

strategies and tools for corporate engagement **in** CED

- Corporate Social Responsibility
- Community Economic Development

For many corporate leaders, it is not a question of *whether* to engage in corporate social responsibility (CSR), but rather *how* to do this in the most effective way – a way that not only maximizes corporate value, but also social value. This article draws lessons from corporate engagement to advance community economic development (CED), examining innovative corporate engagement strategies, and ways in which social impact can be captured, communicated, and enhanced.

Corporate Social Responsibility

The financial bottom line continues to be the “gold standard” baseline for measuring corporate success. However, many corporations are now seeking to maximize profits in more socially and environmentally responsible ways. Through corporate social responsibility (CSR) strategies, across most business sectors, there is a discernable drive to become more cognizant of the economic, social, and environmental impacts of corporate activities and business practices.

The business case for CSR suggests that socially-responsible corporations will be able to attract better talent, improve their risk management practices, differentiate themselves from their competitors, and gain a social license to operate. All these components could conceivably contribute positively to the bottom line of the company. There are also other external pressures to practice CSR: government regulation, shareholder advocacy, ethical consumerism, and globalization. All these features compel many corporations to engage in CSR strategies.

Much has been written on CSR practices and

merits – in making the business case for CSR, as well as the role of corporations in addressing social issues within communities in which they operate. In the Canadian context, there is an array of good examples of how corporations have become more socially and environmentally responsible.¹ For many corporate leaders, it is not a question of whether to engage in CSR, but rather how to do this in the most effective way – a way that not only maximizes corporate value, but also social value.

This series of case studies and tools examines ways in which corporations have engaged with communities, broadly defined, to advance community economic development (CED). A diversity of cases and tools are examined in this series displaying innovation in corporate engagement through the harnessing of both financial and non-financial contributions to non-profits and communities. Other cases illustrate strategic philanthropy and partnering with non-profits. Moreover, the series profiles tools that enable corporations to carry out community investments, and tools that help companies evaluate the social impact of these investments.

¹ Five Winds International (2003) “Corporate Social Responsibility: Lessons Learned”, <http://www.fivewinds.com/publications/publications.cfm?pid=63>

“Each publication provides a window into the potential and limits of corporate engagement in CED.”

A primary objective of this series of case studies and tools is to provide a snapshot of innovative practices in corporate engagement in CED, and ways in which the social impact of corporate engagement can be captured, communicated, and enhanced. Each publication provides a window into the potential and limits of corporate engagement in CED. In this overview article, we attempt to synthesize some of the major themes.²

Community Economic Development

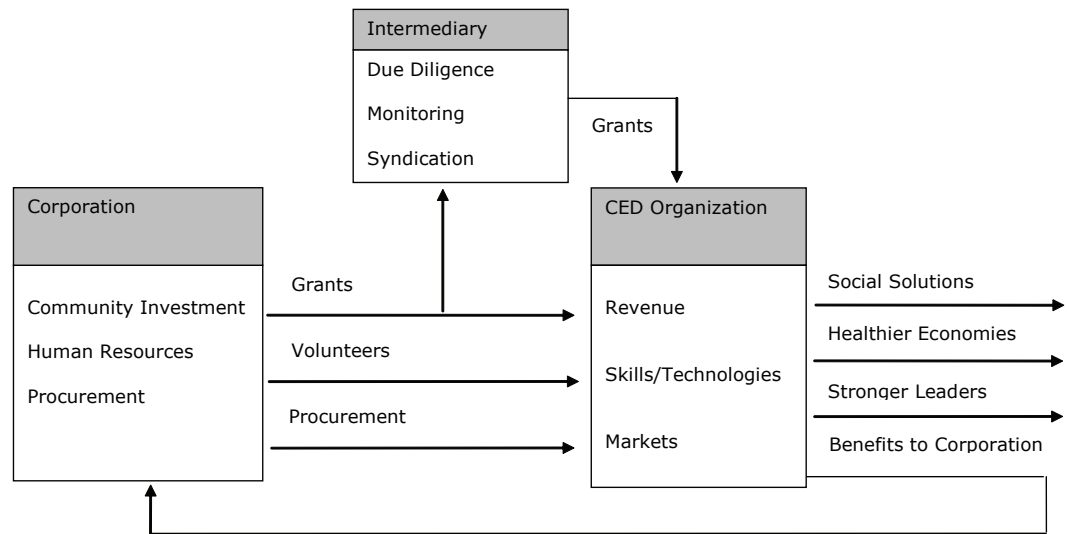
CED is a field of practice in which community-based organizations blend business and social techniques to mobilize both local and external resources to address poverty and unemployment and revitalize geographic communities (rural/remote areas, urban neighbourhoods, or communities of interest). CED is an approach that recognizes that economic, environmental and social challenges are interdependent, complex and ever-changing.³

What does CED look like?

- Community development corporations
- Community Futures Corporations
- Co-operatives (consumer, producer, worker, multi-stakeholder)
- Businesses owned by social-service non-profits or charities
- Aboriginal development corporations
- Community land trusts
- Community loan funds
- Micro-finance programs
- Social venture philanthropy

Much of the literature on CSR tends to focus on the roles and responsibilities of bigger corporations, particularly multinationals. For its part, CED tends to focus on local solutions to community issues, as well as connections to regional development. Drawing lessons from corporate engagement in CED, there are ways in which smaller local organizations can engage in CSR in their communities.

Corporate Engagement with CED: Strategies and Benefits



- Reputational Gains
- Government Relations
- Brand Differentiation
- Customer Loyalty
- Employee Recruitment/Retention
- Procurement Savings
- A "Social License to Operate"

² Ideally, though, the present paper should be read together with case studies. In addition, the references listed within the individual case studies provide further information on the various topics.

³ Canadian CED Network (CCEDNET) (n.d) "What is CED?", http://www.ccednet-rdec.ca/?q=en/what_is_ced

Corporate Giving Can Be, and Should Be, Implemented Strategically

Strategy is about making choices, and success in corporate social responsibility is no different.⁴ It is about choosing which social issues make the most sense for the company to focus on. Strategic CSR occurs when a company adds a social dimension to its value proposition, making social impact integral to its overall strategy.⁵ The term “strategic philanthropy” is also appropriate – viewing philanthropy as not simply an approach to charitable giving, but rather investing in the creation of measurable social impact.⁶

Picking the right issue is important for a number of reasons (see box). The most important lesson here is that the social issue(s) to be addressed be aligned with the corporation’s core business. This allows the company to integrate its CSR activities in a more effective manner with its existing business operations and practices. Microsoft Canada has joined forces with ReBOOT Canada, a non-profit that provides computer hardware, training and technical support to charities, non-profits and individuals with limited access to technology.

Pick the right issue ⁷

To succeed in solving a significant social problem and enhancing its corporate image, a company needs to find the right problem to solve, it should find a single issue that is important, timely, and leverages the company’s core competencies. An issue such as this is more likely to attract media attention, which will help bolster the company’s reputation. Equally important, an issue that captures media attention will make it easier for the company to engage nonprofits and government agencies and create the sort of cross-sector partnerships that are essential to solving the problem.

When CSR investments are made in a focused manner, the firm’s resources are utilized effectively towards the creation of social change. The Home Depot Canada has connected its financial and in-kind donations of building materials with employee volunteer contributions, creating important synergies in corporate giving and magnifying social impact. This also makes it easier to communicate the impact of corporate initiatives to senior management, and to other key stakeholders outside the company.

Organizational commitment to a social issue should be consistent with corporate culture and values. For The Co-operators Insurance Company, there is a natural fit between investing in CED and the corporate connection with local communities through the company’s co-operative roots. Meritas Mutual Funds invests in Canadian and international community-oriented investment programs to foster sustainable development – an extension of its commitment to socially-responsible investing.

Picking the right issue does not imply a narrow focus. Rather, it means that decisions of why, how and where to invest in CSR must be made strategically. If CSR decisions are made using the same framework that guides core business choices, CSR can be a source of opportunity, innovation, and competitive advantage.⁸

CSR strategies evolve over time, as learning occurs within the firm and its stakeholders about the impacts of CSR investments. Bell Canada’s partnership with CEDTAP illustrates this growth. Picking the right issue should not preclude “experimentation” amongst different CSR initiatives – as long as learning is integrated in the overall CSR strategy development.

“Strategy is about making choices, and success in corporate social responsibility is no different. It is about choosing which social issues make the most sense for the company to focus on.”

⁴ Michael Porter and Mark Kramer (2006) “Strategy & Society: The Link Between Competitive Advantage and Corporate Social Responsibility”, *Harvard Business Review*, December 2006, p.93

⁵ *Ibid*, p.89

⁶ Jed Emerson and Sheila Bonini (2004) “The Blended Value Map: Tracking the Intersects and Opportunities of Economic, Social and Environmental Value Creation”, *Executive Summary*, <http://www.blendedvalue.org/media/pdf-bvm-executive-summary.pdf>, p.1

⁷ Mark Kramer and John Kania (2006) “Changing The Game”, *Stanford Social Innovation Review*. Vol. 4, No. 1, Spring, p.25

⁸ Porter and Kramer (2006), p.93

“The closer the CSR strategy is aligned with other areas of business strategy, the easier it is to communicate the performance and social impact of investments in community.”

Making a Commitment and Tracking Performance

Making a corporate commitment to CSR builds on a focused approach to addressing a social issue (or set of issues) using corporate resources (see box). In terms of making a commitment, leadership is important. For The Co-operators, the commitment of the Board has ensured sustained funding to CED initiatives. The Home Depot Canada’s leadership is actively engaged with Habitat for Humanity Canada at the local and national levels.

Establish goals and report progress⁹

Business stakeholders long ago became jaded with companies’ vague pledges to address social issues. To stand out from the crowd, a company needs to publicly commit to an ambitious and quantifiable goal that goes beyond what is expected, and to provide regular reports on its progress using independent external audits or reviews. A company should set ambitious goals, but it must also deliver the results it promised within a reasonable period of time.

Corporations often find it challenging to communicate the social impact of their corporate contributions. One lesson that has emerged is that the closer the CSR strategy is aligned with other areas of business strategy, the easier it is to communicate the performance and social impact of investments in community. Case studies of the The Home Depot Canada, The Co-operators, Microsoft, and Syncrude provide notable examples.

There is a demand for more sophisticated tools that can allow corporations and other social investors not only to evaluate how their funds have (or can) been used to achieve positive social impact, but also to provide direction on future social investments. Social Return on Investment (SROI) can assess what resources have gone into a social venture, and how effectively those resources have manifested in social costs savings and societal improvements

in the short, medium, and long terms. Making better data available can itself be a powerful tool for social change. For example, the CEDTAP dataset has the potential to inform social investments across Canada.

Existing tools can be adapted to the needs of various organizations, and combined with other tools to triangulate findings. The Expanded Value Added Statement (EVAS) has been used to illustrate how employees make a difference in their communities through volunteering, the effect of corporate investments in non-profits, and the impact of corporate commitments to sustainability. Triple Bottom Line (TBL) accounting methods have strong links to the EVAS methodology, and together with other methods such as SROI and Sustainability Scorecards, can provide findings on the social impact of CSR investments.

These methods can also provide funders with a means of not only measuring the impact of community investments, but also of making the case inside their own organizations for why and how social investments should be made. Even within the limited set of cases examined, there are ways the tools can be applied:

- Home Depot could utilize the EVAS to assess the social impact of employee volunteering, and the extent to which volunteers complement financial and in-kind contributions.
- The PSAC pension investment into affordable housing could adapt the EVAS to assess social value creation, using existing examples applied to economically targeted investments.
- In addition to reporting on the financial returns, Meritas could use SROI to assess the social impact of community investments on local communities.
- Corporations that already use triple-bottom line or sustainability accounting methods can integrate SROI or EVAS to validate their findings on social value creation. Large corporations like Microsoft, Syncrude, and The Co-operators could be good candidates.

⁹ Kramer and Kania (2006), p.25

Utilize the Full Range of Corporate Assets

Finance: Corporations have traditionally invested in community non-profits through grants. Financial contributions, such as the CED Fund managed by The Co-operators, remain an important resource that corporations provide to non-profit groups. However, there are growing opportunities to use other forms of finance to influence social change.

The notion of “blended value” suggests that investors can simultaneously generate economic, social and environmental value by providing capital to organizations.¹⁰ There is an important opportunity to leverage capital from non-traditional sources such as pension funds and mutual funds, and to create a broader range of financial instruments and vehicles through which finance can be channeled to address social issues.

Some examples include direct investments (such as the microfinance bonds which Meritas invests in), or a partnership with intermediaries (such as the PSAC partnership with Alterna Savings and the Ottawa Community Loan Fund). In both these specific cases, the organizations meet their fiduciary responsibilities while generating financial and social returns for investors. Many other examples exist of similar initiatives, particularly in the US and UK, and provide models for community investing.¹¹

Bringing More Than Money To The Table: Finance is important, but many corporations possess a range of resources and assets that can be leveraged with significant results. Especially where the social issue addressed is aligned with the corporation’s core business, there is an excellent opportunity to leverage the firm’s existing resources toward societal benefit.¹²

At Home Depot, employee volunteer contributions have supplemented financial and in-kind donations of building materials to create important synergies in corporate giving, and magnify social impact. While Microsoft, in addition to providing cash and in-kind software contributions, encourages skilled employees to volunteer with ReBOOT and help the organizational with their advanced managerial and communication skills.

There are also examples where social concerns have been integrated within core business functions, and where business practices have been adapted to generate social benefits. The Social Purchasing Portal (SPP) provides a direct way for corporations to engage in CSR, injecting social value into the procurement process. Procurement is a key component in Syncrude’s relations with Aboriginal stakeholders. Social hiring has evolved to become an efficient and cost-effective recruitment method for Active, Green and Ross.

Deploy the company’s key assets¹³

The truly valuable assets that a company has – its products and services, skilled employees, industry expertise, global infrastructure, and its network of connections, credibility, and influence – are rarely tapped for social progress. Yet these company assets are every bit as powerful in solving social problems as they are in creating economic value for the company. Once a company learns to break down internal barriers and integrate its CSR initiatives with its entire value chain, new and more powerful opportunities for solving social problems will arise.

“Especially where the social issue addressed is aligned with the corporation’s core business, there is an excellent opportunity to leverage the firm’s existing resources toward societal benefit.”

¹⁰ Emerson and Bonini (2004), p.1

¹¹ Tessa Hebb, Arlene Wortsman, Margie Mendell, Nancy Neamtan, Ralph Rouzier and Russell LaPointe (2006) “Financing Social Economy Enterprises”, <http://www.carleton.ca/cstier>

¹² Porter and Kramer (2006), p.88

¹³ Kramer and Kania (2006), p.25

“For many corporations that seek to address social issues, it makes sense to partner with non-profit organizations to achieve objectives and synergies.”

Working in Cross-Sector Partnerships

For many corporations that seek to address social issues, it makes sense to partner with non-profit organizations to achieve objectives and synergies. Nonprofits often have a deeper understanding of the social problem, which enables them to help companies devise more comprehensive and effective strategies and set more ambitious and attainable goals.¹⁴ Home Depot’s partnership with Habitat for Humanity illustrates important lessons on ways in which corporations and non-profits can address social issues together.

Work in cross-sector partnerships¹⁵

The term “partnership” in CSR is often used loosely to apply to any relationship between a company and a non-profit organization or government agency. Often these partnerships are no more than large cash contributions accompanied by joint press releases. The most effective solutions to social problems are those that engage non-profit, business, and government agencies in cross-sector partnerships where each sector concentrates on what it does best.

Intermediaries are another form of partnership that can be utilized. CEDTAP acted as an intermediary to administer Bell Canada’s funding to community economic development initiatives across Canada. This allowed Bell to scale up the social impact of its financial contribution by utilizing CEDTAP’s existing grant making infrastructure and networks. Alterna Savings and the Ottawa Community Loan Fund are the intermediaries that manage PSAC’s pension investment in affordable housing. Here intermediaries help in scaling up this investment as these organizations already have the infrastructure to operationalize the arrangement.

While cross sector partnerships are important to corporate engagement in CED, finding the right partners is critical. There can be partnerships within sectors: The Co-operators have partnered

with VanCity, a Canadian leader in CSR and CED, to help leverage their expertise and experience for administering CED grants. There are also partnerships across sectors: the Home Depot’s partnership with Habitat for Humanity is a prominent example. For such cross-sector partnerships, it is important to align the needs of the corporation and activities of the non-profit. The social issues addressed by the non-profit must resonate with the corporation’s values, mission, vision and culture. For both non-profits and corporations, this can be a guide to discovering potential partners, as well as an indicator of the sustainability of the partnerships themselves.

Investing in a partnership is important for sustainable social impact. As an example, Home Depot have “invested in their own investment” by funding a dedicated staff member assigned to their Habitat for Humanity initiative, who manages deliverables and expectations to ensure that both sides benefit from their partnership. Investing in partnerships also means addressing cultural issues across various sectors. For their part, non-profits need to direct more effort to understanding why and how corporations invest in social ventures. Corporations also must try to gain a greater appreciation of the challenges that non-profits face, and how corporate resources can be leveraged to address important social issues.

Conclusion

This series of case studies and tools provides a snapshot of innovative practices in corporate engagement in CED, and ways in which the social impact of corporate engagement can be captured, communicated, and enhanced. There are important connections between the case studies and tools, and across the thematic areas examined in this overview. More learning and research is needed on corporate engagement in CED, and indeed corporate social responsibility in general, and this series is one contribution to an on-going conversation.

¹⁴ Kramer and Kania (2006), p.28

¹⁵ Ibid., p.25

This case study was written by Karim Harji, Social Finance Program Officer at the Carleton Centre for Community Innovation, in January 2008. It benefitted from conversations with Genevieve Harrison, Tessa Hebb, Edward Jackson, Elaina Mack and Roopal Thaker from Carleton University.

Carleton Centre for Community Innovation

The Carleton Centre for Community Innovation (3CI) brings together superior academic research and knowledge dissemination to Canadian communities in ways that promote long-term growth and sustainable development. One of Canada's leading sources of expertise in social finance, 3CI has also played a leadership role in grant-making, evaluation and policy analysis in the fields of community economic development and social enterprise. From 1997 to 2008, the Centre managed the Community Economic Development Technical Assistance Program (CEDTAP), with the support of The J.W. McConnell Family Foundation, The Ontario Trillium Foundation, Bell Canada and other partners. Other action-research priorities for 3CI include local governance, community learning and community-university partnerships.

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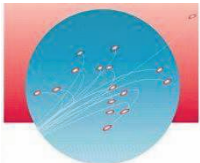
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