these community involvement management practices appear to vary considerably among companies. Some are at the early stages of developing

13   Boston College Centre for Corporate Community Relations, (1994)

comprehensive management approaches while others have established and embedded these approaches throughout their organisation. The study shows that: around half the companies responding to the survey have vision or policy statements concerning community involvement or social responsibility; approximately 60 per cent are more reactive in allocating their support than pro-active; almost 40 per cent of companies acknowledge their measurement approaches are "not very accomplished"; and around 60 per cent do not include community involvement objectives in senior management appraisals.

Clearly, many large companies are at the early stages of establishing management approaches. They have established their intention but do not necessarily have the strategies in place to maximise benefits. Many companies have indicated that they expect significant change over the next few years.

Trends

Trends in Community Involvement Activities over the Past Five Years

Numerous overseas studies have identified several key factors that have influenced recent approaches to corporate community involvement. These include:

- *Demand for increased disclosure and growing investor pressure:* increasing expectations from stakeholders (including customers, regulators and community and activist groups) for more detailed information on corporate environmental and social performance as well as growth in demand for ethical investment have increased pressure on companies.
- *More competitive labour markets:* in tight labour markets, many workers – particularly those who are highly skilled and mobile – are looking for employers whose philosophies and practices align with their own beliefs.
- *Increased customer interest:* there has been growing interest and pressure from business–to–business customers and consumers on a company's community involvement activity.

Similar factors have influenced Australian companies over the past five years. Companies have responded in various ways. More than 30 per cent of survey respondents stated that their guidelines and objectives have become more clearly defined. In some cases, this has resulted in fewer activities, but with a more strategic focus.

30 per cent of Australian companies have clarified their guidelines and objectives in the past 5 years

[Community involvement programs have become] more streamlined within more clearly defined guidelines, administration is more effective, objectives clearer and distributable funds greater.
> Manager of community involvement activities in the Financial Sector

[Community involvement programs now have] less resources, [with] more focus on fewer activities.
> Manager of community involvement activities in the Resource Sector

Although some companies have reduced community involvement resources, in line with their more strategic focus, over 20 per cent have increased their community involvement activity. Not only have companies increased their absolute contribution but they also tend to be delivering it more strategically by encouraging more

employee involvement and/or establishing strategic partnerships that provide mutual benefits to both parties.

[Compared to five years ago, community involvement programs have] more emphasis on partnerships; use of technology and expertise.
Manager of community involvement activities in the Services Sector

[Compared to five years ago, we] have much higher employee involvement; employee awareness and employee interest in community involvement programs.
Manager of community involvement activities in the Resource Sector

It is interesting to note, however, that approximately 24 per cent stated that their community involvement activities have not changed over the past five years. This may be attributable to the substantial resources required to manage the process effectively. Several companies that have increased their community involvement effort commented on the substantial resources required to deliver the programs (Figure 2.9).

We have become far more involved [in community involvement programs] and have appointed an employee who spends a large proportion of their time on these activities.
Manager of community involvement activities in the Manufacturing Sector

Future Pressures

Many companies currently practise aspects of community involvement. The challenge now is to anchor these aspects with their social and business rationales and to develop corporate-wide strategies. Companies can then implement strategic and pro–active approaches that will help them to deal with future demands and pressures.

This survey has identified several specific pressures that Australian companies believe will influence future developments of corporate community involvement:
- pressure from community for stronger business and community partnerships;
- pressure from government and community to be good corporate citizens; and
- pressure to broaden company objectives (ie profits with principles or the Triple Bottom Line approach).

A number of companies were of the view that future pressure will arise from increased community expectations for stronger business and community partnerships. However, they believe it will be difficult to move forward on this front until there is better understanding of the role of government and business and until there is more public awareness of current business contributions.

No doubt there will always be pressure from the community and government for business to become more involved, but until current support is acknowledged it will be difficult to encourage participation from a broader business base.
CEO from the Services Sector

FIGURE 2.9 **CHANGES IN COMMUNITY INVOLVEMENT PROGRAMS OVER THE PAST FIVE YEARS**
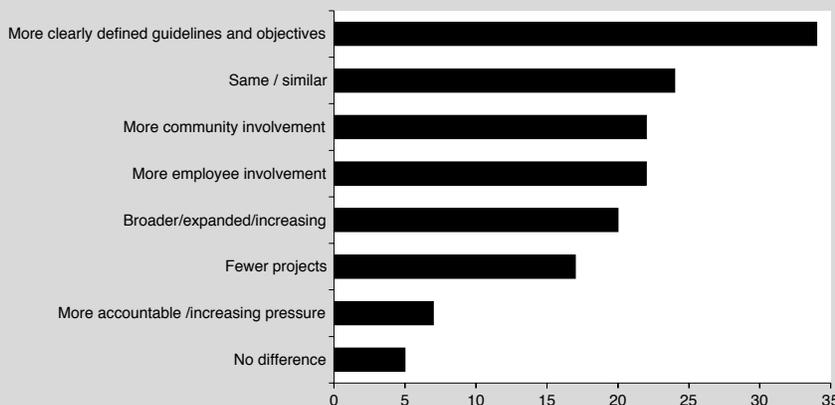
Source: Centre for Corporate Public Affairs and the Business Council of Australia, Survey 2000

Themes Identified Through Interviews and Workshops

Interviews and workshops with company CEOs and managers identified four main themes that best illustrate the core features of best practice in corporate community involvement. Each of these themes is discussed in the following chapters.

Use of Business Strategy Processes

Leading companies now adopt a more strategic approach to planning and managing corporate community involvement. Strategic community involvement approaches are increasingly directing attention and resources into areas that will maximise both business and community outcomes.

Choice of Community Involvement Vehicles

There is increasing interest among companies in innovative approaches to involving communities, such as:

- partnerships and alliances;
- cause related marketing vehicles; and
- clearing houses, brokers or intermediaries to allocate donations, and in some circumstances, manage community involvement activities.

Employee Involvement In Activities

While not necessarily a common element throughout all companies in this study, a large proportion considered employee involvement and support to be a core feature of their community involvement contribution and strategy.

Assessing Benefits

Companies are measuring community involvement activities in a variety of ways and at various levels of sophistication. Leading companies are stating their community involvement objectives clearly and are selecting assessment techniques that most effectively measure them. A small but growing number of Australian companies (generally multinationals) are using *triple bottom line* measurement approaches, while some companies are adopting new reputation measurement techniques to assess the impact of community involvement activities on corporate reputations.

CHAPTER 3
Thinking Strategically

SNAPSHOT

Companies are adopting strategic planning and management frameworks to guide their decisions and actions. This enables them to: establish tight business objectives; select the best focus or theme for the activities; gain additional 'leverage' from existing business resources and infrastructure; and establish compatible and expert company management structures. This sends a number of messages to charities and organisations that seek corporate support.

Strategic objectives

Some companies plan and manage their community involvement with a focus on purpose and strategy. The purpose, which varies across companies and industries, is generally under-pinned by different business objectives such as marketing, employee relations, government relations, and political positioning.

Focus or theme for community involvement activities

Companies are also focussing on themes that provide the best opportunity to meet strategic objectives. Community involvement objectives and focus tend to vary across industry sectors as outlined below.

Strategically focussed companies are creating opportunities to 'leverage' from existing company infrastructure and intellectual capital to achieve greater levels of community activity without increasing their direct dollar contribution.

SECTORS	POSSIBLE COMMUNITY FOCUS
Resources	• Environmental projects, science education, codes of practice and community dialogue
E-commerce	• Mathematics education, computer literacy
	• Employee volunteerism
Insurance	• Health promotion and support services
	• Safety education
Manufacturing	• Local area economic development land community dialogue
Utilities	• Development of infrastructure for community
Financial services	• Financial literacy especially for the disadvantaged groups
Retail	• Brand promotion through visible support for social causes targeted at specific demographic
Telecommunications	• Brand driven cause related marketing
	• Consumer advisory panels and dialogue

Introduction

The most significant change in approaches to corporate community involvement is that companies now adopt a strategic planning and management framework to guide their decisions and actions. In the interviews with companies for this study, 'strategic' was one of the most commonly used descriptors for the new community involvement orientation evident in Australian companies. These companies were referring not only to applying business disciplines to community involvement management, but also to the need for business objectives to guide the development of community involvement programs.

A decade ago, management of corporate sponsorships and donations in Australian companies was mostly a low profile responsibility. It was rarely directed by business considerations nor supported by business processes. Aside from highly visible marketing sponsorships – such as for major sporting events – the methods for identifying recipients was a mixture of reacting to requests (from sporting, community or cultural bodies) and supporting 'favourites' of executive management. A minority of companies had a more proactive approach. Even then, they report that the focus was more on choosing the preferred theme or audience than on managing the relationship with the recipients or assessing benefits and outcomes for the business and the community. Rarely were sponsorships and donations programs well articulated with community relations priorities, external relations strategy, or stakeholder communication.

Many large companies also reported that, in the past, it was often difficult to provide an aggregated figure for the total cost of sponsorships and donations across the company. Guidelines for donations varied, categorisation was not common and the breakdown of the allocation was often into quite small amounts. All of this inhibited establishing a clear purpose for a company's involvement in community activities. Also, companies swung from centralising the community involvement function to decentralising and allowing branches or affiliates to allocate resources according to their own preferences. Again, companies found it difficult to present a coherent view of the purposes and outcomes from these activities.

Community Involvement Programs are becoming more strategic

While some companies are still operating in this mode, there are many that have converted their approach to embrace a more coherent and planned business strategy. This chapter outlines the main considerations that these companies have identified in adopting a strategic approach to corporate community involvement. This includes: establishing tight business objectives; selecting the best focus or theme for the activities; gaining additional 'leverage' from existing business resources and infrastructure; and establishing compatible and expert company management structures.

Setting Strategic Objectives

Some companies have, quite recently, developed an approach to planning and managing their community involvement that involves a clearer focus on purpose and strategy. Often, a first step for these companies has been to review their approach to community involvement through an 'audit' of their current activities and associated costs.

This process has led many companies to establish a clear picture of their community involvement contributions. One of the first findings has been that the constituent programs in community involvement often run across a number of business activities. They may have been generated out of marketing concerns, or are employee related, connected with government relations and political positioning, or philanthropic in intent – the list can go on.

Conducting an audit of these activities has often been the trigger for companies to realise that they have been missing opportunities to develop a coherent plan for this area of activity, to control costs and to maximise the chances of quality outcomes from the programs. Assembling a picture of current activities has mostly led companies to go back to first principles and ask why they are conducting an activity and what they expect from it. Some companies take the next difficult step and ask what social outcomes should reasonably be expected and how their programs could be evaluated with respect to community impact.

Purpose and Objectives

Three broad objective categories are:
- *commercially related*
- *community investment*
- *philanthropic*

Generally, across the spectrum of industry sectors, community involvement activities and their objectives can be assembled into three main categories. Firstly, there are commercially related community, sporting or cultural sponsorships, mostly with the sponsor's name promoted, if not sole naming rights for the activity. Secondly there are 'community investment' activities such as support for community development, education, assistance for disadvantaged groups or the like. These mostly have the company name attached for reputation and promotional benefit. Thirdly, there are philanthropic donations, mostly in response to requests from non–government organisations. These donations are often made with the company assuming a relatively low profile; indeed many companies resist promoting this category of activity. Some large companies may operate across this spectrum while medium or smaller businesses tend to concentrate their activity in one or two categories.

Each category mostly serves a different purpose and is underpinned by different business objectives. Evidence in Australia and in the United States suggests that, while differences in companies' community focus and orientation can be due to philosophical positions on social engagement, it is more likely that differences are due to the differing demands of industry sectors.

As the broad social and economic context for business becomes more complex, pressure on all aspects of business performance has increased and each sector has specific demands to meet. A resources company with a small number of very large manufacturing customers has a different social and commercial context to manage compared with a company selling products or services to a national retail market. It makes business sense that community involvement activities in these different sectors should align with the respective sector context. For many companies, assessing

success now includes consideration of how well the community programs have helped the business to succeed in its own environment.

The range of objectives for community involvement programs that were raised in this study were generally in the categories listed below (Box 3.1). Reputation enhancement seems to be embedded in most of these categories.

Establishing Business Objectives

While these categories of objectives are not always mutually exclusive, they do indicate the different orientations that companies are adopting for their lead programs. Many companies have activities in many of these categories but when asked to nominate the central business purpose, most seem to isolate one or two core objectives and it is these that are described below.

Thinking Strategically:
- *strategic objectives*
- *relevant themes*
- *best program vehicle*

The intention of the discussion that follows is therefore to illustrate how a number of companies have set strategic business objectives for community involvement – mostly along the lines of the above listed categories. The next section then illustrates some of the substantive areas or themes for involvement and the following chapter discusses the vehicles that companies have developed to deliver their programs.

Business Objective: Be the Service Provider of Choice

NRMA, one of Australia's largest general insurers and financial service providers, structurally locates community relations and associated sponsorship activities in the marketing division of the company, enabling a tighter commercial focus in planning. Community involvement supports a business strategy directed by shorter-term marketing and promotional objectives as well as longer-term objectives concerned with better understanding community problems and responding effectively to community needs. The business objectives for community involvement are to support the *NRMA* brand.

BOX 3.1 STRATEGIC OBJECTIVES FOR COMMUNITY INVOLVEMENT

Commercial advantage
- *Brand strategies* – awareness and image creation eg. brand attached to sponsorship or social activity; a conventional marketing and advertising tool
- *Sales support* – marketing strategies to promote uptake of products eg donations to client causes as a cost of sales
- *Cause related marketing* – winning customer support by aligning external activity with customer values eg a proportion of revenue on an item allocated to a social cause and promoted heavily

Business legitimacy or sustainability
- *Relationship building* – stakeholder communication; using sponsorship to entertain, and in other ways facilitate relationships and reputation enhancement with customers, suppliers, regulators, media, eg, support of major cultural events
- *Company as a social institution* – means to express company values; using community programs to be the 'employer of choice', meeting employee expectations for company to meet social expectations or be involved in community causes eg. volunteerism
- *Community development* – activities that meet community needs, or correspond to community priorities to build 'social capital' eg support for education, care for disadvantaged, economic development eg, local purchasing commitments infrastructure for training and work skills
- *Political positioning* – activities which position the company with key political/regulatory/issue advocacy audiences and build trust and reputation eg community partnerships on area of high concern to external audiences such as the environment

Serving 'public good'
- *Philanthropy* – this can be used to cover a number of the above categories but defined as 'charity', in the sense of no 'significant return or exposure for' the company, except in relation to support for a major national disaster for example

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Business Objective: Brand Positioning

Procter and Gamble is a multinational conglomerate involved in manufacturing a broad variety of consumer packaged products, including food and beverages, health care, laundry and paper products. Globally

NRMA: being the service provider of choice

NRMA is over 75 years old. It was established as a mutual to assist stranded motorists and promote good quality roads. The organisation is now one of Australia's largest general insurers and financial service providers as well as being known as an inexpensive and efficient roadside service. Nevertheless, *NRMA* is still synonymous in peoples' minds with 'help' and accordingly receives a high volume of requests for donations and sponsorship ranging from high profile initiatives to small donations to school fetes. The proposals mostly refer to *NRMA's* reputation for offering and providing help.

NRMA has around 2.4 million members, 5,000 employees and comprises 20 companies with new businesses operating, outside of the traditional NSW home, in Victoria, Queensland, South Australia and Western Australia.

Community involvement objectives:

Sponsorships and community relations are regarded as a business strategy with both short term and longer-term goals.

Shorter term marketing and promotional outcomes are; for example, brand awareness and adding value to the brand. Longer term outcomes are concerned with meeting community expectations, understanding and responding to social problems and developing staff teamwork and camaraderie.

The longer-term business benefits anticipated from responding to the social and political environment are to be 'the service provider of choice, the employer of choice, the neighbour of choice and the investment of choice'.

All major initiatives are to have a national outlook and are approved by the Board. All sectors of the community are potential clients or are relevant for *NRMA* effectiveness so the goal is that the community involvement initiatives touch all sectors of the community.

The profile received by the organisation is an important consideration. Most initiatives require sole naming rights or major recognition.

Source: Consultations

Cause related marketing...

Procter and Gamble is well recognised for all its contributions to the community. However, in Australia it is relatively small and less well known, but has a history of supporting community organisation such as the Salvation Army, Mission Australia, Oasis Youth Network, and has recently embarked on a 'cause related marketing initiative'. The *Better Start* program has the objective of raising *Procter and Gamble's* corporate awareness and profile as an organisation that not only provides products of superior quality and value but also 'gives back' to the community in a socially responsible manner (Case Study 3.2).

Procter and Gamble are targeting the domestic retail market and this activity is a 'strategic positioning tool,' geared to enhancing the company's reputation by linking the company and its brand with a relevant charitable agency and socially beneficial cause.

'Procter and Gamble's goals are to build and protect the company's reputation, brand, business and shareholder value by positively influencing the attitudes of industry and community leaders and the general public.'

While *Better Start* has attracted the enthusiastic support of the company's employees, suppliers and strategic business partners, the main fundraising activity is structured around an annual retail promotion linking a number of products to the *Better Start* program. During a set period, all incremental profits from increased sales will be donated to 'Save the Children' to aid agreed *Better Start* projects.

Procter & Gamble: a strategic positioning tool for brand enhancement

The Better Start program represents a major corporate initiative by *Procter & Gamble* in partnership with aid agency Save the Children. It aims to provide a better start for Australia's most vulnerable children.

The goal is to raise A$1 million a year for the next 3–5 years. Areas of greatest need are indigenous groups, urban poor and people in rural and remote areas.

Fund raising strategy consists of a range of activities to generate $1 million per year:

- direct employee donations and other fund raisings, matched dollar for dollar by P&G from its corporate giving program;
- sale of Save the Children merchandise including ties, scarves, t-shirts, coffee mugs and badges to employees, relatives, friends and associates;
- the major fund–raiser will be an in–store promotion event initially across Australia's only. The inaugural event was held on February 13 March 2000; and
- strategic partners and suppliers are also helping by way of cash donations, pur-chase of the merchandise and provision of TV air time, magazine space and other services to help publicise the cause.

Source: Consultations

Business Objective: A Consumer Strategy

Ford Motor Company globally and *Ford Australia* regard 'corporate citizenship' and their 'consumer strategy' as closely linked and dependent on each other. As with other companies, community involvement is more a sub–set of the broader corpo-rate social responsibility considerations in a business and, accordingly, objectives are within that broader frame. In seeking to enhance the consumer focus of the com-pany, *Ford* is thinking deeply about ways to engage with all its stakeholders so as to understand and assist in finding solutions to 'the environmental, economic and social issues facing the world, particularly social responsibility'. Community involve-ment is logically set within those goals and also seen as integral to the renewed con-sumer strategy of the company (Case Study 3.3).

Business Objective: Supporting Communities and Building 'Social Capital'

The *National Australia Bank,* Australia's largest financial institution, regards com-munity involvement as primarily driven by issues of 'social legitimacy'; being a val-ued part of the community; and improving the quality of life. While the *National* provides significant sponsorship funding to professional associations, athletes and medical research, they also conduct a *National CommunityLink* program as 'a means of meeting what we believe to be our broad social responsibilities to Australian communities'.

The five components of *CommunityLink* (partnerships with major community service and volunteer organisations; awards for local volunteer groups; a magazine of best practice and ideas; an employee outreach program; and community consul-tation with leading church and welfare organisations) meet objectives which are wider than addressing immediate social welfare concerns or simply 'sharing the bur-den with government'. The *National* believes that, as a business leader, it also has

Ford Motor Company: a consumer strategy

"I was recently asked how corporate citizenship affects our price–earnings ratio and why it is the fiscally responsible thing to do. While I could devote an entire chapter to this question, I'd like to make a few brief points. Each of us should see our emerging corporate citizenship strategy as an extension of our consumer strategy. Just as we are developing a deep understanding of the consumer, our corporate citizenship strategy is aimed at developing a better understanding of what consumers expect in the way we run our business. This will allow us not only to focus on environment and social strategies that demonstrate our commitment to society, but also to identify significant new market opportunities.

If we are successful, we will be rewarded with public trust and a higher reputation, which is inevitably linked to growth and shareholder value. Another confirmation is the new Sustainability Global Stock Index, just out from Dow Jones, that shows top sustainability firms are significantly outperforming their peers."

Source: email to employees, J. Nasser, President, Ford Motor Company.

responsibilities, and the community has expectations, that it will support the community and help create valuable 'social capital'.

At this stage, the *National* do not see that a 'cause related marketing' approach to community involvement would deliver the same quality outcomes to meet their objectives of 'business legitimacy' (Case Study 3.4).

National Australia Bank: the thinking behind *CommunityLink*

Focus:

The focus of *National CommunityLink* is on building social capital. It aims to do this by an integrated series of activities and projects with a common theme: assisting Australian communities, families and volunteers.

Objectives:

The five components of *National CommunityLink* – Partnerships, Awards, Magazine, Employee Outreach and the Consultation process – combine to provide a unique approach to the exercise of corporate social responsibility.

The objectives of *National CommunityLink* are simply to assist the growth in Australia's social capital resources by:

- increasing awareness of the link between thriving communities, stable families and energetic volunteer organisations;
- developing, promoting and supporting leadership programs and skills that have a positive impact on the growth of communities;
- encouraging debate, discussion and general public resolution of issues that have a negative impact on the growth and welfare of communities, families and volunteer organisations; and
- promoting awareness of the value of volunteerism and initiating programs designed to increase volunteer resources and activities.

Source: National CommunityLink, *Information Kit,* National Australia Bank.

Business Objective: Building Internal Values

Ansett Australia provides domestic and international passenger and freight air transport services. As a key part of its corporate change program *Ansett* adopted 5 corporate goals, one of which was 'Responsible Corporate Citizenship'. The goal is underpinned by four ethical values aimed at guiding management and staff behaviour. Their rationale is that all stakeholders including the community primarily expect companies to be trustworthy regardless of their 'charitable giving' activities. The objective for this values driven approach is the sustainability of the business where, into the future, more informed consumers are likely to make choices based on reputation and not just price alone.

The company believes that its pre-eminent responsibility is to shareholders, customers and staff. *Ansett's* change program was in response to the realisation that the expectations of these three groups were not being met. However, this is not an exclusive internal focus. The company sees itself as part of the community.

> *'if the company is not making a sustainable profit and giving people employment, it is failing the community......Employees and customers* **are** *the community, when they walk through Ansett's door they are employees and customers and when they leave they are community members again.'*

Community involvement needs to be strategically aligned to the business and result in a win-win situation for both parties. For example, *Ansett* has a commitment to reduce greenhouse gases but is limited in the ways it can reduce fuel burn so *Ansett* sponsors Landcare. Landcare benefits from sponsorship dollars and *Ansett* is better able to meet its overall greenhouse gas commitment through Landcare's tree planting activities (Case Study 3.5).

Business Objective: Consolidating External Relationships

Esso Australia has been, for over thirty years, the operator of one of Australia's major

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CASE STUDY 3.5

Ansett Australia: values for sustainability

Ansett provides domestic and international passenger and freight air transport services.

The company has adopted five corporate goals that focus on safety, customers, staff, sustainable profit and corporate citizenship. Based on a survey of senior management and a best practice review, the corporate citizenship goal recognises the importance of contributing to a sustainable society in an ethical manner. In the goal, *Ansett* has defined 'ethical behaviour' as acting with openness, fairness, integrity and respect. The company aims to embed these ethical values into management and staff behaviour.

The rationale is that by behaving consistently with its ethical values, stakeholders both internal and external will trust the company. *Ansett* believes that a relationship built on trust will deliver real benefits particularly in terms of implementing its business strategies. The company also believes that consumers will increasingly expect high ethical standards from corporations and that being 'trustworthy' is necessary for the companies long term sustainability.

Source: Consultations

Esso Australia: communication for 'licence to operate'

Government can affect *Esso's* business (eg, by use of regulation, taxation, granting of exploration and production licences, etc). *Esso's* objective is to make it known to Government that it contributes to the community, that is, it contributes more than just oil and gas production and company tax. Sponsorship and other means of community involvement provides an opportunity for *Esso* to invite Government members and other community opinion leaders to events which therefore allows Esso to maintain communication and meet key contacts in an informal and enjoyable way.

In this program *Esso* recently sponsored the art exhibition "New Worlds from Old" which showcased early Australian and North American landscape artworks.

Source: Consultations

oil and gas production areas in Bass Strait.

One of the objectives for *Esso's* community involvement have been to consolidate its 'licence to operate' as the producer of a significant proportion of Australia's crude oil requirements and virtually all of Victoria's natural gas (Case Study 3.6). In particular the Sponsorship Program, which primarily supports the arts has sought to:

'Enhance communication with government, business, media, and community contacts by inviting these audiences to sponsored events such as art exhibitions, Esso Concert in the Bowl and the Opera'.

Business Objective: Operational legitimacy

Licence to operate...

Rio Tinto is the world's largest mining group involved in exploration, extraction and processing of mineral resources. Approximately 35 percent of the group's assets are located in Australia. While it employs around 12,000 people, *Rio Tinto's* extensive community involvement program is essentially geared to furthering business 'legitimacy' and 'licence to operate' conditions. They recognise that:

'…today there are higher community expectations of the role of business in the community. There is a general assumption that companies should contribute broadly to the communities in which they operate … community support of local communities helps to create an environment in which a company can conduct its business successfully'.[1]

Their objectives are also geared to relationship building – establishing opportunities for the company to relate over the medium to long term with a range of stakeholders, often in remote and regional communities. These are geared to building mutual understanding, away from the gaze of publicity and controversy over particular issues such as indigenous land rights and environmental performance.

Rio Tinto plans community involvement initiatives so that the chosen structures and mechanisms are contingent on the business purpose of the activity. These initiatives may target stakeholder audiences or locations crucial to business outcomes and may involve forming partnerships, alliances, committees or networks with local communities, community organisations, governments, other businesses and education institutions. Initiatives may operate at the national and corporate level or may

1 *Business with Communities Program, Partnering* Rio Tinto, p. 3.

be specific to a locality that is important to the business. The key point is that considering the relationships that are to be furthered is very important along with choosing the substantive theme for the initiative.

Target audiences or stakeholders where relationship building or political positioning might be the strategic objective could include State or Federal Government, local government, regional opinion leaders, local or community interest groups (Case Study 3.7).

Business Objective: Ensuring Staff Commitment

Westpac Banking Corporation, one of Australia's top ten listed companies by market capitalisation, operates throughout Australia and in New Zealand and the Pacific islands. It has around 30,000 employees in Australia and internationally. *Westpac's* community involvement program is staff driven and diverse (Case Study 3.8). With environment projects, for example:

> *'If a project is important to staff and to local communities, and staff express this through their volunteering efforts, then Westpac often supports this project financially or in kind.'*

Similarly, through *Wespac's* matching gifts, the banks charitable giving program, Westpac contributes to over 260 charities supported by its staff.

Business Objective: Expressing Company Values

AMP is a large financial services company with a strong brand and extensive customer reach. It is an international company operating in Australia, United Kingdom

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Rio Tinto: relationships and 'licence to operate'

Rio Tinto community involvement programs are mostly designed to build relationships with key stakeholders so as to meet important community needs.

Partnerships – structured and managed relationships where the company negotiates the provision of resources and expertise to achieve mutually agreed outcomes that are to the benefit of both parties(eg WWFN, Earthwatch, Australian Science Olympiads);

Regional trusts – a financial resource that is dispersed in a defined locality so as to meet community needs and involve the local company management in direct interaction with their community (eg Coal & Allied Community Trust, Tarong Coal Community Development Fund);

Government alliances – initiatives that involve resources and expertise from local, State or Federal government combining with the company in an economic or social program and providing the company with opportunities to relate to government on a mutually relevant endeavour (eg ATSIC, DEETYA, DEWRSB);

Business networks – where the company joins with other business entities to initiate and support programs in the community that meet economic and social objectives and will endure for the long term (eg Gumala enterprises and the Rio Tinto and AFL joint support of aboriginal football);

Social foundations and alliances – where the company establishes a fund to support initiatives relevant to different communities and interest groups (eg The Rio Tinto Aboriginal Foundation).

Source: Consultations

Westpac Banking Corporation: community involvement rationale

At *Westpac* our community involvement is driven by a belief that:

1. We have a responsibility as a major corporation to be involved in local communities where their staff and customers live, work and give back to the communities that have made *Westpac* a strong and prosperous company;

2. Community involvement is a three way win – its good for staff, customers and the bank;

3. Community involvement helps differentiate *Westpac* from our competitors; and

4. Community involvement is good for brand health and reputation and therefore good for our business.

Source: Consultations

and New Zealand. Since *AMP's* sharemarket listing in 1998, the *AMP* foundation, established in 1992, has been a separate entity, with separate investments and income used for charitable purposes. The foundation's purpose reflects the philosophy of community involvement espoused by *AMP's* first agent, Benjamin Short, who was one of the founders of the Sydney City Mission.

The *AMP* brand is powerful and the customer reach extensive. The *AMP* foundation *'presents the human face of AMP … There is information in the community on AMP as a financial institution, the Foundation wants to make that live.'* Public understanding of this effort, and recognition for the activities is therefore important. The preference is for the profile to be achieved through 'doing good' not as a condition of support for project partners (Case Study 3.9).

AMP: putting back into the community

The *AMP* foundation provides financial assistance to recognised charitable and community organisations for specific and quantifiable projects designed to benefit those in the community in need. The contributions are significant, currently donating in the order of $3m a year. The target is about $7m a year.

AMP 'has a committed philosophy of making a difference in the community in which we live and work… its part of the company's values and the foundation is an expression of that value statement'

'It wants to be recognised in two ways: it expects the general community to recognise that *AMP* is responsible and putting something back into society; and it wants employees to recognise that their employer is doing important things in the community that they can be proud of.

'*AMP* is not looking for recognition of the monetary donation itself. The company wants to be acknowledged for the results or improvements that the donation contributed to.'

Source of quotes: Business Review Weekly, 4th June, 1999

The 'best fit': Choosing the Area for Involvement

Experience in the United Sates demonstrates that many of the companies that are leading in the conduct of community involvement programs, do so within a framework that represents a close fit with both their core competencies and key competitive or sustainability issues. Their programs are focussed not only through strategic objectives as discussed in the previous section, such as enhancing the brand, building relationships, political positioning or community development, but also focus is attained by the choice of an appropriate theme or substantive activity. Again, this is where the social and competitive context of the particular industry sector can determine which area of community involvement provides the best opportunity to meet strategic objectives.

As business becomes more strategically focussed in community involvement, the opportunities for 'leveraging' benefits from either existing company infrastructure, intellectual capital or the supplier or customer base also become apparent. This can help the company to achieve a greater level of activity without increasing its direct dollar contribution.

In the United States[2] some community involvement areas that are aligned with particular sectors include the following (Box 3.2).

In Australia several companies pursue an equivalent alignment between sector characteristics and the substantive focus for community involvement activities. This approach to program design, however, is more indicative of where most companies are seeking to move in the future than a practice that is widely adopted at this time. As companies become more strategic they are most likely see the potential of these connections.

The discussion that follows illustrates the approach that a number of companies have adopted to choosing a community involvement theme. (These themes are not in all cases the exclusive focus for the company).

BOX 3.2 COMMUNITY INVOLVEMENT FOCUS BY INDUSTRY SECTOR

SECTORS	COMMUNITY INVOLVEMENT FOCUS
Resources	• environmental projects, science education, codes of practice and community dialogue
E-commerce	• mathematics education, computer literacy • employee volunteerism
Insurance	• Health promotion and support services • Safety education eg fire prevention
Manufacturing	• Local area economic development eg purchasing agreements with local business
Utilities	• Development of neighbourhood services eg building infrastructure for community
Financial services	• Financial literacy • assisting economic independence for disadvantaged groups
Retail	• Brand promotion through visible support for social causes targeted at specific demographic
Telecommunications	• Brand driven cause related marketing • Consumer advisory panels and dialogue

Community Involvement Focus: Training, Skills and Young People

Lend lease Corporation, an international finance and real estate business, established a Foundation between themselves and the Australian Council of Trade Unions in 1981. The *ACTU-Lend Lease Foundation* was established with a charter to develop 'real skills and real jobs' for young Australians. The Foundation is fully funded from *Lend Lease* and both parties have equal representation on the Board.

2 From interviews *Corporate Community Involvement Conference*, Public Affairs Council, The Conference Board and The Council on Foundations, San Francisco, July, 1999, and *Boston College Centre for Corporate Community Relations*, Carroll School of Management, Boston College.

Clearly generated from the deep commitment that the company has to meeting its broad social obligations, the activities that the Foundation initiated have also built on some of the central concerns of the business as a real estate development company. Availability of a highly skilled labour force was one driving concern. At the time the program was started, a significant social problem was youth unemployment and it was apparent to *Lend Lease* that there was a role to be performed by experts and concerned companies in supporting training and support systems for these young people. Another concern was to ensure robust communities in, and around shopping centre developments.

The Foundation also leveraged its core competencies and infrastructure, and consistently sought to make the best use of staff expertise, suppliers and customers, buildings and resources. It has applied its project management and business development skills to community involvement. In this way, the Foundation has achieved an exceedingly high level of success. The programs it has generated have been innovative and, importantly, are now systematically embedded in community, government and business systems. In providing an amount, which the company suggests 'is not a huge amount', but one that is used to seed ideas and processes, they have avoided community dependence on the Foundation. This has enabled the Foundation to continue to initiate new programs and ideas for the next generation of community and business training programs (Case Study 3.10).

CASE STUDY 3.10

ACTU–Lend Lease: developing skills in the workforce

An initial activity, that exemplifies many of the 'best practice' features of the Foundation, was the development of the group training approach to apprenticeships. The initiative has grown from the first ACTU–Lend Lease Foundation led training group in 1981, to 90 in 1990 to around 150 not–for–profit, independent group training companies in 1999. Currently, there are more than 35,000 apprentices employed by these companies.

The initiative involved achieving a careful balance between providing financial and in–kind support for infrastructure development, liaison with government and co–ordination but also enabling individual initiatives to evolve in their own ways. The group training companies are now fully integrated into the national training system.

The principles behind this approach involve the application of innovative and developmental ideas, leverage from the Foundation in terms of financial and in–kind support and strategic use of Lend Lease knowledge or infrastructure.

These principles have been applied in other areas such as support for training in retail. Skill centres have been established in shopping centres and localised and customised training in skills that were previously not recognised is now conducted for people.

Another area has involved provision of public housing using out of work apprentices in periods of economic downturn. In Queensland 10% of public housing is now provided through this mechanism.

Other projects involve rural skills training for young offenders in the Aboriginal communities and Aboriginal youth and sport.

Initiatives are firmly based in the partnership ethos where the Foundation will provide assistance and others in the community need to be equal partners in the development and conduct of the initiative.

The *Lend Lease* support is in reality relatively small amounts of money, but considerable assistance is provided with in–kind support such as project management skills, infrastructure, ideas and top level contacts in business and government.

The ideas are innovative and meet previously unmet needs – the initiatives do not overlap with other programs in the not–for–profit or government sectors.

Source: Consultations

The Foundation has not pursued a public profile for its activities. 'The value we have got out of our contribution and through being a 'corporate citizen', we would have got back any number of times over.' 'Its about corporate doing, not just corporate giving.'

The Chairman of *Lend Lease* indicated that he had never been questioned about using shareholder money for a charitable foundation. 'If anything the Foundation has helped to add value to the company. Our credo is do the right thing by everyone.'[3]

Community Involvement Focus: Education and Skills

IBM, a major global company in information technology, established in Australia in 1932, has around 10,000 employees in Australia. Globally, they direct their community involvement effort into one strategic area – education. Their focus has led to the 'Reinventing Education' global initiative, directing their resources into the most strategic community area for their business. 'There is no other social issue more critical to the future of this or any other company, the future of the global economy and the future of our world society, than how well we educate our children.'

Education is also the area where the *IBM* technical expertise can make a 'unique and meaningful difference in our schools'. They see it as 'investing in our schools. *IBM's* economic strength and innovative spirit are inextricably linked to the success

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CASE STUDY 3.11

IBM: leading education

Education is the focal point for *IBM* community involvement. The Reinventing Education grant program is the global vehicle through which *IBM* is seeking to support school reform throughout the world. The grants are offered to partners in education who will drive change and school reform through the innovative use of technology in teaching and learning. The successive rounds of grants also seek to transfer the knowledge and replicate or customise the successful technological solutions.

Alongside the grant allocation, the US initiative has also adopted a role in facilitating intellectual leadership and exchange. An education summit hosted by *IBM,* CEO's and the US President was convened with governors of all states and at least one CEO from each state. One outcome was a national agreement to provide final year students with a portfolio to facilitate their application for employment.

Reinventing Education is operating in Australia, with the Australian manager also the Asia Pacific manager and leading the efforts in those countries. It is anticipated that intellectual leadership activities will also follow the grants activities in Australia.

An example of a core initiatives to date has been a partnership between *IBM* and the Victorian Department of Education Employment and Training. This initiative supports the professional development of teachers and involves access to computer hardware, software and technology support services. The Department identifies leading practice using information technology, the teaching strategies are refined, and the best practice shared with other teachers to produce high student achievement.

Other initiatives under the Young Achievement Australia program include employees volunteering their time to act as mentors to young people in enterprise development activities.

Source: Consultations

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3   *Philanthropy, The Corporate Conscience*, Business Review Weekly, 4th June 1999.

NRMA: CrimeSafe

Some key initiatives have been generated in the *NRMA* CrimeSafe campaign. The organisation had previously sponsored a range of initiatives in NSW such as Neighbourhood Watch but subsequently an umbrella program was set up to establish coherence for around a dozen initiatives that contribute to reducing crime.

This includes information brochures, security advice and the like, advice to government on policy improvements, advice to industry on motor vehicle design and a range of social initiatives such as reducing youthful antisocial and criminal behaviour. All the initiatives operate as partnerships with a community organisation.

Source: Consultations

of our schools. We need schools that can prepare young people to fill demanding high skilled jobs, to make exciting advances in the field of information technology and to lead our corporation in new and bold directions'.[4]

Their program was launched globally in 1994 and is seen as a long term commitment to the community and their partners (Case Study 3.11).

Community Involvement Focus: Crime Prevention

NRMA, pursuing brand awareness and community relations, has a core program that is structured around the theme of crime prevention – of strategic importance to an insurance business (Case Study 3.12).

Community Involvement Focus: Young Driver Safety

NRMA also has a close business concern with driver safety. Young driver training and education is a complex area with no assured 'quick fix', but one where an expert body can legitimately play a constructive role and contribute to community and family understanding. The organisation is committed to continuing research and development to improve its analysis of actions that can be taken in the area.

As part of its community relations *NRMA* has developed a young driver education program, available for use by those organisations dealing with young people (Case Study 3.13).

Community Involvement Focus: Leverage Infrastructure and Facilitate Public Giving

There are many instances where organisations use their retail outlets or facilities as the point where public donations are collected or where assistance from the community is requested. *Tattersalls* is one example of an organisation that has a substantial community giving allocation and where the infrastructure is used to improve the coverage of some of the programs.

Tattersall's is Australia's largest privately owned company, capitalised from the proceeds of the estate of the late George Adams in the early 1900s. The will of George Adams imposes significant responsibilities and obligations on the Board of Trustees and senior management of *Tattersall's,* particularly with respect to corporate citizen-

4   *Reinventing Education Grant Program,* IBM Corporate Community Relations, 1999

NRMA: young driver education program

Empirical evidence from around the world, together with research funded by *NRMA,* has supported the view that continuing emphasis on car control skills alone will not produce safer young drivers. Rather, the cognitive and perceptual skills of young drivers, together with motivators and social influences are important factors, which should be the focus of driver education programs.

With this in mind, *NRMA* embarked on the Young Driver Education Program. The result is SHIFT – an *NRMA* initiative designed to address the over–representation of young drivers in road crashes. The SHIFT CD ROM is the centrepiece of this education program. Other elements include the SHIFT website, a publication called 'My First Car' and an insurance incentive to encourage greater learner–driver on–road experience. The resource is free to community organisa-

tions dealing with young people.

The CD ROM examines the crash types, driving environments and external influences which research has shown to be key factors for young drivers. The design is a combination of game–based technology and sound educational outcomes.

The CD ROM program:

- identifies and addresses young driver specific issues;
- provides users with an opportunity to play out various scenarios and see the consequences of their decisions and actions; and
- helps develop a greater understanding of safe driver behaviour including cognitive and perceptual issues as well as the key road safety issues of alcohol, speeding seat belt use and fatigue.

Source: Consultations

ship. *Tattersall's* core business is gaming. It operates, under government licence, over 250 gaming and Club Keno businesses in Victoria, and a lottery business in Victoria, Tasmania, the Australian capital Territory, the Northern Territory.

The will of George Adams mandates a percentage of annual profits of *Tattersall's* be given to charity as a philanthropic donation.

The objectives of *Tattersall's* are not only to comply with the requirements of the will, but also to donate funds to the community and be involved in the community. The Piggy Bank Appeal for Very Special Kids initiative outlined below is an example of *Tattersall's* support for community organisations. *Tattersall's* do not, however, target their involvement on areas relating to their core business, namely gambling, but rather on a range of areas particularly related to health.

Tattersall's suggest the motivation to give beyond the mandated amount is central to the culture of the business (Case Study 3.14).

Community Involvement Focus: Supporting Aboriginal Communities

Rio Tinto's Hamersley Iron operates six iron ore mines in the Pilbara region of Western Australia. It seeks close ties with Aboriginal people as important stakeholders with whom their future 'licence to operate' is inextricably linked.

A number of aspects of their community involvement programs are integrated with their support for Aboriginal communities and the communities in which they operate. The *Rio Tinto* Aboriginal Foundation is one such example of the company involving local communities in deciding where and how the foundation distributes its $1.1 million a year (Case Study 3.15).

Tattersalls: leveraging infrastructure for public donations

The "Piggy Bank Appeal" program, run with the Very Special Kids organisation, which was established in 1993, and has an objective to look after families of children with a life threatening illness. Very Special Kids was started by Sister Margaret Noone, who was initially approached by *Tattersall's* to provide assistance. *Tattersall's* has contributed $1 million per annum over the five years to 1998 towards the building of a hospice for children. The hospice has accommodation so that parents can "live in" with their children.

In 1998, a 6 week fund raising drive for the Very Special Kids organisation commenced. Known as the "Piggy Bank Appeal" project, because funds are raised by people putting coins into pink piggy banks, $616,000 was raised in 1999 and the objective is to raise $1 million. The funds are directed towards the yearly expense of operating the hospice. The Corporate Partnerships Manager of *Tattersall's* has been deeply involved with the program and *Tattersall's* staff around Victoria also help out with the drive. Next year, *Tattersall's* will cease to run the program, which will be fully operated by the Very Special Kids organisation.

Source: Consultations

Another focus in community involvement has been to provide support for the Arts in Western Australia, particularly for those Arts organisations that have a presence in the regions in which the company operates. Support by Hamersley Iron for the Black Swan Theatre is part of a number of initiatives to build capabilities in Aboriginal communities (Case Study 3.16).

Rio Tinto: Rio Tinto Aboriginal Foundation

Established in 1996, the *Rio Tinto* Aboriginal Foundation distributes $1.1 million a year to local communities and community organisations. Improved education and health conditions, sporting opportunities and cultural preservation for Australian Aboriginal and Torres Strait Islander people are the principal grant targets of the Foundation. The Board of Trustees, made up of three prominent Aboriginal people and three *Rio Tinto* representatives, examines proposals and allocates funding.

The foundation has supported a variety of projects including Kormilda College, a multi-racial independent secondary college in Darwin and research into kidney disease in Aboriginal communities.

Source: Consultations

Hamersley Iron: cross cultural arts activities

Hamersley commenced sponsorship of the Black Swan Theatre late 1998 as 'the regional production and touring sponsor'.

There were three objectives for the sponsorship:
- Improve cultural diversity in the Pilbara;
- Use theatre as a cross cultural development tool; and
- Provide opportunities for relationship building with opinion leaders.

Source: Consultations

The goals are to bring cultural activities to the region where they operate and at the same time provide financial support to the company. These goals are ambitious and are not easily met in a short period – opportunities for relationship building are easier to achieve than cross–cultural development for example. However, the framework was established at the outset for review of progress and adjustment to the activities to suit both members of the partnership. Both partners to the project believe they have developed the trust to enable the objectives to be met over time.

Further to the focus on the Pilbara communities adopted by *Hamersley*, the parent company *Rio Tinto* also provides support for community involvement programs that focus on bringing Aboriginal communities and the mining industry closer together. This includes the development of training, cultural awareness, environmental rehabilitation, heritage protection, business enterprise, health and sport.

> *Rio Tinto has relationships with Indigenous people in many parts of the world. In Australia, it is working with Aboriginal communities along a sometimes uncertain path. There have been misunderstandings and setbacks, increasingly outweighed by positive actions, as each party has learned one another's ways.*
>
> Barry Cusack, Managing Director, Rio Tinto Australia, letter to stakeholders, 11th December 1998.

One example of the process of building mutual respect around substantive regional activities involved drawing up agreements for joint activities between the company and two Federal Government bodies (Case Study 3.17).

CASE STUDY 3.17

Rio Tinto: memorandium of understanding

Memoranda of Understanding between *Rio Tinto,* and Aboriginal and Torres Strait islander Commission (ATSIC); and between *Rio Tinto* and The Department of Employment Education and Training and Youth Affairs (DETYA).

Rio Tinto…recognises that it can make a positive contribution to economic independence for Indigenous people through training, direct employment and business development which will support activities that are self sustainable after *Rio Tinto* has left the area …Over the next twelve months, while respecting personal feelings *Rio Tinto* will establish baseline levels at individual sites so that changes can be measured.

ATSIC … recognises that economic development for Aboriginal people and Torres Strait Islanders is a path to self empowerment … that greater liaison and co-operation with the private sector will assist in advancing the economic independence of Aboriginal people and Torres Strait Islanders and will assist …(them) to reach mutually acceptable co-operative agreements with *Rio Tinto* dealing with issues such as training, employment and business development.

DETYA...The Department will enter into a strategic relationship with *Rio Tinto* to ensure best possible access to relevant programs and services to maximise the number of Indigenous people employed in the company and its contractors… (for example) assist with schools to work transition initiatives… provide information on employment placement and new apprenticeships … provide employment strategies to suit local employment seekers.

Source: Memorandum of Understanding, Partnership with Government Organisations, Rio Tinto, May 1998.

Community Involvement Focus: Regional Development

BHP is a major international resource company with activities in around fifty countries, covering oil and gas, steel and a range of minerals. *BHP* has a considerable presence throughout regional Australia and, as a significant Australian company, is cognisant of its relationship with governments.

To contribute to the Federal Government's Rural and Regional Renewal initiative, *BHP* leveraged their presence in regional communities and the leadership role many of their employees play in those communities.

The goal of the initiative was to develop an e–community based on the company's regional operations (Case Study 3.18). The initiative provided flexibility and connectivity for employees working in partnership with local communities.

> *'By empowering our own people in this way, we can contribute to the communities where they live through computer literacy, while delivering benefits for our customers and shareholders through highly skilled and empowered employees.'*

Community Involvement Focus: Health, Disadvantage and Youth

The *AMP* Foundation has significantly changed its process for allocating funds and support since *AMP* was listed as a public company and the Foundation program was redesigned to fit more strategic purposes. In the focus on health for example, the approach shifted from support for pure research into health issues to a focus on furthering the well being of the end beneficiary of support – more a consumer focus than previously.

For health related projects, this required establishing partnerships with credible health organisations operating in the designated areas. In addition, a challenge was to ascertain the specific ways in which the Foundation could best assist the respective health organisations achieve their goals. This requires walking the fine line between targeted assistance, where it is expected the activity will make a genuine difference, but avoiding the adoption of a position as an expert body that imposes a solution. The Foundation now sees itself more as a catalyst for bringing people

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CASE STUDY 3.18

BHP: e-community in regional Australia

The regional initiative by *BHP* includes:

- Development of a BHPvillage@bhp portal to provide personalised access for all Australian employees and community access to a range of other services such as information, education and e–busineess opportunities.
- 12 months free Internet access for *BHP* employees in Australia through BHPvillage@bhp.
- Assistance in obtaining discounted computers, printers and software to people joining BHPvillage@bhp.
- For employees in the long products business, due to be spun off later this year, 'BHP Internet Kiosks' will be developed in three major centres to provide Internet access.

Source: BHP press release March 2000

AMP Foundation: providing strategic assistance

The *AMP* Foundation currently distributes around $3m annually.

The program fits into three main categories:

- Community partnerships with the Sydney Breast Cancer Institute, and the Leukemia Foundation;
- Donations to Charities; and
- Supporting employees' voluntary activities.

Source: Consultations

together and supporting strategic assistance to the expert community organisations.

Identifying a clear and logical focus for community involvement has a number of benefits. *AMP* does not want to be seen 'jumping on the bandwagon of the newest cause' – 'the community respects a company where the fit seems natural' and a clear statement of purpose assists community organisations better to target their applications for support (Case Study 3.19).

The objectives for the health services partnerships are to help those groups to establish support services nationally, to coordinate their services better and avoid duplication, to broaden their funding base such as through company volunteer donations. The agreement with the Leukemia Foundation, for example, is for three years.

For donations to charities, guidelines are structured around the funds making a real difference in an area that is a natural fit with the company. The core questions are: is there a need; is it significant; is it a natural fit?

Managing Community Expectations

Adopting a strategic approach to community involvement involves in the first instance setting the strategic direction – which is necessarily medium to long term – and choosing the themes to carry these activities. This study did not canvass, in a significant way, the attitudes of the public, community organisations or government who may be involved in receiving assistance from business or partners in delivering services. The full story on 'thinking strategically' clearly does need to take the community perspective into consideration.

Research in the US[5] shows that for community involvement activities the public expect business to:

- focus on the things they know best;
- make a difference;
- provide dollars as well as expertise;
- commit for the long haul;
- fill the government void;
- show leadership; and
- be honest – don't disguise profit motivation as philanthropy.

While the Australian public would differ on a number of these elements, particularly related to the government role, and would not have the same intensity in the expectations of business, the broad themes would be similar.

Success depends on managing the expectations of those communities that business seeks to help, as well as on the strategic intent of the company. If, as this study has found, companies wish their community involvement programs to enhance their image and reputation, improve relationships with the community, increase employee morale, provide a symbol for their corporate ethos and so on, they also need to understand their community's expectations. As many companies said 'it's as much a matter of getting the fit right as it is choosing the activity.'

One set of criteria:[6] to achieve this 'fit' included taking into account the:

- strategic relevance from the company's point of view;
- opportunity to make a real difference;
- capacity of the community to make effective use of the support;
- opportunity for direct involvement of the company's employees;
- potential for a long term relationship; and
- opportunity to invest in activities that might not happen without the company's support.

Message for the Community Sector

There are messages in this for charities and other organisations that are seeking funds and support from the business sector. Organisations will need to become used to being asked, "why do you need our money and support?"

Many may be offended by this question and a number may not know how to answer. Those who can answer will be organisations that have crafted a *value proposition* for the activities where they need corporate involvement.

Business reports that many organisations now understand this imperative but the gap may be widening between those who can meet the expectations of business and those who cannot. Organisations meeting the needs of business will have sound internal systems such as information management; business development processes; and regular interaction with corporations.

Thinking strategically to develop community involvement programs involves identifying business purposes and relevant themes, consistent with the external and commercial environment of the firm. It also involves managing community expectations. The following chapter discusses these issues in the context of selecting the delivery vehicles to best meet the strategic intent of community involvement.

CHAPTER 4
Emerging Models

SNAPSHOT

Australian companies are choosing models of community involvement that deliver the specific outcomes they are seeking. Strategically planned community programs are embracing innovative vehicles to deliver improved outcomes. Some of these are:

- partnerships and alliances;
- cause related marketing vehicles; and
- the use of clearing houses, brokers or intermediaries in allocating donations.

Other community involvement vehicles are being established to: provide opportunities for dialogue between a company and its community so that companies can identify and choose causes to support; and encourage employee driven approaches to community involvement.

Formal *partnerships* are increasingly the chosen vehicle in the mining and financial services sectors. Variations of the partnership theme are also occurring in other sectors, but not to the same degree of complexity. While most partnerships are formed one-to-one between a corporation and a community group, some partnerships are being formed amongst multiple stakeholder organisations (corporations, community groups and governments).

Cause related marketing sponsorships are more commercial vehicles with an expectation of returns in the short to medium term. In the past, these commercial relationships tended to be like sponsorship models (ie with naming rights etc. More recently they have had a greater focus on raising the profile of social or environmental causes – particularly those on "top-of-mind" in the community, notably children's welfare and the environment.

Giving untied donations continues to constitute a large proportion of community involvement practice, but *donations with the assistance of intermediaries* is of expanding interest. While companies do not want to spend their time managing a partnership, for example, they do wish to see their donations strategically applied and for this reason they are increasingly calling on the resources and expertise of intermediaries.

When choosing an appropriate vehicle, companies are mindful of critical success factors in meeting strategic objectives, such as:

- carefully defining the community (stakeholders/geographic/demographic);
- choosing the most appropriate community involvement vehicle for the given objectives/risks/costs etc;
- using multiple vehicles to achieve multiple objectives;
- identifying the most appropriate partners/alliances; and
- ensuring the activity meets a real need and is valued.

Introduction

The previous chapter focussed on the process used by some companies to elevate the importance of community involvement and use business strategies to determine program objectives. Many companies continue that planning process through to the selection of the most appropriate vehicle to make connections with the community. Increasingly, companies are aware that they can choose and develop a model or vehicle for community involvement that has the best chance of delivering the community engagement outcomes they are seeking.

The conclusions to be drawn from the survey and interviews are that 'leading edge' practice appears to be consolidating around a number of vehicles. It should be said that there is any number of variations on these vehicles and the categories outlined in this study are not exhaustive. It would seem from the data assembled for this study that the vehicles that best represent strategic approaches to community involvement are:

- partnerships and alliances;
- cause related marketing vehicles; and
- the use of clearing houses, brokers or intermediaries in allocating donations.

Another approach that was highlighted by some companies was the use of forums for community dialogue. In many cases these are likely to be already established as part of a broader community relations strategy. They are also used to provide access for the community to raise issues and causes which the company might then choose to support.

A further trend involves employee driven approaches. Often this means that employee preferences determine where resources should be allocated in the community – resources usually being either employee donations or volunteer assistance to a charity or cause.

Vehicles for Community Involvement

For larger Australian companies, community involvement often involves a combination of these vehicles and any number of variations in structure. Commonly, they are managed by a single department in the public affairs or external relations sphere. In some cases, different vehicles are grouped together under an umbrella program, such as the *National's CommunityLink* program. More companies are likely to follow this direction and assemble different vehicles into a unified framework.

The characteristic that most defines each vehicle is the nature of the relationship between the business and the community, often represented by a community organisation. Box 4.1 defines the characteristic of different vehicles, concentrating on this relationship.

Generic determination of *best practice* is difficult in Australia's business and community environment where there are diverse community needs, social issues and business objectives. In each situation, choosing the correct vehicle for engaging with the community requires a case-by-case assessment of the objectives of both the business and the community. The examples and discussion that follow are intended as examples of how some companies have followed this process.

Strategic Partnerships and Alliances

Partnerships are an effective way to target resources at addressing issues

Partnerships are often formed to address complex issues

Effective partnerships require a large commitment of resources

Partnerships or alliances between companies and other organisations, such as community organisations, are effective vehicles for achieving community involvement objectives where there are complex social problems. Partnerships usually arise in situations where a company identifies target stakeholders or a target community that are relevant to its business activity. It then identifies a community organisation suitable for a strategic partnership and ascertains that the partnership would be of benefit to the organisation. The objective of the company is therefore to direct community involvement resources towards issues or stakeholders close to the operations of the business and to where company resources would fill a genuine gap. The partner provides a conduit or mechanism for achieving community involvement aims.

A formal partnership between the partner organisation and the company has formally stated objectives, commitments of financial or in-kind resources on both sides and joint involvement in program delivery. This involves the community organisation and the company jointly conceptualising the initiative and management of the project. Partnerships are usually over a mid to long term horizon, with regular reporting and assessment of the progress of the initiative. On both sides, partnerships also usually contain reporting, evaluation and communication mechanisms characterised by a deep understanding of mutual obligations, often underpinned by a contract.

A feature of the more formal partnerships in Australia would seem to be the lengthy preparation and negotiation required to reach agreement on the final structure. This has been necessary to ensure the partnership is well defined and structured to avoid future complications in the relationship. (Guidelines for building partnerships are discussed later in this chapter).

When pressed, many Australian companies claim they are engaging in 'partnerships' but most of these relationships seem more like conventional 'sponsorships' in their structure. While the use of 'partnership' to describe these activities

Vehicle	Some Characteristics	Status
Partnership/ alliance	Relationship frequently with issues focussed stakeholders to build trust, etc; formal commitment of resources to achieve stated social outcomes; control over use of company resources; involvement of employees and line managers; long term focus; social reporting.	Suits large companies with management capability. Initiated in resource sector. Now applied elsewhere.
Cause related marketing (CRM); sponsorship	Short to medium term focus; commercial focus; more likely to be one-off 'events'; more focussed outcomes eg brand or cause awareness, increased sales or contributions.	CRM is an emerging strategy. Challenges traditional sponsorship approach. Tends to be used by companies with a strong brand focus.
Donations – direct or via intermediaries	Arms length; less control of resources, funds; more philanthropic in nature.	Donations continue to be a component of community involvement; emerging trend is the use of intermediaries and increased focus on employee giving. Web based systems will emerge.
Community access forums	Leveraged from core business activity (community dialogue forums to mitigate political risks) to identify and advance social causes; a commitment to access for community leaders.	Being applied in sectors with clear regional or service focus, eg telecommunications.
Employee centred [1]	Employees' values are seen to reflect community values; management plays a coordinating role; benefits accrue to company through employees.	Popular for many years, particularly US companies. Emerging now in others, often as centrepiece.

BOX 4.1 DEFINING VEHICLES OF CORPORATE COMMUNITY INVOLVEMENT

1   Employee involvement, as an emerging component of community involvement, is discussed in more detail in Chapter 5. It was highlighted by a number of companies as a future trend.

seems an overstatement, using the label 'partnership' does suggest that companies and the recipients are seeking to characterise the relationship as one that is more ongoing and mutually beneficial. So while definitions and structures vary widely and clearly there is no 'right way', what is common is that many businesses are looking for deeper relationships with those groups in the community with whom they are conducting community activities. Box 4.2 provides some views on partnerships expressed by Australian companies.

While most partnerships or looser alliances are formed between a corporation and a community group or non-government organisation, some are being formed amongst any combination of a group of corporations, community groups and governments. The main reason for forming an arrangement with multiple partners is because a situation may be too complex to be addressed by the resources and expertise of two organisations – even when those organisations have considerable resources to draw on. Some of the different vehicles for partnership are presented in Box 4.3.

Risks and rewards of partnerships can be high

Partnerships: Pros and Cons

Partnerships or alliances are about long-term relationships where businesses and community groups obtain mutual benefits from relationships managed in a business-like fashion. The benefits and risks that companies have observed, including those that are sometimes unforseen, are summarised in Box 4.4 and discussed further below.

Greater Company Participation in Planning and Implementation

Partnerships allow companies not only to exercise greater control over the application of funding, but also to participate more in the programs to which funds are directed. This means that companies have a say in the framing of the objectives and details to which resources will be committed. It also should mean that funds are applied where they can make a difference – where they can fill the gaps in the current provision.

A Mechanism for Community Feedback

Many partnerships or alliances are made directly with a local or regional community, often through a committee or board structure, as well as with a more formally constituted non–government organisation. Mostly these arrangements enable companies to have access to community and stakeholder issues through regular feedback from the partner. Through meetings

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BOX 4.2 SOME VIEWS FROM BUSINESS ABOUT PARTNERSHIPS

Comments from companies which have developed effective partnerships:

"partnerships provide more benefits than you first envisage"

"establishing a partnership can take considerable time and effort in order to get the planning and focus right"

"partnerships require nurturing and patience and a commitment of resources"

BOX 4.3 PARTNERSHIP VEHICLES

Vehicles of partnerships for community involvement in Australia:

- Business – non-government organisation (NGO)
- Business – business – NGO
- Business – NGO - government
- Business – government
- Business – community

BOX 4.4 PROS AND CONS OF PARTNERSHIPS

Pros	Cons
• Greater company participation in planning and implementation	• Can be an unforseen burden for community group
• A mechanism for community feedback	• Risk of breakdown- unrealistic expectations
• Opportunities for employee involvement	• High administrative costs
• Competitive advantage through sustained relationship with stakeholders	• Inflexibility- locks in activity

with community leaders, other communication links between the community and corporation (eg a community hotline), and general contact between company members and the community, the company can identify potential community issues and deal with them as required.

Actions for addressing community concerns include prearranged action plans or convening meetings for further consultation. In some cases, the vehicle for addressing issues will be detailed in the partnership agreement.

Eastern Energy's partnership with Victorian Eastern Development Association (VEDA) is a good example of a company establishing a community sounding board for emerging regional issues, particularly related to potential customers.

Rio Tinto's Coal & Allied Community Trust in the Upper Hunter is another example. The management committee includes local business leaders and company management, providing a forum where the parties develop a greater degree of familiarity and have open exchange on important local community issues.

Many companies also use their community projects, that might be generated at the corporate level, to encourage communication with the community and stakeholders at a decentralised level. The partnership is structured expressly to be conducted by the managers and staff at the plant or local site level and the alliance is with local community members.

Many companies expressed the view that these forums, structured around positive community actions, contribute enormously to changing the mindsets that the different groups may hold about each other and are valuable in laying a solid basis for resolution of more complex business issues.

Opportunities for Employee Involvement

… a greater role for employees…

Partnerships are also useful vehicles for involving company employees in community projects. Involvement of employees can be canvassed up front and become an aspect of the partnership agreement. Examples include employees being involved in research activities or in delivering social services, or managers applying project management or human resource management skills in a community location.

Advantages of employee involvement include enhancing and broadening the skill set of employees, teaching important communication and negotiation skills, especially with community groups, and broadening employee perspective. This is useful for companies that have a relatively specialised focus – financial institutions particularly mentioned this aspect – and allows employees to be exposed to a wider stakeholder set (Case Study 4.1).

Sustained Relationship with Stakeholders

… and achieve 'licence to operate' objectives

For some, a significant benefit lies in the notion of retaining a 'licence to operate' and the competitive advantage that this may yield. When bidding for a new project, especially in a foreign country, competitive advantage can be gained if the proposal is accompanied by a corporate community involvement offer. A partnership with a local community group to deliver community support, be it training, education or environmental can be an important determinant in the decision of the bid managers.

BHP Diamonds Ekati mine (in Northwest Territories, Canada) has a strong focus on both developing community relations and providing real benefits to the Aboriginal communities. Throughout the development of the project, and during construction, *BHP* Diamonds met frequently with members of Aboriginal communities, conducted site visits for community residents, and encouraged discussions and

United Way: loaned executives leadership program

The *United Way* Leadership Program is centred on the Loaned Executive Team, a program where up to 40 employees from local companies, of varying skills and backgrounds, are invited to become 'executives' of *United Way*. As executives, the employees undergo three days of intensive training, including courses on public speaking and negotiation, to prepare them for undertaking a campaign to attract support from local organisations and their employees towards the *United Way* campaign.

This program gives companies the opportunity to train staff and expose them to new tasks and challenges, and *United Way* is able to continue increase its support in the community. The mutual benefits of the program support the philosophy of *United Way* to provide tangible benefits to business in return for business' continuing support.

Source: Consultations

information exchanges on land use, mine operations and potential employment. Consultation resulted in the formation of strong policies and commitments, tailored for the local social and political environment. Impact Benefit Agreements with community groups covered employment, training, scholarships, community involvement, business opportunities, environmental mitigation, cultural sensitivity and traditional knowledge studies.

Rio Tinto's range of projects concerned with Aboriginal health, education, culture, sport and industry development are driven by the imperative to sustain relationships with an important stakeholder and assist local communities in the proximity of the company's activities.

Risks of Poor Management

On the other hand, partnerships can be difficult to manage…

Poorly managed or ill conceived partnerships can quickly become a liability for all parties involved. Poor management of complex agreements is unlikely to lead to either party receiving the full benefits of the partnership. Ill conceived ideas will be particularly costly, not least if the cessation of an agreement midway through its working life leads to negative impact on the company's reputation.

Administrative costs

… require a large commitment of resources…

Partnerships can be very resource intensive instruments for community involvement. Costs include employee management and participation, publishing and communication costs, preparation and conducting regular meetings. For some companies, partnerships may not therefore be the most cost-effective instrument for community involvement.

Many companies also report that increasing the complexity of the vehicles for community involvement has led to enhancing the seniority of the roles that manage the area. Some companies clearly have seen that it is necessary to staff not only at a senior level but also with at least one expert who has standing in her/his own right in the community, including extensive networks and a high level of credibility. Also, companies operating internationally find that they need an equivalent management capability in other locations to ensure that partnerships and alliances are well conceived and do not have unforeseen consequences for the company's reputation.

Inflexibility

The more formal partnerships are usually entered into for a number of years – as providing a degree of certainty is often a driver of these arrangements for the community organisations. This study identified some agreements that have been operating for five years. As well, the time needed for preparation leading up to the partnership has for some companies taken several years involving defining objectives and ascertaining roles and responsibilities.

In these cases the resources in the partnership are 'locked in' for many years, and additional resources are often needed to address shorter–term issues that also require relationship building through community involvement. Inflexibility can also become apparent when the CEO changes and where the company ethos is redirected (for example, if the company's focus is shifted from the environment to education). In the United States, companies report that an unforseen aspect of mergers and acquisitions is that community partnerships are often terminated and the negative publicity represents a significant challenge to the companies' reputation, sometimes overshadowing coverage of the commercial benefits.

Partnerships: Examples of Current Practice

Some examples of current partnership arrangements are discussed below. The companies that have pursued more partnership or alliances arrangements to date are large companies in the mining or financial and telecommunications services sectors. Manufacturing and industrial companies and other services companies tend to be pursuing either more commercially focussed or more philanthropic vehicles, which are discussed later in this chapter.

Rio Tinto's Business with Communities program aims to develop active partnerships with community organisations with common interests (Case Study 4.2). To achieve agreed partnership outcomes, *Rio Tinto* provides funds, contributes technical and business management skills and participates in the planning and implementation of projects initiated under each partnership. The underlying philosophy is that good relations with neighbours is an essential component to long term success. *Rio Tinto* strives to understand and interact with its local communities and to assist

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CASE STUDY 4.2

Rio Tinto: partnership with World Wide Fund for Nature Australia

Rio Tinto and the World Wide Fund for Nature Australia have formed a four year partnership, *Frogs!,* to encourage community participation in frog conservation research and the active conservation of frogs and their natural habitats. *Frogs!* will develop a national network for frog conservation, identify research needs, encourage new research, integrate key research findings and disseminate those findings.

An important aspect of the program will be to inform and educate the Australian community about how they can help conserve frogs and their habitats, as well as providing opportunities for interested groups and the individuals to contribute directly to the conservation of Australian frogs through participation in national and local projects.

Source: Consultations

their development in ways that apply the following principles:

- mutual respect;
- active partnership; and
- long term commitment.

Rio Tinto's partnership with World Wide Fund for Nature Australia is largely managed by the company's head office. By comparison, *Rio Tinto* also operates a three year program that focuses on community development in the Upper Hunter region in New South Wales and which is managed by a board of members of the community and locally based *Rio Tinto* executives.

Rio Tinto's partnerships are also established on a regional basis

The company has established the *Rio Tinto* Coal Community Trust, a body which aims to encourage and facilitate initiatives that will assist the local community to meet the economic, educational and social challenges faced by the Upper Hunter[2] (Case Study 4.3).

Western Mining Corporation (WMC) and *Alcoa* are two other mining companies that pursue partnerships with community organisations.

WMC and Alcoa also have implemented partnership arrangement

WMC releases an annual report titled *WMC Community Report* which outlines *WMC's* community involvement activities to employees, shareholders and other interested parties. Typically, these initiatives are with organisations operating in areas in which *WMC* business is conducted and address concerns of land use and heritage. For example, a recent study of the Lake Eyre region was undertaken with the Royal Geographical Society of South Australia (Case Study 4.4).

CASE STUDY 4.3

Rio Tinto: the coal community trust in the Upper Hunter

Rio Tinto Coal is "committed to the Upper Hunter and intends to continue operating in the region over the long term." *Rio Tinto* Coal's rationale for establishing the Community Trust is:

"*Rio Tinto* Coal sees community involvement as a natural part of successful business practice because the community's view of the company can impact on the company's ability to operate effectively. For the company to continue mining successfully, it is important to operate in a positive environment and be accepted as a business with expertise and integrity. "

In establishing this program, *Rio Tinto* Coal surveyed 100 community leaders to determine the main needs in the region. Based on the survey responses, *Rio Tinto* Coal have committed to funding projects which have an:

- economic benefit – eg, attract and develop sustainable businesses and services; strengthen and promote regional attributes that will add economic value; increase access to appropriate academic and vocational education and training; and improve the economic competitiveness of the region; and/or

- social benefit – eg, achieve benefits from regional cooperation; increase recognition of the benefits of life-long learning within the community; and enhance community recognition of excellence and leadership.

Members of the community can approach the trust to receive funding for a project or for help to finance a scoping study. Rather than a grants scheme, *Rio Tinto* Coal considers the Community Trust to be a partnership program and encourages the development of joint venture projects.

Source: The Rio Tinto Coal Community Trust, information sheet

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2   *The Rio Tinto Coal Community Trust*, information sheet

WMC: partnership with the Royal Geographical Society

WMC is an international minerals producer comprising of five core businesses: copper/uranium, alumina, nickel, fertilisers and gold. In 1995, *WMC* Resources formed a partnership with the Royal Geographical Society of South Australia and the South Australian Department of Environment, Heritage and Aboriginal Affairs. The partnership was formed to study the impacts of pastoral, tourism and mining activities around Lake Eyre South, as an area of high conservation value and cultural significance.

By systematically surveying the biological and landscape components of a large number of habitat patches, the study provides a scientific basis for effectively managing the area.

This partnership is an example of *WMC's* Community Policy:

"As an integral part of the community, we recognise and act on our responsibilities. We work with communities to develop and nurture positive relationships built on mutual understanding and respect. Building these relationships into long-term partnerships is essential for our business success."

Source: WMC Limited Community Report 1999

The *Alcoa* Landcare Project was formalised in 1989 after the Federal Government declared a national Decade of Landcare (Case Study 4.5). The project has four core streams: catchment management; wetland development; education of landcare issues and solutions; and communication and demonstration of successful landcare techniques and cooperative initiatives. The main aims of the partnership with Landcare activities are to:

- foster community interest and involvement in land care initiatives by supporting landscape restoration projects and education programs;
- enhance community acceptance of *Alcoa's* business activities, by demonstrating our community mindedness, environmental expertise, and interest in broader conservation issues of national importance; and
- provide an opportunity for *Alcoa* to engage with, and create mutually beneficial networks with, key community stakeholders.

National Australia Bank manages partnerships under an 'umbrella' program called CommunityLink

In the financial services sector, the *National Australia Bank* has partnerships with several Australian charitable institutions such as the Australian Red Cross and

Alcoa: partnership with Landcare

Alcoa believes that the underlying essence of the *Alcoa* Landcare program is about cooperation – between Alcoa and farmers, government agencies at all levels, and community groups.

By working with these groups, *Alcoa* aims to encourage and foster community involvement in landcare and ownership of the various land restoration projects. All activities demonstrate the prac-tical results of various land management techniques and how co-operative initiatives within the community can arrest and even reverse the environmental damage of erosion and salinity.

Alcoa's landcare achievements are located in the areas in which its operations are based: south west Western Australia and south west Victoria.

Source: Consultations

National Australia Bank: CommunityLink – an umbrella of initiatives

In 1997 the *National Australia Bank* commenced a program to assist Australian communities, families and volunteer organisations, called *CommunityLink. CommunityLink* has several core components, one of which is to forge partnerships with Australian volunteer organisations.

Partnered volunteer based organisations include Australian Red Cross, The Salvation Army, Australian Conservation Foundation, Benevolent Society of NSW and the Australian Council of State Emergency Services.

Under a partnership arrangement, the National aims to provide resources to its partners over and above any sponsorship funding:

- "Firstly, in assisting the efficiency of their operations through provision of funding for organisational development, financial systems management and marketing.

- Secondly, by funding and jointly working on projects designed to address major community, family or volunteer issues, or by funding forums or research into issues impacting communities."

CommunityLink partnerships have been developed with the aim of "working closely with leading community service organisations to bring about real improvement in specific areas of community need. It draws on the collective resources and knowledge of one of Australia's leading companies and many of its leading community organisations to significantly boost awareness of the value of volunteerism."

The volunteer organisations agree to work with the National to implement the CommunityLink program and also to provide feedback to the National management about community issues.

Source: Consultations

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the Salvation Army (Case Study 4.6). It manages these partnerships within its overall community involvement strategy, called *CommunityLink*. Under *CommunityLink*, partnerships (which involve the funding of projects, forums and research) co-exist with other schemes such as employee volunteer programs and community awards.

Telstra has formed research-based partnerships

Telstra's community involvement program includes several community partnerships. In 1999, *Telstra* and the Bionic Ear Institute in Melbourne entered into a three year strategic research partnership to advance Automatic Speech Recognition systems and to improve devices for people who are hearing impaired (Case Study 4.7).

Business – Business Partnerships

Partnerships between businesses also address community issues

Businesses are not confining their community involvement vehicles to business—community partnerships. Indeed, in some cases, for reasons ranging from problems in dealing with some community organisations to the need to access specific resources, collaboration between businesses with a common community objective is an emerging model.

One example is the *Rio Tinto* AFL Kickstart partnership established between *Rio Tinto* and the *AFL* which aims to promote participation in Australian Rules Football in remote indigenous communities in Northern Australia. Both organisations have identified the need for talented sports people in indigenous communities to be given opportunities to pursue a career in sport.

These partnerships are often formed to develop local economies

A common reason for businesses to collaborate in a partnership is to develop local economies. Partnerships are formed to invest in local economic activity or pro-

Telstra: research partnerships

The partnership between *Telstra* and the Bionic Ear Institute (BEI) combines the Institute's knowledge in brain science with the communications expertise of staff at Telstra Research Laboratories.

This project should provide benefits for both Telstra and the Bionic Ear Institute. The Bionic Ear Institute is studying and modelling the way the brain processes the speech signals it receives from the ear. It is hoped that these models can be applied to improve the performance of the cochlear implant for the deaf.

For *Telstra,* the results should improve speech recognition accuracy for telecommunications applications and enable services that previously may have had marginal or unsatisfactory perfor-mance in the noisy environments that are common when using a mobile phone or a payphone. The improved recognition accuracy could flow on to improvements in existing services, and make entirely new services possible.

In a press release dated 7 December 1999, *Telstra* CEO Ziggy Switkowski remarked that *Telstra* was eager to form a partnership with the Institute because of its renown for creating the bionic ear. "In the 21st century, speech recognition will be a key innovation making communications faster, easier and more effective. The joint research with the Bionic Ear Institute will investigate ways to improve speech recognition and accuracy in telecommunications."

Source: Consultations

vide employment for the local unemployed. This may be achieved by offering employment in production facilities to locals, or even allowing local communities to have control over some production facilities. Another type of support is the provision of skills training services.

These programs are a constructive way for the company to develop good relations with the local community in which it operates while making a significant contribution to economic development.

Another case of a partnership being formed to develop the local economy is found in Victoria's Gippsland region, where local electricity retailer and distributor *Eastern Energy* has formed a partnership with a group of local businesses, Victorian Eastern Development Association (VEDA), to transfer skills and information. The community relations benefits to *Eastern Energy* are the flow through benefits to the community, as many community members are employed in the businesses represented by VEDA (Case Study 4.8).

A further activity by *Hamersley Iron* in the Pilbara in Western Australia and *Rio Tinto* involves an agreement between the company, local businesses, in this case Indigenous business enterprises, and the Federal Government. The project was generated out of a major review of *Hamersley's* community relations in that region. Extensive consultation with Aboriginal people had established that they wanted training to be part of the workforce and to be in a position to share in the benefits from mining (Case Study 4.9).

Partnerships with Multiple Organisations

Complex issues often require the resources of several partners

Partnerships often seek to address complex social issues. In the case of a two partner agreement, say a corporation and a community group, the partner members may not have the resources or the specialisation at hand to adequately meet the objec-

Eastern Energy: partnership with VEDA

TXU distributes and retails electricity and gas in Victoria, operating under three brands, Eastern Energy, Westar and Kinetik Energy.

The objective of Eastern Energy is to build a long term company profile in East Gippsland through economic development activities conducted in partnership with the local community and business leaders. The intent was to move away from a 'one–way' sponsorship/ philanthropy approach and instead build more enduring and two–way relationships in a key geographic region. Essentially, to establish more of a visible 'citizenship' role for the company in the area where it operates commercially.

The Victorian Eastern Development Association (VEDA), a local group of civic and business leaders, initiated a partnership arrangement with Eastern Energy which satisfied these objectives. The relationship led, among other activities, to a core initiative whereby the company has committed to build a sub station to ensure reliability of power supply and a power station. A further activity concerned strategies to enhance tourism and bring people into the East Gippsland area. Senior company personnel are also available to contribute their expertise to the local area.

Source: Consultations

tives. This has led to instances where partnerships are being formed between several groups across the corporate, government and community sectors.

Freehill, Hollingdale and Page, the *Sydney City Mission* and the *Salvation Army* have created a partnership to create the Shopfront Legal Youth Centre. The Centre provides legal support to homeless youths in Sydney (Case Study 4.10).

Community Trade Initiatives is a program run by *The Body Shop* that aims to help create livelihoods and explore trade based approaches to supporting sustainable development for economically disadvantaged communities. These initiatives start as employment projects designed to provide jobs for the long-term unemployed, but have the prospect of becoming commercially independent businesses. A partnership arrangement with government and non-government partners led to the establishment of *Speakout!,* a company which employs disadvantaged persons to produce T-shirts (Case Study 4.11).

Hamersley Iron and the Gumala Enterprises

The Gumala Enterprises in the Pilbara, Western Australia are a business development enterprise, with partners from The Gumala Aboriginal Corporation, the Federal Government (ATSIC), and Hamersley Iron. Three joint venture enterprises now provide valuable services to the mine at Yandicoogina in earthmoving, equipment hire, and accommodation management and services. Each of the enterprises is owned

and managed by Indigenous people with help from experienced business managers.

The enterprises are underpinned by cooperation between business, government and community. They are an example of how programs can be generated when they are built on constructive interaction that targets specific outcomes.

Source: Consultations

Freehill, Hollingdale and Page: shopfront youth legal centre

The partnership between *Freehill, Hollingdale and Page,* the *Sydney City Mission* and the *Salvation Army* to create a legal centre for homeless youth has been hailed as a leading edge initiative. The Centre attempts to provide legal advice as well as deal with the problems of homeless youth.

Freehill, Hollingdale and Page provides legal advice and a manager, Sydney City Mission accounts for the operating expenses of the Centre and the Salvation Army provides rent-free premises. The reported benefits to *Freehill, Hollingdale and Page* include the satisfaction and learning that staff who become involved with the project gain.

Source: Consultations

Visy Industries looks to opportunities for partnerships with local community groups

Visy Industries seeks to pursue projects that develop the local communities in which it operates (Case Study 4.12). It implements these projects through a program called Visy Cares. When *Visy* establishes a new plant or factory, it considers the needs of the local community and determines whether there are projects it could establish to address those needs. When they established a factory in Dandenong, it was brought to the company's attention that there was a need to support local youth by establishing a youth centre. *Visy* decided to support this initiative and set out to bring together different levels of government to arrange for land and funding, and local businesses and customers to also provide funding. *Visy* sponsored several meetings to get the project up and running, and provided management resources as well as the equally important yet unquantifiable benefits of access to *Visy's* large business network.

Partnership Involving Industry Associations

Examples of industry associations forming partnerships are rare

There is also the occasional instance in Australia of industry associations instituting community involvement programs by forming partnerships with government and non-government organisations. VECCI (Victorian Employers Chamber of Commerce and Industry) has a relationship with the Victorian Department of Education to place teachers in management secondments with Victorian companies. The aims of the program are to ultimately better match the skills of school leavers with the

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The Body Shop: community trade initiatives

The *Speakout!* initiative commenced in 1994 as a joint venture between *The Body Shop,* Australian Youth Foundation and the Department of Education, Training and Youth Affairs. Speakout! Ltd is a T-shirt and streetwear manufacturing company which employs and provides training for young people from disadvantaged backgrounds. Speakout! also provides emotional and physical support and offers participation in accredited TAFE training.

The Body Shop provides financial support to Speakout as well as contributions of business expertise from its own staff.

Visy Industries: Visy Cares centres

Visy Care is a community trust associated with the Pratt Foundation, which works with local communities to develop projects that enhance the quality of life, and provides general benefits to disadvantaged, minority or special interest groups.

Several years ago, Richard Pratt, Chairman of *Visy Industries,* was approached by a member of the Victorian government to provide resources to a planned youth support initiative in the Dandenong area in Melbourne.

Visy supported the project for a centre for youth by: providing funds (both raised and donated); management input; coordination of local businesses and federal, state and local governments; and provided access to *Visy's* business network and contacts.

The outcome of the initiative was a Centre with 18 different youth support agencies. The advantage of this approach was that health care, drug and alcohol counselling, depression and suicide counselling, disability services, legal matters, skills training and employment services, and Koori and migrant focussed services were all available in the one place. The centre is required to be self-sufficient, for example, tenants pay rent to maintain the centre's viability.

Ongoing involvement includes management placement on the Visy Cares committee, regular donations including a fully sponsored Christmas lunch, and employee involvement in the Christmas lunch.

Visy is now looking at similar approaches to dealing with youth problems in Smithfield in Sydney and Reservoir and Footscray in Melbourne. Visy Industry plants are located at Smithfield and Reservoir. Footscray, however, is unique in that *Visy* does not operate there, but that addresses the needs of youth in the area agreeing with the *Visy* philosophy. That philosophy is that successful companies have an obligation to put resources into the community and that companies should pursue community initiatives which result in enlightened employees.

Richard Pratt is quoted as saying:

"Business and business success has a vital role to play in improving some of our society's problems… our experience tells us that we do better business when we're accepted as good corporate citizens who give back to the community."

Source: Consultations

VECCI: education programs

VECCI runs several programs that attempt to link the needs of business and students entering the workforce. VECCI's Teacher-Release-to-Industry program, in conjunction with the Department of Education, places Secondary and Primary school teachers with employers on twelve month management secondments. Secondments are with business of all types and sizes. The objectives are threefold:
- to help teachers to understand the transferability of their own skills;
- to give teachers a better understanding of the broader workplace which they can then pass on to students; and
- to enhance the status of teachers with business.

Ultimately the program should assist teachers to better prepare students for the workplace.

Source: Consultations

requirements of the work place, which it is hoped will create better employment opportunities for school leavers (Case Study 4.13).

Similarly, in the Kwinana region of WA, industry and community groups are working toward a clearer understanding of the common needs and goals of industry and education. In particular, local industry recognises the need for programs in relation to neighbouring senior high schools and the future employment prospects of students making the transition into the work force and higher education (Case Study 4.14).

Foodbank is an initiative where multiple organisations are working together to

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CASE STUDY 4.14

Kwinana Industries Council

In 1995, the Minister for Education in WA officially launched the Excellence in Education Compact (EIEC), with the signing of the Memorandum of Understanding between representatives of local senior high schools, industry members of the Kwinana Industries Council (KIC) and the WA Chamber of Commerce.

This agreement states that:

"It is a commitment to work together to develop mutually beneficial long-term relationships in order to achieve excellence in education and broaden the learning experiences of students. Ultimately the goal is to encompass a better understanding of commerce and industry. It aims to help students gain a better understanding of the working world that is their future."

The Compact provides a vehicle for fostering a higher community profile between the community and industry and at the same time brings a number of benefits to the community. Those benefits already show significant impact on the school community, industrial community and the general community of the Rockingham and Kwinana region.

The prime origins of the Compact are:
- it was set up by industry under the umbrella of the Community Relations Advisory Committee of the KIC;
- it would be a two-way partnership;
- it was set up for permanency;
- it was set up for need;
- it was designed to be self-perpetuating; and

- it would embrace both schools and a broader local community.

The ongoing commitments are:
- continue pro-active roles of both industry and education institutes;
- ensure financial sustainability;
- keep pace with the rapid growth of programs; and
- continue research and development of delivery systems, strategies and needs through consistent and strategic communication, collaboration and negotiation with:
  - schools;
  - industry;
  - local community;
  - executive management bodies of the EIEC;
  - principals' Consultative Group;
  - universities and TAFE;
  - other agencies such as Coastal Area Consultative Committee, Bridging the Gap, WA Department of Training, and local Chambers of Commerce;
  - employment bodies;
  - training providers;
  - others as identified;
  - development of on-line communications; and
  - adaptation of programs and strategies to accommodate requirements of rapid increase in population.

Source: Consultations

Foodbank: cross-sector collaboration

The Australian Food and Grocery Council (AFGC), in conjunction with Foodbank Australia, is embarking on Donate Food Day to be held on 1 June 2000. It will provide the food and grocery industry with an opportunity to demonstrate commitment to community goodwill by making a public pledge to donate a set tonnage of product to Australia's needy, via Foodbank Australia.

In July 1997, the AFGC entered into a Memorandum of Understanding with Foodbank Australia with the objective of facilitating the provision of specific stock in a manner that provides a social good in the community.

Already the majority of the country's food and grocery companies are contributors to Foodbank Australia. The industry wishes to enhance its contributions by joining forces on the first day of winter, to ensure Foodbank has enough food and groceries to redistribute to those that need them most - via 1400 accredited welfare agencies.

At last year's Annual General Meeting, AFGC Chairman Mr Enzo Allara, announced that the AFGC Board, supported by the Full Council, endorsed the concept of working with Foodbank Australia on this national campaign.

The public relations consultancy, Turnbull Porter Novelli, has donated its services to Foodbank Australia to manage national media relations surrounding the campaign.

Source: Consultations

feed needy people. The initiative involves corporations as suppliers (food companies, the food industry association and public relations consultancies), a charity institution to coordinate the program (Foodbank Australia) and community groups (accredited welfare agencies) to distribute food (Case Study 4.15).

Commercial Relationships

More commercially and shorter term focussed vehicles for engaging with the community are cause related marketing and sponsorships. These vehicles link a cause or an event with the brand of the company's product.

Commercial relationships aim to achieve clearly defined goals

Commercial relationships are established to deliver easily defined mutual benefits. For the company this may be enhanced brand recognition which leads to greater sales. For the community organisation, this may be to reach a wider audience for its cause or to increase funding.

While business has sponsored community events or products in the past (and, of course, continues to do so), this has usually been in areas such as sponsorship of sport teams and events or cultural events, where there was also a high marketing benefit. In those instances the distinctions between community involvement and marketing are often blurred.

More recently, however, greater use of cause related marketing has tended to focus on raising the profile of causes which are top of mind in the community at the time.

Cause Related Marketing (CRM)

The use of cause related marketing in Australia is limited

Cause related marketing refers to 'a commercial activity by which business and charities or causes form a partnership with each other to market an image, product or

service for mutual benefit'.[3] A common form is to use product sales to drive contributions, as for example, when a proportion of the price of a product is donated to the cause. Another form is for a community organisation or service to be advertised on a product. Box 4.5 provides several examples in Australia, the United States and the United Kingdom.

The survey conducted for this study did not indicate that cause related marketing in Australia is as prevalent as in some other countries. However, discussion with companies, particularly in the retail and service sectors, has revealed several instances which suggest that cause related marketing and more conventional community involvement initiatives may be merging in some companies as they seek innovative opportunities to gain greater exposure for their products.

A key driver for companies using this vehicle is the need to differentiate their product. Traditional marketing approaches may not differentiate products of similar characteristics, and customers are often swayed by the social involvement of the companies from which they purchase products. For both businesses and community organisations, this approach can help their organisations access new markets or groups by leveraging off the other's constituency.

CRM is used by companies to increase awareness and skills…

From the company's point of view, this is a vehicle for which results must usually be shown, such as increased sales or increased brand awareness. Often used by marketing departments rather than a public affairs arm, cause related marketing is the most commercially oriented of the vehicles for community involvement.

… and by community organisations to increase awareness and funding

Community organisations in general benefit from cause related marketing by either gaining greater exposure to their service or image, by receiving funding from contributions or by receiving in-kind donations. Each year, *Kellogg Australia* sup-

3   Business in the Community, United Kingdom, at www.crm.org.uk
4   Proctor & Gamble website: www.betterstart.com
5   Business in the Community, United Kingdom, at www.crm.org.uk

ports both Kids Helpline Australia and Surf Lifesaving Australia and New Zealand. Themed messages are carried across the majority of *Kellogg's* packs throughout key periods of the year (Case Study 4.16).

The more commercially oriented examples of cause related marketing, which at present occur more overseas, have their detractors. By tying donations or sponsorship dollars to sales, some say that cause related marketing is contradictory to the altruistic motivation of corporate giving, or that only high profile and well established causes are likely to be supported. Another issue for companies is that by choosing a marketing approach they may miss out on some of the intangible benefits that a more routine community involvement activity can deliver for a company.

From the point of view of community organisations, many may face a dilemma between supporting products that they may not fully endorse or foregoing the funding that it would deliver. And some see that not-for-profit organisations risk becoming dependent on corporate funds which in the long term may not endure when companies turn their attention to another high profile social cause.

Donations and Intermediaries

Providing donations to community, sporting or cultural groups continues to be the most popular form of community involvement in Australian business. While many companies are reconsidering this approach in fundamental ways and will cease to make donations in a reactive or 'unconnected' way, some are more interested in refining their process for providing donations. Reasons for providing arms–length donations range from a strategic intention to support local communities to the belief that companies should 'give something back' to the community in which they operate while not wishing to be involved in lengthy or detailed processes. In general, donations are more likely to be provided for philanthropic reasons, though there are clearly cases where the choice of the recipient is based on an assessment of the commercial advantages to the company of publicising the donation.

Some companies have indicated that they consider donations an inappropriate

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CASE STUDY 4.16

Kelloggs: cause related marketing

Kellogg Australia are able to use their mass reach via packaging in a positive way to give something back to the community.

During the months of May, June and July, *Kelloggs* supports the Kids' Help Line program. *Kellogg's* packaging carries themed messages designed to raise awareness of the service and the need for additional funding for the program.

In addition, *Kellogg Australia* com-

missioned an independent youth study to review issues that Australia kids face today.

During the months of October, November and December *Kelloggs* packaging in Australia and New Zealand carries key water safety messages as well as other themed activities of the Surf Safe Summer program for Surf Life Saving Australia and New Zealand.

Source: Consultations

tool for strategically implementing community involvement, and are contemplating using other vehicles in future.

Many companies manage the allocation of donations at a public affairs manager or even a CEO level. But an emerging trend from the survey and case study interviews is for companies in Australia to donate via intermediary organisations, rather than direct to the community on demand.

Donations Direct to the Community

Direct donations by the company can be allocated to pursue strategic objectives. Some companies are choosing to donate funds specifically to selected community organisations operating in the company's 'backyard'. The donation is therefore a tool used to implement strategies to support those organisations identified as having concerns similar to those of the business. This course is followed, in particular, by manufacturing companies where the company does not necessarily want to manage a more complex relationship, but wishes to make a contribution to an important group or activity. For example, a manufacturer may provide funding to a community group or project, which is in place in the locale of the company's factory (Case Study 4.17). By the same reckoning, a company that may be exposed to environmental issues could provide donations to an environmental research organisation to conduct research into those issues.

Donations may be allocated more broadly to a range of groups with divergent interests

Donations to community groups that operate across the whole community are generally driven by more philanthropic motives and not limited to any specific commercial objectives. There are several vehicles in place for making charitable donations – some companies in Australia provide a fixed percentage of pre-tax profits to charitable funds. *Macquarie Bank* is one such example (see Case Study 4.19) and *Tattersall's* is mandated to provide a set percentage of pre-tax profits under its charter. A program called *Imagine* in Canada encourages companies to provide 1 per cent of pre-tax profits to charity (Box 4.6) or allocate a fixed budget to donations – this fluctuates according to the financial performance of the company. It was not evident in this study that this process will expand in Australia, although it is clearly more extensive in North America and Europe.

CASE STUDY 4.17

Monsanto: local community support

Monsanto's core businesses are agriculture, food ingredients and pharmaceuticals. In the realm of community involvement, however, the company is increasingly active in the communities that surround *Monsanto* plants and factories, such as in Melbourne's western suburbs (the factory is in West Footscray).

This reflects a change in approach of community involvement activities from those which focus on the market place (ie where the product is placed and where donations are made to broader environmental or health causes) to those which focus on the local community. Activities which *Monsanto* undertakes include tree planting days and revegetation of local creeks, and assistance toward local education and training (eg electrical apprenticeships and chemical operations). Money has also been contributed towards local ecological studies and the company is a member of a community liaison committee.

Source: Consultations

Some donation programs can be designed to support a particular cause or charity over several years, such as *Pacific Dunlop's* financial support of upgrades to the Melbourne Royal Botanic Gardens (Case Study 4.18). In this way a relationship of sorts can form between the company and the recipient, but is not deemed a 'partnership'.

The intentions of several companies is to reduce chequebook philanthropy

There is, however, an intention of some companies to steer away from chequebook philanthropy. Reasons include the desire to allocate funds in a more strategic way and also to reduce the administrative burden of responding to such a large number of requests. Many companies are moving toward a policy of giving larger donations to fewer charities for this very reason.

The practice of giving in-kind donations is widespread

In-kind donations are defined as offers which are more than cash. They are donations of products and services that are either produced or used by business. In–kind donations are widespread throughout Australian companies. Examples include airline offers of complimentary or discounted tickets or professional services firms that offer disused office equipment such as computers and furniture. Several companies have also been prepared to respond to requests for obsolete products, such as *Holden's* offer to supply car engines and tyres for use in artistic ventures. Newspapers provide page space to some causes and appeals or editorialise an event, such as a local festival, or cause if it is perceived to have high editorial interest. Firms have routinely supplied used office equipment, especially computers, to their local schools.

The United States pharmaceutical company *Merck & Co.* runs one of the best-known programs of in-kind donations. Well known for its high rating in social responsibility in the United States in the Fortune 500 reputation scale *Most Admired Corporations,* it donates medicines to treat river blindness in Africa. It is committed to make this contribution 'for as long as it is required'.

Several companies in Australia provide awards for community engagement by individuals or organisations. They seek to simply reward constructive efforts in the community and in that way demonstrate their values in this area. Generally, these awards ask for nominations from the public of people who have provided excellent service to the community and then provide a cash reward for selected winners. *Tattersall's* offers a monthly *Award for Enterprise and Achievement* which seeks to reward 'unsung heroes'. A donation is given to monthly winners as well as an annual winner.

Awards are a means to offer donations and reward good community efforts

National Australia Bank, with its partner Volunteering Australia, offer the *National CommunityLink Awards*. The awards, delivered as cash and trophy to local and regional volunteer groups, recognise outstanding performance of community organisations in promoting the value of volunteerism, motivating and managing community volunteers, and significantly improving the quality of life in their particular community. Awards are made at state and national level in six areas of community activity.

BOX 4.6 **IMAGINE: "CARING COMPANIES" IN CANADA**

Imagine is a program that was founded in 1988 by the Canadian Centre for Philanthropy and is funded by business, government and foundations. The aim of *Imagine* is to increase financial and volunteer support to Canada's non-profit sector.

One initiative is called "Caring Companies". Participating companies donate a minimum of one per cent of their pre-tax profits to community organisations and encourage employee voluntaryism. Caring Companies are encouraged to realise reputational benefits by displaying the *Imagine* trademark on company brochures. Through a recognition program, media and public attention is focused on Imagine Caring Companies and Community Partners.

Source: http://www.ccp.ca/imagine/

Pacific Dunlop: putting back into the community

Pacific Dunlop is an Australian company that owns several recognised brands, including Bonds and Dunlop Tyres. From its early days as a manufacturer in Victoria it has become an internationally recognised company with several off-shore manufacturing operations. To celebrate the company's centenary in 1993, *Pacific Dunlop* decided to make a substantial donation to the community.

At the time, Melbourne's Royal Botanic Gardens were threatened by funding shortages and disrepair, a state of affairs that was well documented in the press. The company believed that providing financial support to restore the Botanic Gardens was the ideal way to display its appreciation to the largest number of Victorians and Australians.

Some of the projects funded so far include an automatic watering system, restoration and remedial work, research fellowships, and the Observatory Gate project. A condition of the agreement is that the Gardens remain free to the public and the company's contribution is largely hidden from the public. The company receives no signage publicity within the Gardens themselves.

Source: Consultations

Donations through Intermediaries

Increasingly, companies are donating via intermediary organisations

Donations to intermediary organisations, such as foundations and non-government organisations are a variation of donating to the broader community. Sometimes an intermediary organisation fully determines how the funds are to be placed in the community rather than the company. Alternatively, the organisation may facilitate the placement of funds or merely advise.

Often in these cases the company seeks no more than recognition of its status as a donor of funds, and is prepared to allow the fund managers themselves to allocate the funds as they see fit. The company therefore has no greater objective than to make donations to the broader community.

There are two main vehicles of the fund partnership arrangement. Some companies donate their funds to a *company trust*, which is usually managed at arms length from the business, with a separate Board of Directors (see *Macquarie Bank* Case Study 4.19). Alternatively, it can be managed by the company itself, in which case, it is most able to align funding allocation with business objectives. A benefit of a company trust is that reputational benefits are more easily accrued as the name of the trust is associated with the company.

Macquarie Bank: donations to a charitable foundation

Each year, the Macquarie Bank Charitable Foundation makes donations to organisations working to improve the communities in which *Macquarie* operates. Funds are made available to the Foundation on a formula based on the Bank's profit each year.

Social welfare, medical research the arts and the environment are beneficiaries of the Foundation's funding. Donations made by the Foundation since its inception exceed $3 million. The Bank also donates surplus computer equipment to a range of community groups.

Source: Consultations

It should be noted that the data gathered for this study seems to indicate that the 'foundation' vehicle, although popular in companies with North American influence, is not growing in favour in Australia. Indeed some large companies are reconsidering the role of existing foundations, if their structure and articles permit. This is on the grounds that they can develop a life of their own and, in that sense, are not sufficiently flexible for use in business strategy.

While outside the scope of this study, it is clear that many wealthy individuals are finding that the foundation mechanisms are very useful for their philanthropic purposes. A number of umbrella vehicles are being established and promoted in the financial services sector to facilitate 'giving' by these individuals and families. Some small or medium private businesses also seem to be considering this option which would enable them to target the funds and have them managed in a tax effective and accountable way.

An emerging trend, for both individuals and companies, is for donations to be allocated to an *intermediary* fund, foundation or organisation, which delivers funds according to its own charter and is run by its own board. This is particularly convenient for medium sized companies that do not have the resources to devote to complex business partnerships. An example is *United Way*. This is a United States based organisation that has established operations in several Australian cities. These institutions are very significant players in the United States charitable domain (Case Study 4.20).

The main reason for giving to intermediary organisations is that companies would consider that this sort of non-government organisation has a better understanding of where the funds are needed. But there are other clear advantages. First, a

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United Way: community chest

United Way is an independent, non-profit organisation which raises funds to be distributed to small to medium sized community organisations. *United Way* organisations commenced in the United States and have now established in regions in Australia.

In Geelong, the first *United Way* organisation to be established in Australia, the funding is attracted from local business, as well as conducting several fund raising events. However, the largest source of funds is from employee payroll deductions. *United Way* organisations also now operate in Adelaide, Ballarat, Bowral, Gosford, Perth, Melbourne (through a close affiliation with the Lord mayor's Charitable Trust) and Sydney.

Funds are distributed to over 50 local community organisations providing support for health care and rehabilitation, family and child care, services for the elderly and disability services. Donations are usually between $10,00 and $50,000. Charities must satisfy several requirements:

- provide a genuinely required human care service;
- be well managed;
- demonstrate a genuine need for funding; and
- not solicit direct donations from the public.

Foundations such as *United Way* and the Lord mayor's Charitable Trust in Melbourne are a means of effectively channelling corporate giving to where it most needed in the community.

Source: Consultations

wider number of recipients can be reached (typically intermediaries will distribute funds to a large number of recipients). Secondly, a lot of the expense of running a donation allocation program is avoided. Thirdly, it tends to remove an incentive for individuals or groups to approach the company with written requests for funds, which can place heavy demands on staff time. Companies see the main disadvantage of this vehicle as loss of control over funds allocation and the lack of opportunity to use donation funding strategically.

Somewhat related is the growing interest in intermediary services in philanthropy that are intended to help companies make the right choices for their activities. The *Australia Foundation for Culture and the Humanities* has been mentioned elsewhere in this study. It is a Commonwealth Government company, with a government appointed board. Part of its brief is to provide a 'matching service' for arts and cultural organisations and business seeking to donate to that sector. It is seeking to showcase business arts partnerships and uses the internet as well as an advisory service to enable information and contact points to be available to both companies seeking a relationship with cultural organisations and those organisations seeking business sponsorship (Case Study 4.21).

Other initiatives that employ the internet to facilitate the matching of business donations with suitable recipients are already in operation, and their number and effectiveness will grow in the next few years. The initial growth may be more to serve the interests of individual philanthropists and private charitable trusts, but the mechanisms may well be generalised to the business sector. This is particularly the case for smaller and medium sized organisations who will not wish to use valuable resources on extensive decision making and management processes and yet are looking to increase their activity and profile in this area.

CASE STUDY 4.21

Australia Foundation for Culture and the Humanities

The Australia Foundation for Culture and the Humanities aims to raise the level of private sector resources available to arts and culture and to encourage reflection on what it is to be Australian.

The Foundation plans to increase private sector support by encouraging business to invest strategically in partnerships with the cultural sector that provides business with commercial returns while enriching the arts and the community.

The Australian Foundation for the Arts and Humanities provides assistance to corporations seeking to form partnerships with arts and cultural organisations by providing a Cultural Products Menu.

The Menu is an internet-based search tool that allows companies to locate cultural partners and their projects that meet business needs.

Managers can key in target audience demographics; location of target clients, consumers, stakeholders; and the cultural sector they are interested in.

The menu will provide a cultural organisation and their project that best meets those criteria. With this information, companies can then contact the cultural organisation.

Source: Australia Foundation for Culture and the Humanities, 1999.

Community Access Forums

Dialogue forums between community and business leaders is an opportunity for companies to identify and support community causes

Many companies have established forums between company executives and community leaders. These forums provide access to executives so community leaders can raise issues or discuss how the company might better align its operations with community expectations. Of course, there is a purely 'good management' perspective here as community dialogue allows companies to closely monitor the impact of the firm's behaviour on the community and avoid potentially hostile situations. However, these forums can also serve as a vehicle for community involvement, such as using participants' input in designing support for a particular cause. The National Australia Bank and Optus are two companies that have established dialogue with community leaders to discuss the complications faced by people with disabilities when accessing services (Case Study 4.22).

Summary of Vehicles

Box 4.7 provides a summary of the attributes of the four main vehicles of community involvement.

Guidelines for Effective Partnerships

A few companies operating in Australia have developed considerable expertise in developing and managing deeper relationships with communities and stakeholders and have learned many lessons, some of which are reflected in the following 'guidelines'.

The most appropriate partner and program for a company's issue should be selected after a careful analysis of the issues. By comparison to other vehicles, partnerships are a resource intensive vehicle for implementing a community involvement strategy, and as such, require dedication and effort from both parties to reap

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CASE STUDY 4.22

Optus: disability action plan

Community dialogue/consultation is an important part of Optus's general service delivery and planning process. One such example is the Disability Action Plan which aims to remove barriers to access products and services and customer information, and to remove barriers within the workplace.

The Disability Action Plan was developed in conjunction with a Working Group representing peak disability organisations. Initial consultation with disability organisations was conducted

at a Disability Forum held in February 1998. Representatives from a range of disability organisations were involved in the Forum and provided valuable input into the direction and approach of the Optus Plan.

The Optus Disability Action Plan Working Group was then formed as part of the broader consumer consultation process provided by the Optus Consumer Liaison Forum.

Source: Consultations

BOX 4.7 **VEHICLES OF COMMUNITY INVOLVEMENT**

	Strategic Partnership and alliances	**Cause related marketing (and sponsorships)**	**Donations/ intermediaries**	**Community access forum**
What is it?	• formal arrangement between company and community organisation • target social objectives /stakeholders • clear objectives, roles, responsibilities and outcomes.	• commercial relationships with community group/interest • mutual benefits	• provide cash or in kind donations to community organisations • including to Funds or through intermediaries	• forum for the community /stakeholders to express views on the operations of the business
Objectives	• positive social outcomes; • help company better understand community • manage external environment/ stakeholder contact • gain exposure for employees • reputation/ 'licence to operate'	• brand differentiation • to access customers who would respond to a product linked with a social cause	• to put back into the wider community or into a specific local community	• to be able to monitor community attitudes and act on them early in the piece • to detect issues on which the company may be able to provide assistance
Examples of outcomes	• social investment • more skilled and socially aware employees • community, economic development; environmental or medical research etc	• increased brand and cause awareness • increased product sales • increased goodwill	• source of funding for disadvantaged groups • positive corporate reputation	• decreases negative perceptions between groups
Control over outcomes	Strong	Medium	Weak	Strong
Demand on Resources	Financial, human, capital	Financial	Financial	Human
Timeframe	Long	Short to medium	Short	Medium to Long
Alignment with overall business objectives	Strong	Very Strong	Often weak	Strong
Which business unit usually has control?	Public Affairs	Marketing	CEO / Public Affairs	CEO / Public Affairs

Source: The Allen Consulting Group

the rewards. The key stages in establishing and operating a successful partnership include:

- identification of suitable issue or cause and partner;
- building the partnership;
- management and evaluation; and
- internal and external communication.

Identification of Suitable Cause and Partner

Identify and clarify the issues and need for a partner

This early phase involves:

- identifying the issues that are of interest or relevance to the company; and
- identifying whether addressing these issues requires a partner.

A company should first identify the community issues that need to be addressed and then determine which issues the company should be involved in. A systematic approach for addressing these issues involves mapping and analysing issues and understanding their context. The mapping process consists of an exposition of:

- the background of where the issue comes from and how it emerged;
- the players who have an interest and how influential they might be;
- the interests of the players in the issue (which are by no means always the same);
- the arguments used as the issues unfold (important to appreciate, as meeting the arguments as distinct from interests may not always resolve the issue).

One successful way of identifying issues is to take the views of stakeholders into account. The multinational minerals firm *Rio Tinto* has used this method and selected partners whose interests and capabilities aligned with their main issues of concern. *Rio Tinto* had conducted extensive research of the expectations of national opinion leaders and identified the issues that concerned them and what the company's role should be.

Once these questions have been addressed it is possible to rank and prioritise issues in terms of their potential impact on the firm and the firm's ability to influence or control them. This process can provide insight into whether a partnership approach is the most appropriate way to address issues. It may also identify who the most suitable partner may be and the potential short and long-term opportunities that could result from the partnership.

Identify and Select Potential Partners

A partnership should be formed with an organisation with a common interest, or of intersecting interest, and from an appropriate sector or sectors with which to partner (ie, business, government, non-profit, education institutions, etc). Partnerships generally begin based on a narrow common interest, but if the relationship succeeds it frequently leads to other broader partnership ventures or ongoing activities.

Once some potential partners have been identified it is important to conduct the appropriate due diligence. The types of questions that need to be considered about the potential organisation include:

- whether it has a well-established mission and vision and if so, the extent to which the vision is consistent with that of the company;
- whether the organisation has a good reputation among company stakeholders;
- whether the organisation has a solid management structure and other relevant skills and resources to form an effective partner; and

- whether other projects, initiatives, or relationships in which the organisation is involved could undermine the prospective partnership.[6]

These questions are not generic – and should be considered on a case-by-case basis – as companies enter partnerships for a variety of reasons. For example, the factors that were critical to *Rio Tinto's* selecting EarthWatch as a partner also focussed on questions specific to their needs as a global company (Case Study 4.23).

Building the Partnership

Develop Ground Rules for the Partnership

Determine the general structure and objectives of the partnership and where relevant the specific objectives of the project. Key criteria to consider when developing a partnership project include:

- its mission and vision;
- its scope and duration;
- the tangible benefits that will result to both parties, and
- the partnership's demands on both parties resources.

Tangible objectives for partner organisations and projects should be set. It is important that both parties agree on what they expect: the improvements to the environment or community, for example, as well as the potential to leverage or replicate the project beyond the direct results it engenders.

Develop the Partnership's Structure

Issues to be considered when determining the structure of the partnership – whether it requires a handshake, a Memorandum of Agreement, or a more formal contract – include:

- partnership administration;
- decision-making processes;
- accountability for deadlines, costs, and results;
- resource commitment from each party; and
- expectations of each party.

Management and Evaluation

Maintenance

Since the partnership is likely to be a fairly complex structure with a large devotion

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CASE STUDY 4.23

Rio Tinto and Earthwatch: critical success factors

Rio Tinto and Earthwatch (an international organisation which sponsors scientific research by finding paying volunteers to help research scientists around the world) have developed a successful partnership. *Rio Tinto* highlights six critical factors that were important criteria in the selection of EarthWatch as a partner:

- global;
- credible;
- scientific;
- non-political;
- shared interests; and
- focussed on environmental outcomes.

Source: Consultations

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6   Based on Business Social Responsibility, *Community Partnerships*, 1999. Available at www.bsr.org

of resources, it is fair to say that management and maintenance of the partnership will require close attention. A genuine devotion of company resources to manage and activate the partnership is essential.

Contingency arrangements are also essential in the event that the key personnel leave the company or the partner organisation. Replacements should be lined up and briefed on the project.

When there is dispute or disagreement between the parties, resolution procedures should be made part of the contract and need to be followed. Troubleshooting arrangements are crucial to the smooth running of the partnership.

Evaluate the Partnership Continually

Consistent monitoring of the partnership's effectiveness can provide valuable information to both the company and the partnering organisation. Periodic evaluation and at the project's conclusion should be made of the accomplishments of the initiative against its original goals and expectations. Evaluation should assess the benefits received by both parties and compare the actual use of resources against the budgeted use – financial, human, and other.

Evaluation may point to the need to change the partnership structure or process midway through the relationship, based on experience and feedback. The partnership should be developed in such a way that allows this flexibility, even to the point where when the issue ceases to be a problem, the relationship can be dissolved. Regular dialogue with the partnering organisation will allow it to provide feedback about its experience in working with the company, and whether the relationship met its expectations. This information can be valuable in assessing the partnership's effectiveness as well as assessing future partnership opportunities.

The chance for possible breakdowns in the partnership should be monitored frequently. For instance, if the organisation's management proves too inexperienced or incapable of delivering their side of the partnership, and the partnership breaks down, action by the company to get the project back on track or help the organisation in some other ways risks being seen as 'interfering'. Similarly, unless the organisation is well organised, employees are not likely to gain any satisfaction from volunteering for duties and may decline future opportunities to volunteer.

One way to avoid both these scenarios may be to offer management skills training to executives and directors as part of the partnership.

Centralise or Decentralise?

Companies such as *BHP* and *Smorgons* have tended to decentralise community relations to managers of line operations – although policy and strategy development still occur centrally. Generally these managers have a budget with which to either donate funds to local causes or to fund local activities. The obvious reason for this policy is to monitor and address issues on the ground in a quicker and more appropriate fashion. Obviously, where the community is affected on a larger scale, such as *BHP's* recent shutdown of operations in Newcastle, the company tends to take control of the issue.

Internal and External Communication

Internal Communication

Internal communication practices should keep the entire company up to date on the

partnership and its progress and results. Forums could be created in which employees can meet members of the partnering organisation to ask questions and discuss the partnership.

The support of upper-level management can be critical to increase a project's internal visibility, keep the project on the company's agenda, and motivate staff participation. Support is also important beyond senior management – it may be necessary to "sell" the partnership to key decision-makers across a variety of departments, facilities, and business units within the company.

External Communication

Communication to the community is also essential, especially if it is a community sector which is directly or indirectly affected by the partnership. Reports about the project throughout the duration of the partnership should be compiled and made widely available to employees, shareholders, community members, and other stakeholders. Reports need not be long or formal; they can be inexpensively printed or distributed electronically via e-mail or over the World Wide Web. If the company issues media materials related to the partnership, reporters and the community should be given a contact to interview at the partnering organisation.

WMC is an example of an Australian company that releases annual reports detailing its community involvement activities. *Rio Tinto* also has a process for understanding stakeholders' expectations and meeting their communications needs by publishing reports on community involvement.

An effective media launch of the partnership can provide a sound base from which to promote the project. One pitfall that may need to be avoided is the desire of the community organisation to want to gain maximum publicity for the partnership on the signing of the deal, when the business may want to take a more cautious approach and wait until the 'runs are on the board'.

BOX 4.8 PARTNERSHIPS: CRITICAL SUCCESS FACTORS

Identification
- careful identification of the issue
- find a 'good fit' between both parties (common interest)
- accept each other as equals
- both parties should want to work together (ie proud of the association)

Development
- roles and responsibilities are clearly defined

Communication
- internal stakeholders are kept informed of developments
- publicity is maximised in communities that count

Management
- both parties should be sincere and honest in the relationship
- troubleshooting mechanisms are activated when required
- replacement personnel are available to drive the project if required

Source: The Allen Consulting Group

BOX 4.9 SEVEN GOLDEN RULES FOR MANAGING CROSS-SECTOR PARTNERSHIPS

- Mobilise non-cash resources to support projects, programs, and partnership organisations
- Keep purposeful and results-focused even when partnership building is slow
- Ensure partnership organisations also campaign for social change
- Challenge preconceived attitudes with cutting edge learning programs
- Find champions to 'front' the product and intermediaries to 'steer' the process
- Acknowledge and confront obstacles in a direct, honest and open way
- Use stakeholder-based research as a feedback mechanism for keeping on track

Source: BSR www.bsr.org

Including Employees

Many Australian companies regard the inclusion and participation of employees as an important part of corporate community programs. Employer consent and indeed, encouragement, for employee voluntarism to undertake community programs is an emerging trend in Australian corporate community involvement practice. The importance of this trend is reflected in the practice of some companies to integrate the relationship between employees and the community with employee development and appraisal strategies.

The driving rationale for the involvement of employees is the realisation that employees are members of both the company and the community – for the company to be more integrated with the community, employees must play a key role. The benefits to the company can be categorised as:

- generally, improved organisational effectiveness;
- a unifying and positive culture, morale and teamwork;
- enhanced external reputation either directly from the employee volunteer programs, or indirectly from the behaviour of more community-oriented employees;
- access to a wider labour market of community-conscious employees to become an 'employer of choice'; and
- a more productive workforce.

Based on the results from the survey and company interviews, companies clearly expect employee involvement to increase. Most companies report highly favourable outcomes from initiatives involving employees. 'One-off' initiatives are being repeated, and usually on a grander scale. This is often due to the favourable feedback of community organisations and the enthusiasm of staff – several companies report high levels of interest from employees to be involved in annual activities well in advance of their scheduled occurrence. Companies are increasingly supporting these activities as recognition of the importance of building and enhancing the relationships that bind the company, its employees and the community.

There are many distinct examples of employee voluntarism in Australia. Some of the models profiled in Chapter Four are able to be used to include employees in their delivery. For example, employees can be easily integrated into a partnership arrangement, and indeed, this is a prime reason for many companies to adopt the partnership model. More specifically, the usual models for employee involvement include:

- involvement of employees to formulate community involvement programs and strategies (in some cases, part of greater employee say in the direction of the overall business);
- alignment of the core principles of the business with those of employees;
- employee voluntarism activities (company sponsored events, permitted days off work, etc.);
- donations programs, such as payroll deduction schemes and matching gifts schemes; and
- 'donating' the time and services of managers to assist community organisations to manage programs (which builds skills and other managerial capabilities).

Introduction

Including employees in planning and conducting corporate community involvement programs is emerging as an important feature in large Australian companies. This chapter will discuss the attitudes toward employee involvement and approaches being adopted by a number of companies that are presently leading the way in this area.

Employee involvement is widespread in the United States, and is increasingly a part of community involvement programs in Australia

Employee involvement is probably most familiar as an integral component of business and community programs in the United States but, to date, has not been a strong feature in Australian companies. Its popularity in business in the United States is rooted deeply in the American culture where a very high proportion of the population belongs to voluntary organisations and places a high value on doing unpaid work for good community and social causes.[1]

While some American owned companies have imported employee volunteer strategies into their Australian affiliates, this does not fully explain why the strategy is becoming popular in Australian business. The conclusions reached in this study are that growth in employee involvement would seem to be due to companies looking for fresh approaches to boost organisational effectiveness and build a productive workplace culture and also to ensure that employees are positively assisting the external reputation of the firm. Employee involvement programs are predominantly an additional element in the 'people strategy' of many companies.

Study Findings: Status and Future Trends

Companies and employees are both conveying positive attitudes about employee involvement...

In the minds of many CEOs and managers, a significant expectation of community involvement is that their employees feel positive about the company's commitment to the community. Some go further than this and want employees to be directly involved in the planning and delivery of community programs. For many, the outcomes they are seeking are improved employee morale, effective teamwork, and a general sense of loyalty and pride in the company. In some companies, managers are also a target audience. Including those at the top level of companies in community involvement programs, especially when they are directly engaging in unfamiliar community locations and with a more diverse group in the population, is an element of management development strategies that is growing in importance (Box 5.1).

There is, of course, considerable variation in how employee involvement is achieved and how central employees' concerns are to planning and managing the programs. A small minority of companies are well advanced in following a more structured approach to employee involve-

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BOX 5.1 SURVEY FINDINGS

Outcome of employee involvement:
- employee morale
- improved team work
- loyalty and pride
- skill development (in some cases)

Leads to:
- employer of choice
- high performance workplace
- better business-employee-community relationships

Source: Centre for Corporate Public Affairs and the Business Council of Australia Survey 2000

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1   Lipset S, *American Exceptionalism: A Double Edged Sword*, WW Norton and Company, New York, 1996, p 276.

ment such as in establishing committees or allocating time for employee activities. While the majority would seem to consider employees as a priority audience for reporting community involvement activities and value their support, their direct involvement or participation is not a particularly strong feature of the program.

A closer analysis of these expectations shows CEOs have two main reasons for supporting employee involvement. The value of understanding and respecting their employees' perspective on business and community relationships is now linked with overall organisational development, building greater productivity and a *high performance workplace*. Also, for some, being explicit about *'good corporate citizenship'* is important in recruitment and retention of valued employees – in becoming the *'employer of choice'*.

In terms of the relationship with employees, employers pursue employee involvement to improve productivity and to be an 'employer of choice'

The difference in priorities between companies could well be a consequence of differences among industry sectors. More labour intensive firms with, for example, a direct retail customer interface and a high proportion of part time employees may pursue employee *voluntarism* as a team building and morale boosting activity linked to productivity improvement strategies. The workforce is also a valuable conduit into the thinking and preferences of the wider community.

A more capital intensive or knowledge based firm, employing a relatively small and well qualified workforce, may focus on the *employer of choice* objective and concentrate on communicating corporate community initiatives rather than directly pursuing employee participation in the activities themselves. Or, using community programs to broaden the social experience and understanding of managers may be a priority in those businesses that seek to lead in consumer product and service innovation. There is no fixed pattern to this. Rather there is evidence of a tendency in businesses that lead in this area to plan community involvement to meet organisational development goals as well as the more conventional reputation or external relations goals.

Significantly, according to the CEOs surveyed in this study, the trend for the future is for employee involvement to become far more intensive. They see employee involvement as a significant feature of the future 'ideal' community involvement strategy. While the broad social responsibility agenda in companies has traditionally focussed on the impact of reputation on external audiences, attention is now turning to include the internal audience.

Employees' Social Expectations Matter to Companies

Understanding why the personal and social needs and views of employees are increasingly linked with corporate community involvement goes to the heart of 'people centred' approaches to building high performance workplaces. There are several strands to this that might explain the motives of some of the companies supporting employee involvement strategies.

One study in the United States, that has contributed to reconsidering the value of employee commitment in the sustainability of the firm, found that high performing workplaces and the firm that are *'built to last'* place the highest value on their people and the strength of their internal culture.[2]

2   Collins J, and Porras J ,*Built to Last: Successful Habits of Visionary Companies,* Harper Business, New York, 1994.

A six-year project examined how the best or most visionary and enduring companies in a range of sectors differed from successful but average companies. The eighteen visionary companies in the study (such as *Ford, American Express, Hewlett-Packard, Johnson and Johnson* and *Merck & Co.*) have done more than generate long term financial returns – 'they have woven themselves into the very fabric of society'. They have core values and an 'ideology' about their purpose that are nurtured through the company's culture and that become their internal strength. They do not see a conflict among profit maximisation, building an internal vision and an external reputation. Most importantly for this discussion, they elevate people considerations and believe in the value of 'a consistent set of signals' aligning the long term and consistent vision with actions.

Management systems thinking also underscore the importance of seeing the interconnectedness between an enterprise, its people and its community.[3] The qualities of leadership and learning in an organisation are strengthened through programs that link these 'systems' and establish processes to consolidate an organisation composed of people with complex personal and social needs in a more integrated way. The *'learning organisation'* is one that values the full range of capacities and ideas of its people – it does not shut out the personal and social needs of employees.

Another way that companies have been thinking about embracing the social and the personal lives of employees, and seeing this linked to a productive workplace, is the notion of '*the family friendly workplace'*. While features such as flexible working hours and family support such as childcare are familiar, community and social activities such as financially supporting employees' chosen social causes or clubs are now supplementing this. Again, this is a strategy to maximise the involvement and commitment of employees through more recognition of employees as members of families and social groups as well as members of a workforce.

Employee involvement in a company's community activities is only a small part of this overall endeavour. It probably makes only a small contribution to the challenge of building employee morale or becoming the employer of choice. Nevertheless, it is becoming recognised as a useful tool in this process. People feel positive about its use and for that reason alone it will continue to expand particularly in those sectors where it meets both internal and external goals.

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3   Senge P, 'The Leaders New Work: Building Learning Organisations,' in *Sloan Management Review*, 32, No 1, Fall 1990, pp 27-36.

Company Attitudes to Employee Involvement

Companies are expressing in various ways the value they place on employees as part of community involvement. For ease of presentation, the sections below attempt to group these policies and approaches into a number of categories and illustrate the actual activities being adopted. There is of course considerable overlap between these categories but they are primarily intended to reflect the emphases that the companies themselves make.

Corporate Community Involvement Driven by Employees

Employee support is a driver of strategy for some companies

A small number of companies describe their commitment to building and sustaining employee support as a key reason for their community involvement program and their social responsibility policies. It is highly likely, however, that more companies will move in this direction over the next few years.

An example of connecting community involvement and corporate citizenship commitments with employee support comes from *Ford Australia*. Indeed their rationale is part of the *Ford Motor Company's* global strategy to transform their company 'from a leading global manufacturer to being a leading consumer company'.[4] Taking seriously the employees' personal interests, valuing open and honest communication are some of the commitments made globally to support the 'employee stakeholder'.

Ford Australia links community involvement with employee development

Ford Australia considers its corporate citizenship strategy as part of building strategic competitive advantage through employee development. This is unlike most other companies where the area is seen more as part of an external relations program. *Ford* is aiming for employee attributes such as: personal growth, appreciation of 'self', awareness of customer diversity, support for broadening business opportunities and employees being the 'voice' of the company. Box 5.2 quotes the *Ford Australia* President and illustrates *Ford*'s approach.

The programs conducted by *Ford Australia* are guided by a *Community Affairs Committee* which comprises a cross section of the employee base, including retirees. The programs are varied but mostly focussed on the local areas where the company operates. Employees help choose which community groups participate in the process. Employees receive information on the community programs through a community affairs monthly newsletter. Some of the programs conducted over the past couple of years are listed in the Case Study below (Case Study 5.1).

Lend Lease Corporation is an international financial services and real estate business which also integrates a long term concern for meeting community expectations with employee development priorities.

BOX 5.2 **FORD'S APPROACH**

"To us, (corporate citizenship) is more than just philanthropy…it is a social vision which encompasses all areas of education, corporate contribution, health and safety, community service, corporate conduct, environment and ethnic diversity. But mostly, it is about PEOPLE. We always talk about our people being the face of our organisations. If we are to be leaders as corporate citizens, then this can only be achieved through our people as representatives of the company.'

'Our approach to corporate citizenship is about providing the resources and means for OUR PEOPLE, as representatives of Ford, to put something back into the community. Through our people (who number some 6,000 employees in Australia), we can come closer to the rest of the community. This not only affects Ford's corporate citizenship profile, but has the important benefits of realising growth opportunities for our employees and reinforcing their own self-worth. It also ensures that they are more aware of just who our customers are."

Source: Address by Geoff Polities, President of Ford Australia, to Australian Institute of Company Directors, 6 May 1999.

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4   *Ford Cares, A Report on Corporate Citizenship*, Ford Motor Company, Michigan, 1999.

Ford Australia: community involvement and employees

Examples of Ford Australia's community involvement initiatives in which employees participate are:

- Providing charities with business planning and computer expertise and equipment.
- Sponsoring the inaugural "Youth at Risk" conference at the Melbourne Town Hall and Inaugural Youth At Risk program in Broadmeadows and Geelong in 1999 where over 70 youths were mentored by a Ford employee for three months. Also mentors provided for the University of Melbourne's Young Achievement Australian Program.
- Support for community awards such as the Ford One Planet Environment Awards and the Victoria Multicultural Workplace Award.
- An employee contribution scheme that allows employees to donate a percentage of their salaries to support five charities, encompassing the environment and community service.
- Building on "Youth at Risk" initiative, employee resources and mentoring were available to a group of 30 – 50 youths at risk for two, 5-day personal development courses.

Source: Consultations

Lend Lease's recognises the important role employees play in the company's relationships with the community. Putting employees at the front line of those relationships can make Lend Lease an employer of choice for community minded employees

Employees are the largest shareholder in *Lend Lease*, holding 14 per cent of issued capital in 1999, reinforcing the view of employees as the '*soul of the company*' whose '*talents and dedication … have always been our competitive advantage.*' Through a variety of vehicles, *Lend Lease* embodies this attitude and the company diligently pursues employee involvement, particularly employee contribution to strategic and operational thinking (Case Study 5.2).

The *Core Values and Beliefs* of the company include a respect for '*the needs and aspirations of all with whom we…have a relationship.*' The beliefs are connected to the notion of being '*an employer of choice*' and the importance of '*the rights and responsibilities of employees to contribute ideas through collaborative teamwork.*'[5]

Lend Lease: foundation for employee benefit

"Everyone benefits when Lend Lease is the employer of choice."

The *Lend Lease Foundation,* operating as a business unit in the company, is seen as the group's '*voice of the people.*' The Foundation is self-funding through the dividends from Lend Lease shares held in employee benefit vehicles. It aims to facilitate the development of all employees as 'well rounded team players who understand their businesses, their communities … and how to bring out the best in themselves as individuals and as family members.' This is founded on the belief that 'highly motivated, passionate and caring employees are one of the greatest assets of our business.'

Lend Lease aims to be 'the employer of choice' and that comes about through reputation that is spread by word of mouth. 'We want our workplace to be seen as a rewarding place to be.'

Source: Consultations

5   All quotes in italics were taken from Lend Lease Corporation, *1999 Report to Shareholders*, p 16.

A Director of *Lend Lease* explained the rationale for linking employees' attitudes and involvement with citizenship and community involvement:

'Our community activities are us, that is they sustain our values and ethics – the world is moving in that direction and we must keep up.'

'The benefits cannot be measured in detail…trying to measure outcomes might even be for the wrong reasons. It's deeper than that and more about our responsibility to look after our employees in every way we can.'

'That doesn't mean that there are not criteria for "worthwhileness" in the community oriented activities. Benefits may be seen in the bottom line but in a five year time frame and that would be because the activities are a reflection of what the employees value.'

Director, Lend Lease (Consultations)

The Body Shop is a further example where employee understanding and support for the community involvement and social stance of the company is a core driver of programs. *The Body Shop* is a global retailer of personal care products and the Australian company is a privately owned affiliate employing about 1000 permanent staff as well as casual employees.

The underlying motive behind *The Body Shop's* Corporate Community Involvement activities is the company mission of *'profit with principles.'* This philosophy is expressed through securing the deep support and commitment of employees through tirelessly working to '*narrow the gap between principle and profit, whilst making fun passion and care part of our daily lives.'*

The Body Shop meshes the core values of the company with core values of employees

These core values exemplify those held by employees: human and civil rights; individual and community wellbeing; animal protection; and environmental care and protection. The benefits of operating with such principles are seen as increased staff productivity due to higher motivation, and the attraction of staff with similar values and long term sustainability of the business.

Like companies who elevate the benefits of meeting employees' social expectations to a place in the company's strategy for people and productivity, *The Body Shop* integrates the 'celebration of people' with its community involvement approach. As the founder Anita Roddick said, '*we were searching for employees but people turned up instead'.*

BP Australia is also looking at ways to meet employees social expectations

A major resource company, *BP Australia,* is also developing approaches to understand and meet employees' social expectations. Initiatives to *'tap into employees values'* acknowledge that employees are part of the community and help balance the complex web of relationships in which the company operates. This is more than a one way process. A company's reputation and sustainability depends to a large degree on how employees take their experience of the workplace '*back into the community.'*

The oil and gas industry is experiencing a complex and rapid rate of change and globally *BP Amoco* is reshaping many aspects of its structure and focus to meet these challenges. Meeting the expectations of the community has become a core business strategy and Sir John Brown, the Chief Executive Officer, *BP Amoco plc* views *'internal expectations'* as a highly influential driver for corporate social responsibility.[6] Firstly, companies compete for *'some of the brightest and best minds in the world'* and these people can choose where they work. Companies need to recognise that,

6   Sir John Brown, Chief Executive Officer, BP Amoco plc, *Corporate Citizenship*, an address Chatham House, London 8th November 1999.

BP Amoco: listening to employees

Tackling the issue of climate change, *BP Amoco* believes it has tapped into the aspirations of employees and their families, particularly those younger members who will make up the employees of the company into 2000 and beyond. Globally, the company has sought the views of employees on how to reduce emissions of carbon dioxide by 2010 and employees have overwhelmingly supported the approach.

While these instances of citizenship are somewhat broader than the community involvement focus of this study, they are intrinsically connected. The belief that meeting employees' social expectations and seeking their involvement in solutions to social problems is now one of the 'revolutionary factors' in company management in *BP Amoco* in gaining 'the next competitive edge.

Source: Sir John Brown, Chief Executive Officer, BP Amoco plc, *The Next Competitive Edge,* an address George Washington University, 20th October, 1999.

while people want opportunities and *'good money'* they also want *'to contribute to the progress of society.'*

Secondly, understanding social values and expectations and using employee input as part of this process has become a core strategy for sustainability (Case Study 5.3).

'Companies have become a form of quasi democracy in which the views of people within the company have a significant influence on the way we work and on what we do… and this is a radical change. A change which shapes our view of citizenship.'

Chief Executive Officer, BP Amoco (Consultations)

Shell Australia treats the social concerns of employees as it does the social concerns of the community and government…

Shell Australia is another example of a global company that is blending its focus on meeting community and social expectations with the expectations of their employees. The 1998 Shell Report, *Profits and Principles, Does There have to be a Choice?* was a landmark corporate commitment to the *'triple bottom line'* – accountability to financial, environmental and social performance. *Shell* employees, alongside community and government stakeholders, are a central 'stakeholder' in this commitment and their voice is now an integral part of how the company moves forward to meet community expectations.

As a *Shell Australia* representative explained,

'employees are part of the solution; employees have said we want our own forums…if they are not provided we will do it ourselves.'

… employees are invited to attend stakeholder forums to articulate those concerns themselves and to hear community and government express their concerns

Shell Australia involved employees in Stakeholder Forums as part of a program to promote awareness of these principles and engage directly with local communities and non-government organisations (Case Study 5.4). Including employees directly in community and stakeholder dialogue that focuses on listening and engaging is an intrinsic part of the more open and frank communication adopted by *Shell*.

Westpac places employee involvement at the heart of their commitment to their community involvement activities. This is driven by a belief that not only is a company obliged to contribute to '*community cohesiveness*' and '*community development*' but that involving employees at all levels in the company is a way to bring community values back into the organisation. Community involvement impacts on

Shell Australia: employees and stakeholder dialogue

In meeting employees' desire for more direct involvement with stakeholders, Shell Australia has embarked on biannual formal stakeholder forums. These include around fifty participants, half of which is a cross section of Shell employees. The forum is held over two days and is structured to listen and engage with stakeholders on their needs and impressions of the company.

The forum in 1998 was convened for Shell by Amnesty International and the Ethical Enterprise Network.

Source: Consultations

the corporation's vision, values and operations. Central to this is that in *Westpac's view, community involvement needs to 'engage staff at all levels…it is part of the culture…driven by vision and values.'*

Westpac believes encouraging employee involvement helps to bring community values into the organisation

The programs that flow from this underlying approach are necessarily diverse – listening to employees means just that and it is then incumbent on the organisation to engage as widely as is feasible in delivering on the expressed views of their employees. In this way, employee driven community involvement programs probably run counter to the trends in other organisation where the tendency is to narrow rather than broaden the coverage (Case Study 5.5).

Westpac: program driven by staff

The direction – and to a certain extent the amount – of Westpac's support and involvement of the community is decided by staff members at all levels. This decentralised staff driven process means that Westpac's charitable giving program is the most diverse in Australia with over 260 organisations benefiting from such support. A rough breakdown of the areas to which these funds go is outlined in the table below.

Area	Funds Donated (%)
Children's charities	27
Hospital/medical research	25
Disability	19
Community welfare	12
Homelessness	10
Emergency Services	6

The critical success factors for Westpac community involvement program are that it is:
- Staff driven;
- Based on philosophy of engagement ; and
- Integral to business strategy – as integral as marketing strategy (ie healthy thriving).

Source: Consultations

Models of Employee Involvement Initiatives

Employees as Community Volunteers

In the United States, around 90 per cent of large companies encourage their employees to become involved in community volunteer activities.[7] Evidence suggests that this practice is continuing to grow in complexity and coverage.[8] It is more or less taken for granted that community involvement strategies will include employee voluntarism as a major component and key performance indicators will invariably include numbers of employee volunteers.

Volunteer practice is more widespread in the United States…

The practices in the United States are varied and include social welfare activities such as rebuilding poor housing in plant neighbourhoods, operating support programs for homeless people in dense urban environments, and mentoring unemployed young people. Volunteer programs also are conducted for education such as training primary teachers in science education or for use of information technology. There are programs for improving the environment, such as clean up activities, and for providing management assistance for local institutions.

Volunteer activities may be conducted in company time but they may also be conducted in the employees' own time on weekends or evenings but be co–ordinated by the company and considered as part of the overall corporate volunteer effort. Indeed many employees expect a responsible company to offer this opportunity for their direct community involvement.

In Australia, we do not have the equivalent experience of businesses routinely establishing employee volunteer programs. There have been many instances of company support for occasional one-off events such as volunteer efforts in fund raising for the big charities or for disaster relief but they are not structured into core business activities. Perhaps, similar to management practices in the United Kingdom, Australian business has not seen intervention to solve community problems as part of its mainstream ethos and purpose.[9] Also, Australians, as individuals, may not attach the same weight to personal involvement in 'nation building' as occurs in the American culture.

… but the evidence in Australia is that voluntarism is increasing

This might explain the past but evidence from this study is that views are changing. Not only are positive employee attitudes to a company's community involvement valued but some employees and managers find value in facilitating employee voluntarism and a number of companies are well advanced in conducting volunteer programs.

Lend Lease's Community Day is an example of an Australian company encouraging employees to provide services to community organisations during work hour

As part of the suite of programs for community involvement, *Lend Lease Corporation* has a component that aims 'to encourage employee involvement outside the workplace'. The company has instituted a Community Day, which encourages a sense of the value of teams and provides opportunities for employees – and future leaders – to break down barriers with those with whom they might never engage – such as the homeless (Case Study 5.6). The choice of community activity is screened to ensure it is of tangible assistance to the target group and that they have the capability to make use of the assistance. This therefore requires a level of infra-

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7   The Points of Light Foundation, *Learning from Leaders*, Washington DC, 1993.

8   Korngold A, and Voudouris EH, 'Corporate Voluntarism', in *Corporate Philanthropy*, Eds Burlingham D, and Young D, Indiana University Press, 1994.

9   Harvey B, Smith S and Wilkinson B, *Managers and Corporate Social Responsibility*, The Macmillian Press Limited, London, 1984.

Lend Lease: community day

The core activity related to community involvement is the 'Lend Lease Community Day' – a global annual day where employees from all parts of the company and in all countries are encouraged to take a day out of the office to help with community projects. It has been operating since 1996 and now has around 70% employee involvement.

Conditions of involvement are that: it is team based and generated on work teams involving at least three people in an activity; the activity requires employ-ees to be physically present and to use skills that they have; and that the activity matches the expectations of the charity nominated. The involvement does not involve fund raising. The key test is that 'you feel you have made a difference'. The concept is that the activity adds value to the work of a community group.

Themes that are evident over the years have been a focus on the elderly, the environment and children and youth.

Source: Consultations

structure to facilitate the volunteers' activity. Also, as the program aims to 'make a difference to the community' support is directed to those groups who also have that as their goal.

Another initiative by *Lend Lease*, in partnership with Sydney City Mission, involved 100 *Lend Lease* volunteers doing repairs, repainting, cleaning dams, carpentry, landscaping and other maintenance work. This initiative won the inaugural *Prime Minister's National Award for Excellence in Business and Community Partnerships.*

The Body Shop encourages staff to volunteer up to 16 hours of work time to work with the community

The Body Shop is another company that has embraced the notion of employee volunteers and this program operates globally. *Community Projects* is a program that encourages all permanent and part-time staff to volunteer up to 16 hours of their paid work time assisting local communities (Case Study 5.7). This is stated in employees' employment contracts. In 1998, over 6000 hours were dedicated to local communities around Australia and New Zealand in a range of projects including for-

The Body Shop: community projects

Under the *Community Projects* program, staff, either individually or as part of their work team, choose a community involvement activity that they are personally interested in (or are currently involved with outside work hours) within the context of *The Body Shop's* four core values.

Managers and staff then work together to ensure that this community commitment is achievable.

Management of the program is essentially a staff driven, decentralised structure. Staff choose the community program they wish to be involved in, with a focus on their local communities.

These activities undertaken and the outcomes of the program are reported through various publicly available documents including an Active Citizenship Information Sheet, and a Social Audit Report.

The success of the program is largely due to *The Body Shop's* staff and the corporate mission sharing the same values.

Source: Consultations

est regeneration, assisting in rural animal welfare shelters and literacy programs for Aboriginal schools.

The core element of the employee driven *Westpac* community program involves the direct involvement of their employees in community support activities. As well as allowing staff to feel positive about the community contribution that the company is making, volunteering is one of the strategies to encourage their people to balance work and family (Case Study 5.8).

Donations Schemes

Matching Gift Schemes

Matching gift schemes engage employees in a company's community involvement program by matching contributions made voluntarily by employees. This is in fact a conventional approach that has been followed by companies over a considerable number of years – it is by no means a new strategy. Companies have regularly encouraged employees to support disaster relief, major fund raising campaigns by the not–for–profit sector and the major charities. Companies have frequently provided a matching dollar for dollar scheme.

Matching gift schemes are a common form of the company supporting employee community activities

This strategy is now seen by the sort of companies featured in this discussion as a relatively simple and effective mechanism to involve employees in the company's community orientation. Moreover, employees report that they welcome the company taking this initiative and they value being asked to contribute (Case Study 5.9).

One major resource company reported that their employee donation initiative was in fact the community involvement program that their employees and management most easily recalled and valued rather than recalling the suite of well funded partnerships and sponsorship geared to external community needs. Facilitating

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CASE STUDY 5.8

Westpac: corporate staff volunteering

At its core, the community involvement program is built around staff volunteering. Through *Community 2000,* over one third of *Westpac* staff are actively involved in their local community as volunteers.

Also, through *Operation Backyard, Westpac* staff can apply for funding for environmental initiatives they are involved in as volunteers.

Westpac encourages and rewards volunteering via:

- paid time off work for volunteering activities;
- flexible working hours that assist people to structure their work time to accommodate their volunteering;
- rewards and incentives such as Volunteering track record is the primary factor in choosing *Westpac*'s Olympic volunteers; and
- Managing Director's Awards for Community Service Excellence where winning employees receive prizes in the form of a donation to the organisation they have been working with.

Features of *Community 2000* are that it involves staff:

- at all levels throughout the organisation;
- as individuals in the context of their work and family life; and
- as teams of people in business units.

Source: Consultations

Westpac: employee and company dollar contributions

Westpac *Matching Gift* is a program which supports the generosity of staff by matching dollar for dollar their contributions to any tax deductible charity of their choice. Staff may contribute to the tax-deductible charity of their choice through regular payroll deductions or one-off donations, or through team-based internal fund raising. Westpac matches these contributions up to a limit of $5,000 per person per year. However, there is no limit to how much Westpac will match for team-based fund raising.

'In short, this is another means for us to congratulate and celebrate our staff and their community involvement.'

Source: Consultations

employees' own donations and matching that contribution with company contributions meets a range of community involvement objectives.

Employee Donations

Some companies have established payroll deduction schemes to support charities, usually at the instigation of the employees themselves

Some companies encourage and support donations to charity by employees by implementing payroll deduction schemes. Deductions from company payroll are either directly sent to the charity or a company fund for future allocation, but in most cases, employees are consulted prior to the allocation of the funds. Often the company will provide a newsletter or regular feedback to the employees on the activities funded. Employee donation schemes can become a launch pad for other employee driven programs.

Smorgon Steel operates such a scheme, where employees in *Smorgon's* steelworks in the western suburbs of Melbourne have chosen to support the needs of local children. In particular, this support has been in the form of financial support to assist struggling families with expenses incurred from children's schooling (Case Study 5.10).

Management and Employee Development

Skill development is a core objective for some employee schemes...

While a number of the programs described above may also have the benefit of assisting in staff or management skill development, a number of programs are structured explicitly for this outcome. These programs usually provide opportunities for

Smorgon Steel: support our kids

Smorgon Steel operates an employee pay deduction scheme where funds are allocated to a central fund to be distributed to charity. The charities are chosen by the line workers who make the contributions. They have identified troubled and disadvantaged children in the Western Suburbs of Melbourne, the local community surrounding Smorgon's steelworks, as worthy recipients of these funds. As a result, "back to school" programs which help to supply clothing and school items are the main target of funds.

The funds are allocated under a program called Support our Kids (SOK). This program now includes other company sponsored initiatives, such as an employment program for street kids that was run several years ago and which has had some success in retaining participants in employment.

Source: Consultations

employees and managers to be engaged in tasks and environments that differ significantly from their routine environments and in the ways they are normally expected to interact with people.

Outcomes might include enhanced leadership skills and employee teamwork. More significantly for some, opportunities to engage in communication with groups outside the conventional business milieu have benefits in broadening managers social and community awareness, particularly awareness of the perspective and needs of disadvantaged groups. *Freehill Hollingdale and Page (FHP)* conduct a *pro bono* scheme where solicitors from each *FHP* office volunteer for *pro bono* activities, or are secondees to a variety of organisations and institutions.

A major initiative involved the firm, in conjunction with Mission Australia, is establishing The Shop Front Legal Centre to assist homeless and disadvantaged young people in the inner city to resolve their legal problems in a non threatening and supportive environment (Case Study 5.11). Another initiative in the *pro bono* program supported by *FHP* is a community legal centre operated by the Law Faculty of the University of NSW. The Centre aims to promote excellence in legal education while fostering a critical analysis of the legal system (Case Study 5.12).

These and other *pro bono* initiatives are constructed for the twin benefits of conducting activities 'for the public good' and for encouraging the spirit of volunteering and the broad social awareness and development of the employees.

CASE STUDY 5.11

Freehill Hollingdale and Page: pro bono services

Freehill Hollingdale and Page's *pro bono* work refers to free legal and related services to individuals, corporations or public interest groups who promote the public good or require assistance with matters that are related to the public good.

The firm considers it important to distinguish between motives and benefits of *pro bono* work. The main motive (driving force) is the firm's concern for the community (ie the genuine desire to provide selected recipients with free and open legal services); however they also recognise that commercial benefits are derived from (but do not drive) pro bono work, including:
- improved culture within the firm;
- ability to attract and maintain staff;
- stronger client loyalty; and
- improved profile in the legal and commercial community.

In the early 1990s a formal *pro bono* plan was established. Under this program services must be related to matters for the public good – the program is operated independently from the marketing program. Pro bono services are provided under two categories:
- approved pro bono clients (organisations) for whom a range or all legal work is done on a pro bono basis (generally long term relationships/partnerships); and
- legal work provided to individuals or organisations for a specific matter (generally shorter term relationships/partnerships).

The programs and clients vary across the Melbourne, Sydney, Perth and other offices reflecting the variation in each offices response to the individual needs of the community.

Source: Consultations

Freehill Hollingdale and Page: employee development

Working at the Kingsford Experience at the Law Faculty of the University of NSW has delivered both personal and professional benefits to *FHP* staff. Following is feedback from one staff member.

"I would highly recommend a secondment to the Centre to any solicitor considering involvement in *pro bono* activity. The time I have spent there has been enjoyable and valuable, providing me with the opportunity to implement and hone skills acquired at Freehills in a completely different legal environment – and the staff are fantastic.

At the Centre I have experienced:

- daily contact with clients in relation to a large variety of legal problems;
- personal satisfaction gained from advising and representing clients who could not otherwise afford urgent legal advice or assistance;
- running a number of contentious matters;
- supervising, instructing and working with students on matters;
- briefing and instructing counsel;
- court and tribunal appearances; and
- directly negotiating outcomes of disputes with other parties (including General Counsel of major institutions)."

Source: Consultations

CHAPTER 6
Assessing the Benefits

SNAPSHOT

While few large Australian companies are using accomplished measurement techniques, there is a broad interest in understanding and adopting appropriate measures.

The key reasons for measuring community involvement are:

- to be accountable to shareholders and other stakeholders;
- to measure and manage reputation;
- to manage community involvement programs; and
- to manage issues.

Companies are measuring community involvement activities in a variety of ways and at various levels of sophistication. Community involvement objectives (such as to improve employee morale or simply 'to give back to the community') determine, to some extent, the assessment techniques adopted and whether the results are reported widely or used for internal management purposes only.

There is a small but growing number of Australian companies (generally multinationals) using the holistic triple bottom line approach to measure and monitor community involvement activities. Effective use of this approach tends to engage stakeholders in the evaluation process.

An emerging trend is the use of new reputation measurement techniques and audits to assess the impact that community involvement activities have on corporate reputations. There are, however, varying degrees to which companies both map the impact of community involvement on reputation, and respond strategically in the light of such information.

There is increasing interest in developing standardised measurement techniques that facilitate comparisons, between companies, of similar programs with similar objectives.

Several common 'best practice' features spanning the diversity of measurement approaches include:

- set measurable objectives to evaluate the impact on the community;
- set measurable objectives to evaluate the benefits to business perspective;
- seek as many stakeholder views as possible in the evaluation process;
- feed evaluation results back into program objectives, management, and delivery; and
- communicate relevant evaluation results to all stakeholders.

Introduction

The value of community involvement can be measured in a variety of ways. This study found that while few large companies are using accomplished measurement techniques to evaluate their programs, many are interested in adopting appropriate measures. Currently, some companies choose to measure individual community involvement initiatives for internal management purposes only, while others are using social audits as part of triple bottom line, reporting and communicating the results widely to both internal and external stakeholders.

There is increasing use of new reputation techniques

An emerging trend in Australia is the use of new reputation measurement techniques and audits to assess the impact community involvement activities have on corporate reputations.

Companies in the USA, Canada, UK and Europe are ahead of Australia in measurement approaches. Hence, it is not surprising to find that many of the new and innovative measurement techniques are being introduced to Australia through multinational companies.

There is an increasing interest in standardising measurements of community involvement worldwide. Several leading Australian companies are adopting standardised measures enabling them to analyse their community involvement performance over time and compare it with other companies conducting similar programs.

Why Assess Community Involvement Programs?

There are four possible reasons why companies are interested in assessing the benefits of corporate community involvement:[1]

- *Accountability:* Public companies are accountable to their shareholders. Evaluating community involvement activities and assessing the benefits to both the company and the community is of growing interest to many stakeholders (investors, customers, employees etc).
- *Performance improvements:* Assessing the progress and outcomes of community involvement programs helps to improve the management, delivery and focus of community involvement. By regularly reviewing and evaluating programs, companies aim to maximise their efficiency (use of resources) and effectiveness (the worth of the program as a whole to the community and the company) to deliver the 'best–bang–for–the–buck'.
- *Reputation:* Measuring and reporting on social, economic and environmental performance is an important process in managing corporate reputation and stakeholder relations. New reputation measures reveal the impact that community involvement activities have on corporate reputations.
- *Issues management:* Feedback on community involvement activities is a useful tool for understanding and anticipating stakeholder issues. Companies need to be aware of their environment, the views of their stakeholders, and how best to influence stakeholder views.

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1   Zadek D. Pruzen P. and Evans R. (1997), *Building Corporate Accountability: Emerging Practices in Social and Ethical Accounting, Auditing and Reporting*, Earthscan Publications Ltd, London.

Ways of Assessing

The three main approaches that large Australian companies are choosing to measure and report their community involvement activities include: program evaluation; triple bottom line reporting; and reputation mapping. Although these evaluation methods are not mutually exclusive, they are individually described to highlight certain attributes and characteristics.

Program Evaluation

A simple but effective way of evaluating community involvement is to measure the efficiency and effectiveness of individual community involvement programs. This involves evaluating the extent to which the objectives of a particular program are met. A range of techniques used by Australian companies include:

- community and stakeholder attitudinal surveys;
- equivalent advertising values (ie, the equivalent advertising cost of positive press coverage);
- employee participation rates;
- staff morale surveys; and
- image and reputation tracking of corporate community involvement.

Most of these measurement techniques are well understood and commonly used.

Choosing Appropriate Measures for Stated Objectives

Assessment techniques are selected to most effectively measure community involvement objectives

Companies tend to use evaluation techniques that are best suited for measuring the objectives underpinning their particular community involvement program. For example, as outlined in Chapter Two, many companies consider 'improving employee morale' to be an important motive for community involvement, and these companies tend to use staff morale surveys and participation rates to measure the effectiveness of their programs (for example, *Westpac* and *The Body Shop*). Alternatively, for companies that are involved with their communities for reasons including building community trust and support, community attitudinal surveys are often the tool used to measure the program's success (for example, *Western Power Corp.* and *Alcoa*).

Another motive driving community involvement activities is to 'give–back–to–the community'. Many companies with this motive are of the view that evaluation – but more particularly public reporting – is not necessarily required.

> *At Lend Lease we aim to develop a sustained care for the community. The impact on employees who participate in programs is very significant. The benefit to Lend Lease as an organisation is immeasurable.*
>
> Executive, Lend Lease (Consultations)

A recent study involving 23 Australian companies identified a variety of measures currently used to evaluate the business benefits of community involvement in the area of culture and the arts.[2] In total, eleven benefits associated with cultural investment were identified. These benefits were grouped into three broad categories: corporate legitimacy; market benefits; and organisational benefits. Although this study

2   Australian Foundation for Culture and the Humanities and Arthur Andersen (1999), *The Business Case for Cultural Investment Guide.*

focussed on cultural investment, many of these measures could be applied more broadly to community involvement initiatives (Box 6.1).

Esso Australia is an example of a company that both defines the objectives for community involvement and measures the results within the framework set by those objectives. *Esso* sponsors occasional exhibitions with Galleries such as the National Gallery of Australia. The key objectives driving this strategic sponsorship specifically relate to potential business benefits, and include building corporate public awareness and improving relationships with key stakeholders. Stating clear objectives up–front enables *Esso* to evaluate the extent to which the sponsorship arrangement has met its objectives (Case Study 6.1).

BP Amoco also evaluates and reports on the effectiveness of specific community involvement programs. The focus and objectives of many of *BP Amoco's* programs are stated and reported in terms of intended benefits to the community (Case Study 6.2).

Development of Common Assessment Tools

Despite the many variations in community involvement programs, companies are still interested in how much they contribute in total compared to others. Benchmarking these activities against other companies is of growing interest to companies worldwide. This kind of benchmarking, benchmarking is not necessarily about developing 'best practice' models as base comparisons. There is no right level of community contribution. Nor is there one correct way to measure community involvement initiatives. Even if companies have similar community involvement initiatives, they may have different objectives and motives and hence their performance measures or benchmarks will have a different focus. Benchmarking community

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BOX 6.1 MEASURES FOR ASSESSING THE BENEFITS OF CULTURAL INVESTMENTS

Perceived Benefits	Performance Measures
CORPORATE LEGITIMACY	
• **Licence to operate**	Stakeholder support polls
	Available investment opportunities
	Cost reductions (penalties, lawsuits, boycotts)
• **Corporate image**	Corporate image studies
	Brand valuation
	Media analysis (tone and volume)
• **Access to funds**	Fund manager review (gauge for company stock)
	Risk rating
	Premium paid on borrowing
MARKET	
• **Direct sales**	Sales volume
	Incremental sales contribution
• **Brand awareness**	Market share
	Customer surveys: product awareness; trial and repurchase rates; and new customer sales
• **Customer retention**	Customer lifetime value
	Customer turnover
	Repurchase rate
• **Price premium**	Realised price
	Margin
ORGANISATIONAL	
• **Productivity**	Employee performance evaluation
	Intellectual capital value
	New product development rate
	Absenteeism rate
• **Recruitment and retention**	Employee turnover
	Length of service
• **Networking**	Business generated
	Network relationship mapping
• **Organisational culture**	Employee climate surveys: morale and satisfaction

Source: Australian Foundation for Culture and the Humanities and Arthur Andersen (1999), *The Business Case for Cultural Investment Guide*

Esso Australia: measurement of sponsorship/partnership objectives

Esso sponsored and worked with the National Gallery of Australia to present an exhibition of over one hundred Australian and American landscape paintings from 60 of the best 19th century artists. The exhibition, titled 'New Worlds from Old', was viewed in Canberra and Melbourne in 1998.

Esso's Objectives	Measurements
Secure naming rights and associated high level recognition	Exposure in newspapers and television, nationally and internationally
	Public awareness of Esso's sponsorship of the exhibition (94 per cent of visitors identified Esso as the major sponsor)
	Number of Esso brochures distributed (10,000 copies mailed out; 8,000 copies distributed at viewings)
Enhance communication with government, business, media and community	Attendance rates at the exhibition VIP guest attendance at Esso functions and their satisfaction/responses
Promote company as good corporate citizen to employees and future employees	Employee attendance at Esso functions and their satisfaction/responses
Enhance long term commitment to the Arts	Various qualitative feedback and responses
Build on the long–term sponsorship partnership with the National Gallery of Australia	Monitoring of media reports on arts sponsorship that mentions Esso
Enhance corporate reputation in the community and build a trust bank of goodwill	

Source: Consultations

BP Amoco: community involvement measurements

A community involvement program conducted in Colombia involved providing a complete water treatment and distribution system. The following indicators were used measure the impact on the community:

- clean water availability extended from 50% to 100% of community
- water clarity improved by a factor of more than three
- water purity – presence of coliformes reduced to zero
- local hospital consultations for stomach illness down by 80%

A community involvement program conducted in Singapore involved mentoring 3,000 schoolchildren. A student survey was used to evaluate the programs impact on the community. The performance measures included:

- improved confidence 96%
- more attentive in class 87%
- improved class results 91%
- would like to continue studies 84%

Source: BP Amoco in the Community 1998

involvement is more about establishing a common framework, which will help companies to compare apparently similar programs in order to learn how to become more efficient and effective in managing and delivering such programs.

Development of Common Assessment Tools

Despite the many variations in community involvement programs, companies are still interested in how much they contribute in total compared to others. Benchmarking these activities against other companies is of growing interest to companies worldwide. This kind of benchmarking, benchmarking is not necessarily about developing 'best practice' models as base comparisons. There is no right level of community contribution. Nor is there one correct way to measure community involvement initiatives. Even if companies have similar community involvement initiatives, they may have different objectives and motives and hence their performance measures or benchmarks will have a different focus. Benchmarking community involvement is more about establishing a common framework, which will help companies to compare apparently similar programs in order to learn how to become more efficient and effective in managing and delivering such programs.

There is increasing interest in establishing a common framework for evaluating and comparing community involvement activities across different companies

The London Benchmarking Group has developed an evaluation framework using consistent definitions and performance indicators, which permits benchmarking. The framework is based on three key principles:

- careful costing of all the main inputs into the community (in–kind, cash and time – including administration costs);
- mapping and measuring the consequent outputs (leverage, community benefit, business benefit); and
- assessing the impacts of the different aspects, or indeed the whole community program, over various time scales.

The key attribute of the London Benchmarking Group Model (LBGM) is that it provides both a structure to define and analyse components of community involvement, and detailed explanations of how to measure inputs, outputs and outcomes (Figure 6.1). Companies using this consistent approach can have some confidence in comparisons of their respective performances.

Part of the LBGM process for developing benchmarks involves plotting the input

FIGURE 6.1 **LONDON BENCHMARKING GROUP COMMUNITY INVOLVEMENT MODEL**

Charity — Intermittent support to a wide range of good causes in response to the needs and appeals of charitable and community organisations, increasingly through partnerships between the company, its employees, customers and suppliers

Community Investment — Long-term strategic involvement in community partnerships to address a limited range of social issues chosen by the company in order to protect its long-term corporate interests and to enhance its reputation

Commercial Initiatives — Activities in the community, usually by commercial departments, to support directly the success of the company, promoting its corporate brand identities and other policies, in partnership with charities and community-based organisations

Business Basics — The core business activities in meeting society's needs for cost-effective goods and services in a manner which is ethically, socially and environmentally responsive

Source: D. Zadek, P. Pruzen and R. Evans (1997), *Building Corporate Accountability: Emerging Practices in Social and Ethical Accounting, Auditing and Reporting,* Earthscan Publications Ltd, London.

costs of contributing to the community and their associated outputs on a matrix (Box 6.2). Box 6.2 is not comprehensive, but provides a useful framework for defining and measuring individual and aggregated community involvement programs – and in turn allows measurement in line with that presented in Figure 6.1.

This is a popular and practical approach that has been adopted by companies worldwide for measuring and reporting on their community involvement activities. The consistent and measurable definitions are not only important for comparing companies but the approach enables multinational companies, such as *BP Amoco*, to aggregate regional initiatives and report community involvement activities at a global level (Case Study 6.3). For example, in 1998, *BP Amoco* reported several community involvement measures at the global level:

- total community expenditure ($64.9 million – representing 1.5 per cent of pre-tax profit);
- number of employees working full–time in community affairs (130);
- number of programs and partner organizations (2000 plus); and
- number of people worldwide affected by programs (40 million plus).[3]

BP Amoco: community involvement activity

26%	Charitable initiatives – responding to appeals and needs of the community
45%	Community investment – sustained involvement in issues of mutual importance to the company and the community
29%	Commercial initiatives – partnerships promoting the commercial and reputational aims of the company

Source: *BP Amoco in the Community* 1998

BOX 6.2 **TOOL BOX FOR MEASURING COMMUNITY INVOLVEMENT**

Community involvement activity	Inputs	Output measures		
		Leverage	Community benefit	Business benefit
Charity (eg, donations, employee matched giving) **Community investment** (eg, supplier development, secondments) **Commercial initiatives** (eg, sponsorship, cause–related marketing)	**Cash, time and in–kind** Use a standard approach to calculate a monetary value of time and in–kind support.(eg use 'cost to the company' – as opposed to some other measures such as 'retail value')	**Additional resources attracted to an activity/project** (eg, extra funds generated by cause related marketing initiatives)	**Direct impact on the community** (eg, measures include both the number of people that benefit and how they benefit)	**Direct business benefits** (eg, measures include: reputations, public awareness, access to markets etc.)

Source: adapted from D. Logan, D. Roy, and L. Regelbrugge (1997) *Global Corporate Citizenship – Rationale and Strategies,* The Hitachi Foundation, Washington D.C.

3   *BP Amoco in the Community 1998*

Unilever: worldwide survey of community involvement

The survey clearly defined community involvement as comprising three elements: charitable donations, social investment, and commercial initiatives in the community (in line with the London Benchmarking Group Model).

The data to be included in each element were clearly identified and described. The short survey included six sections.

Section 1: Company details.

Section 2: Dollar contribution to community involvement (both cash and in–kind) broken down into charitable donations; social investment; and commercial initiatives.

Section 3: Dollar contribution by areas of interest (education, environment, health, economic development, arts and culture).

Section 4: Centralised versus decentralised strategies and focus.

Section 5: Project description including details on partner organisations, the business and community objectives, cost, employee participation, and number of people benefiting from the program.

Section 6: anticipated future trends and social pressures.

Source: Consultations

Many companies are planning to, or are in the early stages of adopting the LBGM for measuring their community involvement activity. Recently, *Unilever* has been conducting worldwide surveys of its community involvement activities. The results have been made publicly available for the first time this year. The survey focussed on addressing several dimensions of community involvement activities including dollar contributions, the types and objectives of programs, and anticipated future trends and pressures (Case Study 6.4).

BOX 6.3 **ASPECTS OF COMMUNITY INVOLVEMENT TO BE MEASURED**

Standards of excellence (benchmarks)	Possible performance indicators
Community involvement strategy /policy	• synergy between the community involvement strategy and the business strategy • stakeholder views accounted for in the community involvement strategy • community involvement policies/programs defined in terms of corporate and stakeholder objectives
Employee engagement and involvement	• cross–functional participation in the community involvement strategy • design of community involvement programs to maximise employee involve-ment and engagement with the community
Adequate resources for effective management	• responsibility of community involvement activities treated as a priority activity • community involvement staff access to professional training
Communication strategy	• assignment of community involvement communication responsibility • pro–active, frequent and ongoing communications
Evaluation methods	• objectives set to measure the effectiveness of the programs from the both community and the company's perspective • the regularity of performance evaluations • processes for improving performance based on evaluation outcomes
Partnerships/relationships	• community involvement program pro–actively seeks relationships/partnerships • expectations of all partners are clearly stated • mutually agreed objectives are established and clarified

Source: The Conference Board of Canada (1999), *Taking Action on Corporate Social Responsibility.*

There are, of course, alternative benchmark methodologies to the LBGM. Although the focus and details of the methodologies vary, they consistently emphasise the importance of quantifying inputs to community programs and assessing the outputs.

The Conference Board of Canada, for example, has identified six community *involvement standards of excellence.* These *standards* provide a good framework for assessing the structure and management of community involvement programs. The Conference Board has also developed a sample of performance indicators that could be used for measuring each of the key *standards* (Box 6.3).

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Community Involvement and Triple Bottom Line Reporting

Globally, the practice of triple bottom line reporting[4] is emerging as a key management tool for companies in response to calls for greater transparency and accountability to different stakeholders. Such accounting enables companies to enhance the quality of their operations through continuous improvement while strengthening public accountability. At the same time, it provides information for effective management of increasingly complex situations where social and environmental issues are significant in securing business success.

Only a handful of leading Australian companies have conducted comprehensive social audits

The majority of companies consulted during this study indicated that they understood the benefits of social audits but were in the early stages of developing suitable approaches. There is, however, a small but growing number of Australian companies (generally multinationals) using this holistic approach to measure and monitor their community involvement activities within the broader context of the social audit.

Reporting and Measurement Techniques

At this stage, there is no nationally consistent approach for measuring the scope, outcomes or standards of community involvement. Some companies develop and report performance measures; others tend to summarise results in a more descriptive form using thematic statements and case studies, while others use these techniques in combination.

Companies such as *WMC* and *The Body Shop*, for example, use *case studies* to illustrate the nature of activities, the outcomes achieved and lessons learned. The reported benefits of these independently audited case studies are that they provide information both to stakeholders and to management.

The purpose of the case studies, reported in *The Body Shop Results 1998: The New Bottom Line*, was to identify the objectives of specific community involvement programs and to report on whether the roles and responsibilities of all involved parties were clearly understood (Case Study 6.5). The case study provided new and valuable information enabling management to improve program efficiency. This approach to measurement is premised on being open with employees and the community, even when aspects of a project may not have achieved all that was hoped for.

A growing number of companies are using *thematic statements* to describe the way they understand and are addressing community issues, and in some instances

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4   This involves measuring the economic, social, and environmental performance of a company.

The Body Shop: case study of community involvement

Objectives of the "Creative Paper Mill Initiative"

The program aims to help create livelihoods and explore trade–based approaches to supporting sustainable development for economically disadvantaged communities.

The Initiative

The Creative Paper Mill (in Burnie Tasmania) is a paper–making enterprise using age–old craft techniques to recycle office waste and other cast off materials. The Body Shop contributed both money and time to this project, and its financial success was dependent on The Body Shop contracts for paper (The Body Shop bought $24 289 of paper products in 1998.) The project was started as an employment project designed to give jobs to long–term unemployed people. The project had initially been assessed as having good prospects of becoming commercially independent businesses.

Lessons Learned

It is obvious that the success of the project was because of The Body Shop's involvement. However, limited concern was expressed about how the continuing relationship would work out. Some workers were not clear about the roles of The Body Shop staff, or the priorities of purchasing the mills products over competitors. The reactions suggest that the value of The Body Shop in initiating the projects and supporting them by purchasing their products is not clearly articulated, and ongoing relationships may need to be clarified. Some confusion was evident, possibly caused by the combination of commercial and benevolent roles which can be seen as contradictory by some people.

The project is obviously worthwhile and extraordinarily significant to the workers employed. However, those involved are not necessarily clear about why it is being done.

Source: *The Body Shop Results 1998: The New Bottom Line*

these statements provide a qualitative measure of community involvement outcomes:

In 1997, our nickel smelting operation in Kalgoorlie (WA) conducted a survey. Key community concerns were: youth issues and education; suicide in the Kalgoorlie area; and general environment. The survey also indicated that WMC was poorly regarded, and our employees often did not want to acknowledge that they worked at the smelter. In response, we established the Smelter Community Participation Team. This enabled employees to meet in company time to coordinate community activity, donations, sponsorships and their own time to do volunteer work.

WMC Community Progress Report to Employees, 1999.

Shell also uses a combination of *thematic statements* and performance measures to evaluate and report community involvement activities. The performance measures ($\otimes$) have been developed around their nine guiding 'Business Principles', one of which relates to community involvement activities (Case Study 6.6). *Shell* evaluates community contribution at the local (program specific) level and reports the results at a global level, thus:

- *total dollar value:* for example, in 1998, Shell's total social investment contribution was US$92 million; and

- *areas of social investment:* for example, education 34 per cent, medical and welfare 19 per cent, development 14 per cent, culture and the community 13 per cent.[5]

5   People, Planet and Profits: an act of commitment (The Shell Report 1999).

Shell: business prinicples and sustainable development

Principles	Performance indicators		
	Economic	Environment	Social
One: Objective	⊗		
Two: Responsibilities			
• shareholders	⊗		
• customers	⊗	⊗	
• employee	⊗		⊗
• those with whom we do business		⊗	⊗
• society	⊗		⊗
Three: economic principles	⊗		
Four: business integrity			⊗
Five: political activities			⊗
Six: health, safety and environment		⊗	⊗
Seven: the community			⊗
Eight: competition	⊗		
Nine: communications			⊗

Source: *People, Planet and Profits: An Act of Commitment (The Shell Report 1999).*

Involving Stakeholders in the Evaluation Process

Leading companies are engaging a diversity of stakeholders to assess their community involvement activities. Although this is an expensive exercise it provides the benefits of depth and credibility to the evaluation process. Companies also view this process as an invaluable way to obtain qualitative feedback on their triple bottom line performance.

Shell, for example, seeks the views and opinions of stakeholders on all aspects of its activities. Specific stakeholder comments, both supportive and non–supportive are reported in the triple bottom line report:

> *Shell has an absolute responsibility to put the people and communities it operates in their top priority, otherwise you have no right to be there.*
> Anonymous stakeholder comment in People, Planet and Profits: An Act of Commitment
> (The Shell Report 1999).

In Australia, *Rio Tinto* has conducted investigations into the views of opinion leaders about criteria for excellence in a worldwide mining and minerals group as well as perceptions of key aspects of their performance, including community involvement. A survey in 1998 followed a survey in 1996 and the results of each were made available to stakeholders. The 1998 Survey for Rio Tinto sought specifically to:

- *improve its understanding of the challenges facing Australian organisations and the communities they serve;*

- *understand perceptions of Rio Tinto's performance as a corporate citizen;*

- *measure perceptions and awareness of Rio Tinto's performance in the areas of environmental management and Aboriginal relations.*

> Rio Tinto in Australia- Community Survey, August 1999.

The Body Shop seeks input from four main stakeholder groups (employers, customers, local suppliers, and the community) through the use of targeted surveys

The Body Shop: social audit measurement tools

Staff survey results include staff satisfaction and/or view on: the company's commitment to change; the work environment and conditions, the company's standards of ethics, compliance with environmental guidelines, the company's caring philosophy and practice, and the company's values and vision.

Customer survey results include their views on: service quality, labeling issues, the company's values and vision, the company's involvement with social issues, and customer buying behaviour.

Local suppliers survey results include their views on: work and contract arrangements, and whether the company's values and vision has influences the suppliers.

Community stakeholders survey results include their views on: perceptions of the company, and knowledge of the company's community involvement activities.

Source: The Body Shop Results 1998: The New Bottom Line

Community involvement activities are being assessed at a disaggregated stakeholder level

(Case Study 6.7). This input is considered to be an important part of the evaluation process and has tended to confirm both the business and community benefits associated with community involvement activities. For example, survey results revealed 98 per cent of customers said *they did make an effort to shop responsibly and support good organisations.*

Leading companies are not only obtaining stakeholder feedback on existing programs but are engaging stakeholders in their developmental stages – one such approach is referred to as the *Value Assessment Model* (VAM). The VAM involves engaging key stakeholders to identify issues (or corporate activities) that affect them and then determining appropriate community involvement projects for addressing the issues. The process is built around agreed objectives (ie community and business benefits); program structure; and evaluation techniques. The VAM methodology is used to varying degrees worldwide.

Reputation Measurements

Companies involved in this study rank reputation as the most important perceived benefit flowing from community involvement activities. There are, however, varying degrees to which companies both map the impact of community involvement on reputation and respond strategically in light of such information.

BOX 6.4 SOCIAL AUDITING: CRITICAL SUCCESS FACTORS

- Collect and present data in a way that provides stakeholders with reliable (free from bias and material error) information: valid description; neutral; complete and prudent.
- Collect and present data that are relevant to stakeholder needs and interests, and invites further stakeholder dialogue and enquiry.
- Promote transparency and credibility by developing performance measures that are consistent and comparable from one reporting period to the next.
- Report data in a uniform format that facilitates reader understanding (to informed users).
- Where possible report data in a uniform format that is comparable with similar reports from other companies.
- Report up–to–date data in a timely fashion.
- Report information in a way that highlights the relationship between the company's environmental, social, and economic performance.
- Enhance credibility of results through external verification.

Source: The Allen Consulting Group

What is Reputation?

A company's reputation reflects what people think and feel about a company and is closely tied to corporate performance.

Reputation is a set of perceptions that are held by observers of companies, those observers being all its stakeholders including employees, the market, the media and government. It matters because it has strong implications for each constituent…there is a whole chain of consequences that comes from being well regarded which ultimately lowers the cost of capital and increases profitability.

Professor Charles Fromburg (Stern School of Business, New York University)
Centre for Corporate Public Affairs, *Corporate Public Affairs, Volume 8, No. 1, 1998.*

FIGURE 6.2 **REPUTATION INFLUENCERS**
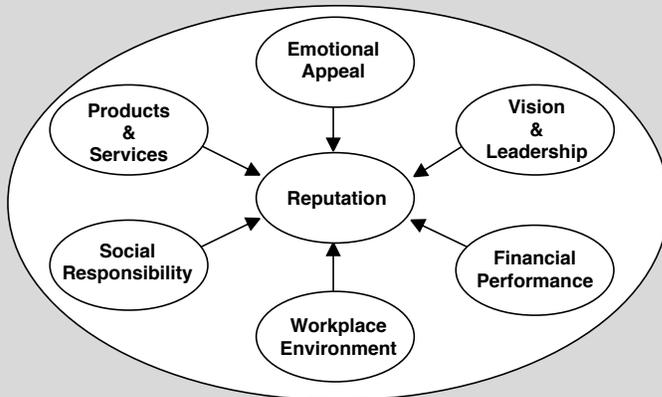
Corporate reputation essentially encompasses all stakeholder views on various attributes or aspects of companies (Figure 6.2). Although opinions differ as to what company attributes are key reputation drivers, the common themes seem to be: products and services; social responsibility; financial performance; and workplace environment (especially for employees).

Reputation Measurement Techniques

Companies at the leading edge of reputation mapping are dissecting 'overall' reputation and assessing particular reputation drivers by key stakeholder groups. Many of these new and innovative reputation measurement techniques are being advanced by US academics and researchers.

Charles Fromburn, a US expert on corporate reputation, has recently developed a useful and practical reputation tool for measuring how key stakeholders – customers, employees, investors, and the general public – perceive companies on six key dimensions (Box 6.5).

BOX 6.5 **KEY REPUTATION DIMENSIONS AND ATTRIBUTES**

Key Dimensions	Attributes Measured
Emotional Appeal	Have a good feeling about the company. Admire and respect the company. Trust the company a great deal.
Products & Services	Stands behind its products and services. Develops innovative products and services. Offers high quality products and services. Offers products and services that are a good value for the money.
Financial Performance	Has a strong record of profitability. Looks like a low–risk investment. Looks like a company with strong prospects for future growth. Tends to out–perform its competitors.
Vision & Leadership	Has excellent leadership. Has a clear vision for its future. Recognizes and takes advantage of market opportunities.
Workplace Environment	Is well–managed. Looks like a good company to work for. Looks like a company that would have good employees.
Social Responsibility	Supports good causes. Is an environmentally responsible company. Maintains high standards in the way it treats people.

Source: Reputation Institute, New York.

Although Fromburn's framework has a broad focus of corporate social responsibility, it does not specifically measure the influence community involvement activity has on corporate reputation. Other reputation frameworks have captured this element and companies use reputation mapping to guide community involvement.

Edison, a large US Electricity Utility, for example, has recently evaluated seven reputation drivers across five key stakeholder groups. The results indicate that community involvement is an important reputation driver for three of its five key stakeholder groups and concluded that the company would benefit from greater communication about these initiatives (Case Study 6.8).

Many Australian companies are also evaluating the relationship between reputation and community involvement, but are at different stages of development and implementation. A few companies, such as *IBM* and *Alcoa*, have targeted key stakeholder groups in their reputation mapping. While Alcoa is in the process of developing a reputation scorecard which will enable reputation to be analysed from the perspective of various stakeholder groups, *IBM* has conducted this sort of analysis.

In the early 1990s *IBM* conducted a survey of the general community, also targeting *IBM* employees and opinion leaders (such as CEOs, major customers and the government). The purpose of the survey was threefold: to assess the community's expectations of the contribution that major companies should be making in the field of corporate social responsibility; to understand the community's perceptions of *IBMs* role in this field; and to identify improvement opportunities. The results provided valuable strategic information on a range of aspects including: *IBMs* reputation in relation to key competitors; areas IBM should focus on (ie environment, employment and education); and the type of contribution (ie in-kind rather than dollars).

Measuring reputation over time for disaggregated stakeholder groups is an expensive exercise and the cost has been mentioned as a key factor inhibiting more extensive measurements for many companies.

> *We were interested in separately targeting opinion leaders and government (when assessing our reputation) but decided it would not be cost effective given the available resources.*
>
> Executive, Proctor and Gamble (Consultations)

CASE STUDY 6.8

Edison (United States): the community involvement reputation relationship

Edison, a large US Electricity Utility, recently (1999) evaluated seven reputation drivers across five key stakeholder groups.

The drivers included: product and service quality; market leadership, social responsibility, financial performance, environment, labour practices and diversity support.

The key stakeholders included: elected/government officials, big interest groups and community–based organisations, education organisations, residential customers, and small business customers.

The key findings indicated that 'product and service quality' was a primary reputation driver across all stakeholder groups. Community involvement was an important key driver of Edison's overall reputation.

Proctor and Gamble: reputation measurement – competitor comparisons

Proctor and Gamble recently conducted a short telephone survey comprising six questions. The survey targeted the general public – disaggregated by age, gender and capital cities. (Although they were interested in separately targeting opinion from leaders and government, they decided that this would not be cost effective given the limited resources.) The purpose of the survey was to gauge the public's perception of Proctor and Gamble compared to their competitors. The survey was structured to measure:

- public awareness of the company;
- association of products with the company; and
- awareness and perception of community involvement activities.

Key findings indicated that:

- public awareness of Proctor and Gamble 's community involvement activities was similar to that of its key competitors.

Source: Consultations

Rather than analysing reputation by stakeholder groups some companies are measuring the public awareness of both competitors and their community involvement activities. The value of *competitor comparisons* is that it can reveal the types of community involvement activities that are successful at gaining and maintaining public recognition – if that is a community involvement objective.

Proctor and Gamble recently conducted a national survey to measure public awareness of both itself and of its main competitors. Aspects of the survey focussed on the public's awareness and perception of community involvement activities (Case Study 6.9).

Alcoa also conducts a similar community attitudinal *tracking* survey, but with a smaller sample scope (greater Perth area) and at regular intervals. The survey focuses on issues of public trust, environmental performance and the importance of the company in terms of its contribution to the community. Although the results fluctuate over an 18 month period on average, they indicate that compared to two companies, one government organisation and one non–government organisation *Alcoa* is rated as the second most important in terms of its contribution to the community.

Reputation Audits

Reputation mapping or auditing is a useful management tool for making better informed decisions, developing (or re–shaping) strategic community involvement programs, and evaluating whether they have achieved desired goals such as public awareness or goodwill.

> *At current extraction rates, our bauxite resources in the Darling Range will last another 80 to 90 years. Our continuing access to those resources rests not only on our legal agreement with government – it also relies on continuing community support for our activities. [...] Knowing what the public thinks of our performance is a vital measure.*

> Alcoa: Environment, Health and Safety Report 1998–99.

Once a company is aware of its reputation, it can take steps to improve perceived strengths and address perceived weaknesses (Figure 6.3).

FIGURE 6.3 **REPUTATION AUDIT**

Diagnosing the Current State

Designing the Future State

Managing the Transition

Identify factors such as:
• current reputation
• reputation drivers for stakeholder groups
• where stakeholders get their information

Strategic and Competitor Analysis — address issues such as:
• areas for improvement
• opportunities to communicate
• threats to monitor
• changes that will work best with each stakeholder group

• staff involvement
• information campaign

Source: Adapted from: Fromburn C. (1996) *Reputation: Realising Value from the Corporate Image,* Harvard Business School Press.

Leading companies in the US and Canada use image indices (reputation audits) to set priorities for community involvement programs. This strategic approach enables a company to direct resources into community involvement programs that maximise the impact on the company's overall reputation (Case Study 6.10).

Although few Australian companies seem to be using reputation assessments to build strategic community involvement plans, there is an increasing trend to do so:

We have tracked our reputation for many years but in some respects we have not maximised the use of this information to enhance community involvement activities.

Executive, BHP (Consultations)

Proctor and Gamble have used the results of their reputation assessment (Case Study 6.9) to identify their reputation among various stakeholder groups and build a strategic direction for their community involvement plan. The *Better Start* program is an example of one outcome of *Proctor and Gamble's* reputation audit.

Alcoa has also conducted a reputation audit to assess the community's expecta-

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CASE STUDY 6.10

Alcan (Canadian Company): image index

Alcan uses an Image Index based on 17 attributes to set priorities for its community involvement program. Requests for funds are evaluated through an objective system designed to address how Alcan can strengthen relationships in areas identified by the Image Index.

The Index measures (among other things) whether Alcan: produces a quality product; puts the customer first; cares for its employees; supports the community; has a vision of the future; and has ethical practices. Using the Index permits Alcan to measure progress on a before/after basis and in relation to other companies in the relevant region.

Source: *The Canadian Conference Board (1999) Taking Action on Corporate Social Responsibility*

Alcoa: reputation audit

At the beginning of the 1990s, Alcoa conducted a survey of the Western Australian community to assess their expectations of Alcoa's community involvement. The general approach was to determine community recognition of current sponsorship and their expectations of what Alcoa should be sponsoring. The key findings included:

- high recognition that Alcoa does sponsor tree planting activities
- high expectations for Alcoa to sponsor tree planting activities
- high recognition that Alcoa does not sponsor football
- low expectations for Alcoa to sponsor football
- high recognition that Alcoa does not sponsor meals on wheels
- high expectations for Alcoa to sponsor meals on wheels

The results were used to clarify the tree planting focus of Alcoa's community involvement activity.

Source: Consultations

tion of *Alcoa*'s community involvement activity. The results confirmed that *Alcoa's* environmental community involvement focus was the right business strategy to pursue (Case Study 6.11).

Trends

There is a global trend towards increasing the quality, quantity and standardisation of community involvement measurements. This trend is driven by multinationals but interest (and increasingly application) is expanding beyond them.

There are several common 'best practice' features spanning the diversity of measurement approaches – most notably the importance of clear and measurable objectives (Box 6.6).

BOX 6.6 **STANDARDS OF EXCELLENCE FOR ASSESSING BENEFITS**

- Set measurable objectives to evaluate the impact on the community.
- Set measurable objectives to evaluate the benefits to business.
- Seek as many stakeholder views as feasible in the evaluation process.
- Feed evaluation results into program objectives, management, and delivery.
- Communicate relevant evaluation results to all stakeholders.

Source: The Allen Consulting Group

Conclusions

Community involvement activities in large businesses are clearly increasing in intensity. The survey, interviews and discussion forums for this study have demonstrated that many companies recognise the social drivers and value for this area of activity. The trend for the future is that companies will become more strategic in the use of community involvement to increase business benefits.

The study had specific objectives: explore in depth the 'business case' for community involvement in large Australian companies, identify some 'best practices' and illustrate their features through case studies. The goal was to understand senior management interpretations of the role and benefits of community involvement, how companies manage and conduct programs and how they evaluate outcomes. Intentionally, it did not investigate corporate community involvement from the perspective of community organisations, nor did it consider the orientation and capabilities of medium or small business. The study did not aim to assess the community impact of the programs although many companies talked about this issue when describing the benefits for the company and evaluation techniques.

A number of issues about the community sector and other businesses were nevertheless raised during interviews and they indicate some areas for further consideration.

Unintended Outcomes: Winners and Losers in the Community Sector

Some social issues and NGOs will become more popular with companies while others will be ignored

There will be some unintended consequences for the community sector and business as companies streamline their community involvement focus to match business strategies. It is already evident that some social issues and some organisations will become more popular with companies. A convergence of views will most likely occur as companies analyse community and stakeholder attitudes to identify 'top of mind' concerns and listen to their views on where the companies should be socially active. Young people's issues are of concern currently, particularly disadvantaged young people. Also rural development and regional communities are important areas for government stakeholders. Community organisations dealing with these groups and issues may receive greater corporate support but this may be at the expense of other target groups or lower profile social causes.

Growth in Activity May Reduce Media Profile

Companies like to receive positive recognition for their community involvement contribution but a media profile may no longer be assured. Companies do not always seek public recognition as a priority but when they allocate large amounts to the community, most expect some public exposure. The groups receiving assistance will provide that recognition, but it would seem to be increasingly difficult for companies to receive the media profile they might prefer. As more companies are active in this area, the less novel is the news. This is especially the case when a social cause is receiving a lot of corporate attention and other corporate players are already in the field. The first mover in an area will have the media coverage they desire but followers may not.

Communication Needs

Business is concerned that the extent of their involvement in the community is not well understood. There is a hope that those in community leadership positions develop familiarity with the business role and that they are able to carry the business message to a wider audience

In the United States and the United Kingdom, the role of publicising business involvement in the community has been taken up through special newspaper supplements, awards, and advocacy by third parties. There are a number of organisations that provide infrastructure support and enhance the profile of business involvement. These approaches have already begun in Australia and are likely to be the way that involvement is more widely publicised in the future.

Medium and Small Business: Role for Industry Associations

The focus of this study has been on large business. The assumption is that future community involvement programs will be conducted with greater management expertise, including increased depth of involvement with community groups or not–for–profit organisations. The resource implication for this scenario is, however, daunting for medium and small business.

There may be a role for industry associations to adopt in facilitating links between companies and the community and providing infrastructure support to develop their interface with the community. This is already occurring in a few business associations. It could grow to meet the needs of smaller companies to be more active in the community without having to expand their resources.

Managing Alignment: Common Terminology

As business and community groups seek to form partnerships and align their goals, it is evident to a number of companies that there needs to be better alignment in language and expectations among the players. Terminology differs depending on one's perspective. Terms such as sponsorship, partnership, donations, philanthropy, contributions, social responsibility and corporate citizenship are used interchangeably. Many companies find this adds a further layer of confusion when they are trying to manage the volume of requests they receive from the community. This is especially the case when community organisations are doing their best to match what they perceive as corporate expectations. Again this may be an area for business associations to adopt in assisting companies to interpret community expectations and, in turn, explain the business perspective to community groups.

Building Capability for Community involvement

Companies that have redesigned their community involvement activities have invariably changed the organisational structure and staff roles in the part of the company that manages community involvement. The new style of community involvement requires a level of business understanding and management capability not necessarily required in the past when arms length sponsorships were the order of the day. The enhanced capability is not only needed for those managing community involvement; Boards and executive management also require greater under-

standing of the potential business benefits that flow from deeper engagement with the community.

In a similar way, the capabilities of community organisations are also improving. As the demands of closer involvement with business expand, organisations should have the skills to meet business as equals.

Community Involvement in Perspective

Community involvement is comparatively one small part of a company's social role

The strategies discussed in this study represent a comparatively small part of the social role of business. Expanding community involvement with business will obviously not be the sole way to enhance the reputation of companies nor will it be the core element in building greater social cohesion in our community. It will however provide a fresh avenue for companies to explore their social obligations. Many in this study spoke of the new opportunities provided through these initiatives for communication with employees, neighbouring communities and government. While it is a small part, used constructively it delivers considerable insights and business benefits. Community involvement is becoming a symbol for a company's depth of social engagement.

Meeting social expectations is in the first place about conducting business ethically and responsibly whilst providing a return to shareholders, whose resources are being used. Australian business also acknowledges that it needs to act responsibly in its relations with other stakeholders who have legitimate interests in their business. Community involvement is one important tool that companies are using to build the long-term sustainability of their business.

Appendix A: Research Methodology

A reference group, comprising chief executive officers, was established to review work plans, provide direction and comment on findings and approaches. The reference group was made up of:

- Mr Barry Cusack, Managing Director, Rio Tinto Limited (Chair)
- Mr Greg Bourne, Managing Director, BP Australia Limited
- Mr Rod Eddington, Executive Chairman, Ansett Australia
- The Most Rev. Archbishop Peter Hollingworth, AO, OBE
- Ms Linda Bardo Nicholls, Chairperson, Australia Post
- Mr Robert Sutton, former Managing Director, Jardine Matheson (Australia) Limited

Approach and Sources

The conceptual framework that we have used to explore community involvement in Australian business has three core parts: management rationale for community involvement; management and organisational processes; and business outcomes (Box A.1)

This study received input from 115 large Australian companies through the use of several research methods: mail survey, interviews, and workshops.

Surveys

Two survey instruments were sent to 200 of Australia's largest companies. The two targeted audiences were Chief Executive Officers and managers of community involvement programs. Although the focus of the surveys was slightly different (ie program details for managers and corporate vision/approach for the CEOs) there were several identical questions enabling some results from both surveys to be aggregated.

More CEO's (28 per cent) responded than managers (22 per cent). However, in total 76 companies responded (38 per cent company response rate).

Box A.2 outlines the number of company responses to the survey data reported in Chapter Two.

BOX A.1 **FRAMEWORK FOR ANALYSING COMMUNITY INVOLVEMENT**	
Core components	**Issues**
Management rationale underpinning the activities	The motives, anticipated benefits and the expression of this in company policies
Management and organisational processes for the initiatives	Decision making, size of commitment, focus and structures of the activities
Outcomes to the business	Measurement and evaluation techniques that are being employed and how well the intentions for community involvement are met. It also includes a view of anticipated future trends

Figure/Box	Company responses to the 'Survey of Managers of Community Involvement Programs'	Company responses to the 'Survey of Chief Executive Officers'	Total company responses
Figure 2.1	n = 41	n = 55	n = 76
Figure 2.2	n = 41	n = 55	n = 76
Figure 2.3	n = 41		n = 41
Box 2.2	n = 41	n = 55	n = 76
Figure 2.4	n = 41		n = 41
Figure 2.5		n = 55	n = 55
Figure 2.6	n = 41		n = 41
Figure 2.7		n = 55	n = 55
Figure 2.8	n = 41		n = 41
Figure 2.9	n = 41	n = 55	n = 76

BOX A.2 **NUMBER OF COMPANY RESPONSES TO SURVEY DATA PRESENTED IN CHAPTER TWO**

Interviews

Discussions were conducted with the Chief Executive Officer and/or managers of community involvement activities from 40 large Australian companies — and in addition 3 industry associations and 1 non-government organisation (Box A.3). The purpose of these discussions was to obtain more detailed information on innovative/best practice community involvement initiatives.

Workshops

Two workshops (Sydney and Melbourne) with corporate executives were conducted to discuss the preliminary findings of the study and seek feedback from the business sector, prior to the completion of the Report.

In total representatives from 45 companies, 3 government agencies and 6 industry associations attended the workshops (Box A.3).

Company	Participation Interviews	Workshops
Alcoa Wold Aluminum Australia	✓	✓
AMP Foundation Ltd	✓	✓
AMP Ltd	✓	✓
Ansett Australia	✓	✓
ANZ Banking Group Ltd		✓
Australia Bankers Association		✓
Australian Food Council	✓	✓
Australian Petroleum Production and Exploration Association		✓
AXA National Mutual Holdings	✓	✓
BHP Company Ltd	✓	✓
BP Amoco	✓	✓
Cable and Wireless Optus	✓	
Coca-Cola Amatil Ltd		✓
Citicorp		✓
Colgate-Palmolive Pty Ltd	✓	✓
Colonial	✓	
Commonwealth Bank of Australia		✓
Dow Corning Australia Pty Ltd		✓
Eli Lilly Australia Pty Ltd	✓	✓
Ernst & Young		✓
Esso Australia Ltd	✓	
Ford Motor Company of Australia Ltd	✓	✓
Forestry Tasmania		✓
Freehill Hollingdale and Page	✓	
FreightCorp		✓
Hamersley Iron	✓	
Holden		✓
IBM Australia Ltd	✓	✓
Investment and Financial Services Association		✓
Kellogs	✓	✓
Lend Lease Corporation	✓	✓
Macquarie Bank	✓	
Mallesons Stephen Jaques		✓
Minerals Council of Australia		✓
Melbourne Port Corporation		✓

Company	Participation Interviews	Workshops
Merck Sharp and Dohme		✓
Monsanto Australia Ltd	✓	
National Australia Bank	✓	✓
News Ltd	✓	✓
Normandy Mining	✓	✓
NRMA	✓	✓
Nufarm Ltd	✓	✓
Pacific Coal		✓
Pacific Dunlop	✓	
Philanthropy Australia	✓	✓
Philip Morris		✓
Pioneer International Ltd		✓
Powercor Australia Ltd		✓
Procter & Gamble Australia Pty Ltd	✓	✓
Rio Tinto Ltd	✓	✓
Shell Australia Ltd	✓	
Sinclair Knight Merz		✓
Smorgan Steel Group Ltd	✓	
State Chamber of Commerce (NSW)		✓
Sydney Airport Corporation		✓
Sydney Water Corporation		✓
Tattersall's	✓	
Telstra Corporation Ltd	✓	✓
The Body Shop	✓	✓
The Pratt Foundation		✓
TXU Australia Pty Ltd	✓	
Unilever Australia	✓	
United Way	✓	
Visy Industries	✓	✓
Victoria Employers' Chamber of Commerce and Industry	✓	✓
Western Mining Corporation	✓	✓
Western Power Corporation	✓	
Westpac Banking Corporation	✓	✓
Woodside Energy Ltd	✓	✓