

BUSINESS ENGAGEMENT IN SOCIAL AND ECONOMIC INCLUSION RESEARCH

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FINAL REPORT

EXECUTIVE SUMMARY

By Derek V. Mitchell

EXECUTIVE SUMMARY

This research project brought together, in a collaborative research partnership, the Canadian Government's Atlantic Canada Opportunities Agency, [ACOA is the federal government department responsible for helping to build sustainable economic capacity in the Atlantic Provinces], the Nova Scotia Department of Economic Development, [the Nova Scotia government department leading the Province's economic, community and technology development and innovation], the Greater Halifax Partnership [one of the premier business network organizations and a leading voice for business in Atlantic Canada] and Aliant Inc. [Atlantic Canada's leading telecommunications and Internet service provider].

Research was conducted in two phases. Phase I involved secondary research to examine best practices that a selection of leading best practitioner companies are utilizing to conduct activities in social and economic inclusion and corporate social responsibility. Phase II involved primary research into the opinions, viewpoints, policies and practices of 21 Halifax and Atlantic Canadian companies and organizations regarding corporate social responsibility and social and economic inclusion. The implications of the report findings and recommendations have application not only to companies in the Halifax Regional Metropolitan area and Nova Scotia but are also expendable to all companies in Canada.

One of the key areas of focus in the research was on what the *idea* of corporate social responsibility means to business and how this idea is creatively interpreted by different businesses. For most companies this means giving back to the community. The research surveys a broad range of business social responsibility practices and activities and identifies a number of key issues which are limiting businesses from "*doing*" corporate social responsibility *better*.

These key business issues are critically related to:

- The need for a *better understanding of the business case* demonstrating the benefits to a company arising from a stronger performance in corporate social responsibility.
- The need by business for better access to actionable learning and information resources on corporate social responsibility. This includes better access to information on other companies' practices and the types of activities they undertake, to help develop new ideas and approaches to corporate social responsibility.
- Improved inter-company collaboration for new approaches to charitable giving.
- Better multi-sectoral collaboration between the private sector, government community NGOs and community institutions in sustainable community social and economic development.
- The lack of a comprehensive and integrated *strategic management approach* to corporate social responsibility in most companies.

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- The need to look at corporate social responsibility holistically across all the company's business units, departments and operations.
- Better information and education for employees on their company's corporate social responsibility policies and practices.

The report identifies that business leaders believe their company, and business in general, has a *key stakeholder role to play in social and economic inclusion*. The key issue for business leaders is how to enable that role. This requires building understanding, education and capacity in the business sector so as to enable companies to move forward and engage that role in new multi-sectoral collaborative partnerships.

The project delivers an Implementation Model which is road map for companies to use to move closer to corporate social responsibility best practices, with a particular focus on social and economic inclusion. The Model provides a “checklist” for companies to implement best practices through the formal development of strategies and action plans. In addition, the project provides a wide range of resources for companies to access corporate social responsibility best practices.

The project report makes policy recommendations for sustainable mechanisms to enable a higher level of corporate social responsibility in the region. These recommendations include the call for companies to embrace a *strategic management approach* to corporate social responsibility, where companies would include long term corporate social responsibility goals, which identify the social development objectives of the company, within their overall long term strategic planning and management performance framework. In this strategic approach, companies would adopt a closer strategic alignment and partnering with the company's chosen NGO organizations, much in the same strategic manner as a joint venture or the outsourcing to a strategic partner of a company operational function. This means that the NGO organization would be viewed from the company's perspective as a *strategic service provider* in the delivery of the *company's corporate social responsibility goals and objectives*. This is very different from the currently accepted view of charitable giving, where the NGO only fulfills an execution role in the company's strategy for charitable giving.

This new perspective opens the door for a wide range of creative social developmental engagement options for the company, including for example, the secondment of company staff to the NGO to assist the NGO in areas of core competency deficiencies, which is a wide spread and critical issue for many small and medium sized NGOs. And, as the report's Model ideally envisions, the full activity based cost of that secondment would be captured by the company's new integrated corporate social responsibility accounting and measurement system for the company to determine and report on its *real* corporate social responsibility spending effort. This in turn enables the company to have integrated monitoring and a clear understanding of the differences in their corporate social responsibility footprint in the community.

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The project report also seeks to develop *the business case* for business engagement in corporate social responsibility and social and economic inclusion. The report seeks to promote the idea that business executives and directors should view the broader social, economic and environmental impact of their companies' operations as an opportunity to take leadership positions in the communities and markets in which they operate and pro-act to create *sustainable competitive advantage for their companies*.

CEOs and directors will hopefully understand that the business case for corporate social responsibility is compelling. Customers and consumers are increasingly judging companies' corporate social responsibility activities and saying "yes" or "no" to those companies in how they chose to make their purchase decisions. The report posits that most business leaders today should "get it". A wide range of policy and educational organizations, such as the Conference Board of Canada, all point to the business case supporting corporate social responsibility. For example:

- Up to 25% of brand equity and corporate reputation is estimated as due to corporate social responsibility consumer perceptions and image.¹
- The negative consequences of disenfranchising consumers due to irresponsible ethical, environmental or social behavior can be rapid and severe.
- Ethical and green marketing positions are adding strong value to many brands.
- Attracting and retaining skilled employees is heavily influenced by a company's corporate social responsibility track record and community engagement. This is particularly relevant for the looming [indeed already present in many sectors and markets] skilled labour market shortages.
- Corporate social responsibility performance is already a key factor for investors, with \$51.4 billion currently invested in socially responsible assets in Canada. And the growth of ethical funds is predicted to continue to expand strongly.²
- Environmental benefits and company profit margin improvement can be attained due to containment of rising energy and raw material costs through companies pursuing improved energy utilization and more efficient processing and packaging.
- Regulatory approvals can be facilitated for companies due to their having a strong track record and commitment to best practices in corporate social responsibility.

All the evidence emerging from this research project points to the fact that there are also significant opportunities to enhance employee motivation and strengthen team building and leadership development through socially meaningful community engagement by the organization's employees.

The report posits that *valuing* a position of excellence in corporate social responsibility and social and economic inclusion should be a strong strategic fit for most companies, since most state they value giving back to and investing in the

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communities in which they do business. Business leaders should be, and indeed most are, critically concerned with creating centers or positions of excellence in all the company's core/strategic areas of operations necessary to grow their company's competitive position. Indeed, many companies state this as a core value and/or in their vision or mission statements. Hence the report's logic model, is in many ways quite simple: Since corporate social responsibility is a vitally critical strategic core issue and need for companies, therefore, business executives and directors should strive to create a *position of excellence* in their companies in their social responsibility performance, in the same manner as they seek to create positions of excellence in the other areas of core strategic importance to the company.

A number of the companies reviewed and interviewed in this research, in the author's judgment, have a social vision for their company and are operating at or close to the Model. These companies are making serious efforts to continually improve their practices and achieve results. They "get it" – *they understand it really is all about how everything their company does has a social impact*. The report points out that in many ways it really does not matter if a company is currently not at or near the Model. Indeed many may be so far removed in their *written formal* policies that they find the Model rather daunting. What does matter, regardless of what point a company is starting at today, is that the company makes the commitment and begins the process of moving toward best practices and *doing* corporate social responsibility and social and economic inclusion *better*.

Contact Information:

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¹ Conference Board of Canada, *The National Corporate Social Responsibility Report: Managing Risks, Leveraging Opportunities*, June 2004, Executive Summary, page 11.

² Conference Board of Canada, *The National Corporate Social Responsibility Report: Managing Risks, Leveraging Opportunities*, June 2004, Executive Summary, page 11.