



The Role of Stakeholder Engagement in Corporate Community Investment

A research report for CAF (Charities Aid Foundation) by the International Centre for Corporate Social Responsibility, Nottingham University Business School

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Foreword

Corporate Community Investment (CCI) continues to evolve, becoming increasingly integrated into core business. This was illustrated in the research we conducted last year '*An evaluation of Corporate Community Investment in the UK – Current developments, future challenges*'. That report also highlighted that the orientation of CCI is, to an increasing extent, being driven by the role of stakeholders, particularly shareholders, employees, customers and local communities. Balancing these different interests and understanding the complex relationships that exist between them is a challenge that we wanted to explore in more detail.

CAF is delighted to present this report, which provides a fascinating insight into the current role of stakeholder engagement in CCI. From the analysis, we can see that stakeholders can be engaged on two different levels: to contribute to CCI strategy, as well as to assist in project implementation. It is clear that companies value dialogue with stakeholders, recognising that it helps them to respond to stakeholder needs and also to create programmes that have greater social impact. Companies are not just managing stakeholder relationships, they are building them – becoming critical players within wider complex stakeholder networks.

The report also points to a growing understanding of the benefits for companies of engaging stakeholders in their CCI initiatives. This explains why CCI is increasingly being planned and managed as part of corporate strategy. However, managing strategy centrally and devolving responsibility for implementation to local business branches brings its own challenges that companies need to overcome.

Widespread strategic stakeholder management may be some way off but one thing is clear, if companies don't apply considered thought to stakeholder identification and engagement then they will be missing out on significant learning opportunities and failing to realise potential positive impacts both for their business and for society as a whole.

We would like to thank the team at the International Centre for Corporate Social Responsibility at Nottingham University Business School for their hard work putting this report together, and to the companies that participated in the interviews. This research will be followed by a wider survey of company stakeholder engagement in CCI that CAF will be conducting with Nottingham University early in 2008.

But for now we hope you find this report both interesting and stimulating.



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The findings are in large based on interviews with those responsible for managing Corporate Community Investment programmes in twelve best practice UK companies. These companies were chosen to provide perspectives from a number of different business types and sectors.

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Part one – Executive summary

This research follows up our 2006 report, *'An evaluation of Corporate Community Investment in the UK: Current developments, future challenges'*, which found an increasingly strategic orientation of Corporate Community Investment (CCI) and an increasingly explicit stakeholder orientation, particularly concerning shareholders, customers, employees and local communities. This report therefore focuses on the role of stakeholder engagement within CCI.

We found two broadly distinctive forms of stakeholder engagement in CCI. The first is engagement at the point of CCI strategy development, which we call 'Stakeholders as Ends'. CCI is thus devised as part of a response to stakeholders who are the motivation for the broad Corporate Social Responsibility (CSR) policy. Secondly, there is engagement at the point of CCI implementation, which we call 'Stakeholders as Means'. These stakeholders are critical to the implementation of the CCI policy. Whilst in practice, individual instances of stakeholder engagement often reflect both ends and means, this dichotomy is important in highlighting two very distinctive motivations for, and configurations of, stakeholder engagement.

Numerous drivers for, and benefits of, stakeholder engagement in CCI are identified. These include enabling companies to demonstrate responsiveness to stakeholders and helping companies to contribute to communities. Companies also gain the positive business benefits of greater trust, more robust risk management, employee motivation, innovation and competitive advantage.

These drivers were less evident in the earlier, more philanthropic model of CCI and reflect the stronger linkages between CCI and the wider company regarding CSR, and with general strategies for business success. These stronger linkages have led to CCI being increasingly bound up in business strategy and corporate governance. Although there are common CCI themes and agendas, these linkages with corporate strategy also explain company distinctiveness in community investment programmes. The stakeholders engaged and the benefits companies gain from that engagement also vary according to where a company is on the CCI project cycle (emergence, implementation or closure/renewal) and what its motivations are.

We also found that CCI increasingly yields 'glocalised' networks – that is, networks that combine local and long-distance interactions – and these networks contain different forms of stakeholder engagement. Those stakeholders associated with the ends of CCI are more likely to be connected at the global, company-wide levels. At the local level, however, companies may engage with myriad country or even community-specific stakeholders in order to implement CCI projects. Companies are not simply members of networks addressing social issues, but sometimes are even the creators and hubs of those networks.

The CCI project cycle of emergence, implementation and closure/renewal and its glocalised networks bring clear challenges to companies as they seek to balance the requirements of professionalisation with the desire to retain the personal stakeholder relations that often underpin CCI success stories.

Equally, these trends of stakeholder engagement in CCI bring opportunities for organisational learning, whether about best CCI practice or the nature of the issues addressed. This can increase comparative advantage through employee learning and competitive advantage through innovation.

Overall, CCI is increasingly and more self-consciously about engaging stakeholders as companies recognise this engagement can help them both to understand stakeholder expectations and to improve the success of their CCI projects. Companies develop distinctive configurations of stakeholder engagement reflecting their own motivations and stage on the CCI project cycle. Many companies are at the hub of CCI networks and are therefore involved in multi-sector approaches to addressing social issues. Stakeholder engagement in CCI offers valuable opportunities for organisational learning both about CCI and target issues, and about responsible business more broadly.

A number of challenges emerge, including how companies combine managing company-wide CCI policies with maintaining multiple CCI stakeholder relationships, particularly those at the local level.

Various issues for debate also arise as charities and companies adapt to the emerging stakeholder-oriented CCI.

The findings of this study will inform a more representative survey analysis of company stakeholder engagement in CCI.

Part two – Corporate Community Investment and stakeholder engagement

Corporate Community Investment (CCI) refers to company involvement in social (including environmental) initiatives to meet the needs of the communities in which they operate. Stakeholders are conventionally defined as *“any group or individual that can affect or is affected by the achievement of a corporation’s purpose”* (Freeman et al 2007 p. 6). Stakeholder engagement refers to the practices by which companies relate to their stakeholders.

There is evidence that CCI has grown even if only measured by financial contributions. This is in part a response by companies to stakeholders and stakeholder expectations. Significantly, citizens/consumers are aware of and responsive to companies’ community links in their purchases. Large sections of the UK public expect information about companies’ responsibilities and believe that employees’ job commitment is enhanced by company responsibility (MORI 2007).

In *‘An evaluation of Corporate Community Investment in the UK: Current developments, future challenges’* (CAF 2006) we found that CCI has moved beyond philanthropy and paternalism to being more integrated into company strategy and, accordingly, better embedded into the company. Another key finding was that best practice companies increasingly relate CCI to their stakeholders, particularly their shareholders, employees, customers and local communities.

This report is therefore designed to investigate the motivations, nature, implications and challenges of this trend. It is based upon a review of recent academic literature, interviews with representatives of twelve best practice UK companies (ranked in The Guardian Giving List 2006), and ongoing research at the ICCSR. It will be complemented with a wider survey of leading companies to provide a representative picture of stakeholder engagement in CCI and to provide a base for analysis of future trends.

The specific objectives of the combined research were to:

- explore how and why companies set about engaging with stakeholders
- understand the linkages between stakeholder engagement, CCI and CSR
- understand how stakeholder engagement fits in alongside other company considerations including competitive advantage
- highlight areas of best practice in stakeholder engagement
- examine the principle of key stakeholders
- quantify attitudes towards stakeholder engagement and the building of a CSR and/or CCI strategy
- highlight future trends

We identified two broad forms of stakeholder engagement. First, stakeholders can motivate companies to invest in communities such that they are end objectives of CCI. Second, stakeholders can assist companies in the delivery of CCI policies and programmes such that they are part of the means of CCI (Figure 1).

Engagement with stakeholders which prompts companies to invest in communities, or which are an end objective of CCI, takes a variety of forms including investor briefings; employee and customer surveys; charity, advocacy group and peer consultations; and, more arms length communications from campaigning organisations and the media.

Stakeholder engagement reflecting the means of delivering CCI often takes the form of partnerships and networks of companies and stakeholders. These stakeholders might not necessarily be the same as those who motivated the CCI. Thus a company might be motivated by UK customer expectations to make community investments in its African supply chain. However, the company may partner an African charity to implement, say, a health or educational project.

Figure 1: Stakeholders as Ends and Means in CCI



In other cases, the same stakeholder might constitute the ends and the means. For example, a company might be motivated by employee expectations to make community investments around its plants. Employees might also constitute part of the means to this end by assisting in the selection of projects and partners, and by volunteering in their implementation.

Stakeholders as Ends

This refers to those stakeholders which companies wish to influence and impact upon and who are the ultimate objective of CCI. Such stakeholders may be as general as 'society' itself which, through such institutions as the media, charities and community groups, articulate general expectations of business community responsibilities. Companies may simply listen to the media and campaigning organisations assuming that these reflect, articulate and represent values and expectations of the wider society:

“the media is a way to reach other stakeholders; however the charities and community organisations that we work with are essential”

Barclays

Companies are also motivated by stakeholders that are more functionally related to the business, such as employees, individual communities, customers, investors and government. Companies learn about stakeholder expectations through surveys, focus groups and one-to-one meetings etc in order to inform strategies for CCI:

“stakeholders are critical to us. Stakeholder views play a vital role in determining what we do”

Barclays

We will see later in the report that the nature of the companies' business may well inform the balance and nature of these stakeholder motivations.

Stakeholders as Means

This refers to stakeholders that are critical to the design and delivery of CCI. Thus customers may contribute financially to fundraising or sponsorship programmes, or they may be vehicles for delivering company resources to communities through customer loyalty initiatives. Employees may volunteer both in company time and their own time to support CCI projects.

Companies also develop relatively long-term partnerships with other organisations with community expertise and legitimacy in order to inform and implement their CCI programmes. These include business and charity associations, brokers between companies and communities, individual charities and governments.

Part three – Motives for and benefits of stakeholder engagement

“Stakeholder engagement can improve... long-term viability and benefits significantly by improving decision-making, understanding and accountability”

Hughes and Demetrius, 2006, p.95

The CAF (2006) report identified four company level motivations for CCI:

- compliance with governmental expectations or ‘soft’ legislation
- managing risk in the new ‘moral marketplace’
- the creation of competitive advantage
- the creation of comparative advantage

In the current research, companies identified the benefits of stakeholder engagement in CCI (Table 1). While these echo some of the motives for CCI outlined above, they also apply more broadly to CSR. Some are indicative of the engagement of stakeholders as ‘ends’ – companies may get involved in CCI specifically to accrue these benefits. Others reflect the benefits for companies of engaging with those stakeholder partners that are part of the means for achieving the ends of CCI.

The company benefits of reputation, employee motivation and competitive advantage/innovation were the most frequently cited by respondents. They also mentioned the benefits related to social capital through the acquisition of local knowledge and experience, as well as benefits for managing risk within companies.

Reputation

Many respondents cited reputation as one of the main benefits of CCI and stakeholder engagement, and several claimed it was perhaps the biggest motivation for them: *“ultimately it’s about how we can protect and enhance our reputation” (GlaxoSmithKline)*. In addition, by engaging stakeholders through consultation and communication, companies can identify reputational gaps where stakeholder and company perceptions differ.

Employee motivation and competence

Companies also engaged in CCI because of its positive effects on their employees. Most companies claimed that their CCI projects engaged employees and made them feel good about the company:

“the fact that [employees are] engaged in the organisation is greatly impacted upon by their perception of the organisation and its participation in the community”

Lloyds TSB

In addition, CCI programmes often enabled employees to develop skills and expertise: *“most of our CCI programmes are set up to enable employee development” (Rolls Royce)*. CCI and stakeholder engagement are also valued for improving recruitment.

Table 1: Benefits of stakeholder engagement

| Company benefits | Stakeholder benefits* |
|---|--|
| <ul style="list-style-type: none"> ■ reputation ■ employee motivation and competence ■ competitive advantage/innovation ■ risk management ■ social capital (networks, local knowledge) | <ul style="list-style-type: none"> ■ reputation ■ innovation ■ project outputs ■ access to resources ■ social capital (networks, local knowledge) |

Competitive advantage/innovation

Several companies supported the view that stakeholder engagement can help create a competitive advantage (Porter and Kramer, 2002; Harting et al, 2006). One respondent noted that *“we’ve gone 100% Fairtrade on our bananas and have committed to do the same with tea – big strategic changes like that take a lot of planning and create real points of difference that are difficult to copy” (Sainsbury’s)*. Engaging stakeholders has also been seen as a way of inspiring business innovation:

“we’re a big business but we don’t have all the answers – it’s good to listen to other people and develop new solutions”

Marks & Spencer

By engaging with stakeholders in their CCI companies can distinguish themselves from competitors. Through demonstrating their values by undertaking CCI projects, companies can inspire more customers to do business with them; and by engaging and including stakeholders in decision making processes, companies can generate more innovative solutions to business problems.

The engagement of stakeholders also brings more functional benefits of enhancing the CCI performance and tailoring it to the company goals. Through engaging stakeholders, companies ensure that they are meeting a valid community or stakeholder need, and that stakeholders will be happy to work with the company to deliver the project targets and the corporate strategy underpinning the project.

* These benefits were claimed by companies but not explored further in the research

Part four – Linkages between CSR, CCI and stakeholder engagement

We found a clear link between CCI, CSR and stakeholder engagement. Figure 2 shows how companies engage stakeholders at two levels: the interpretation of broader CSR strategy and the integration of CSR and CCI strategies. This is with the purpose of aligning CCI with broader business objectives. The second level of engagement relates to the implementation of CCI practices and the institutionalisation of best practice CCI within the company.

From the interviewee responses it emerged that:

- CSR is regarded as a forum for companies to marry stakeholder concerns, expectations and issues with their own corporate strategies, objectives and missions. It therefore has an integrative function
- CCI is becoming increasingly tied to organisational capabilities and competencies. As a result there are differences in the manifestation of CCI across different companies and industries
- stakeholders are involved in the design and implementation of CCI projects but these also reflect company priorities grounded in CSR and corporate strategy
- while stakeholders had a strategic concern role in CSR strategy, their role in CCI decision-making tended to be more tactical

Stakeholder engagement

The integration of CCI and CSR emerges in two wider company concerns – corporate governance and business strategy.

CCI and corporate governance

Nearly all of the companies in the research referred to senior level interest in, and monitoring of CCI, though this is managed in a variety of ways. For some companies this involves a board level steering committee, and for others it involves regular meetings with the Managing Director. Nevertheless, we found a common strong focus on the governance of CCI.

Our findings confirm Parent & Deephouse's suggestion that the integration of CCI in the organisational hierarchy may impact on stakeholder identification and engagement processes (2007). The way that CCI is integrated within companies may be indicative of:

- renewed company attitudes towards CCI
- the focus of CCI strategy, and the link between CCI and CSR strategy
- perceived key stakeholders
- preferred methods of engagement

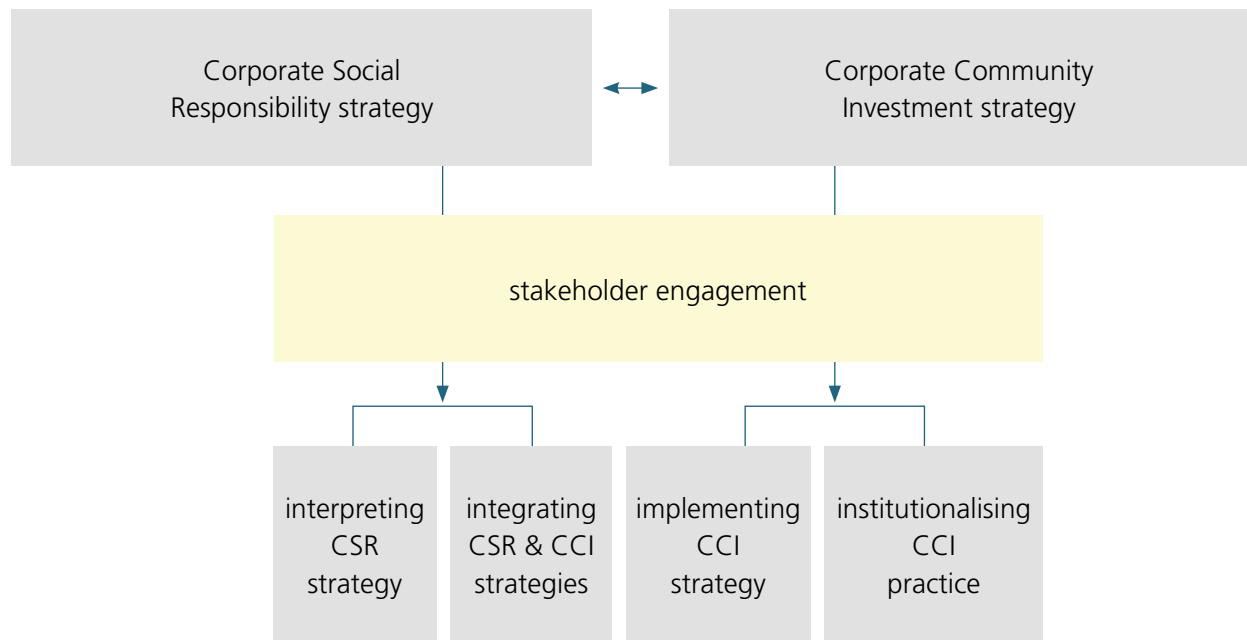
CCI is managed from different organisational locations within companies, usually from the marketing, HR or corporate affairs departments. Where CCI is conducted from the marketing department it tends to focus on customer engagement, which suggests that CCI is seen as a vehicle to build the brand. Where the HR department conducts community investment, it is likely that motivating employees is the driver, and the CCI projects are more likely to include employee volunteering.

CCI and business strategy

CCI has become more central to CSR. One respondent described it as: *"an important part of the [CSR] wheel, and the wheel couldn't function without it" (Boots)*. CCI is no longer an add-on or narrowly defined only as the right thing to do. Instead, companies seek to integrate it into business organisational competencies, decision-making processes, business culture and strategy.

The link to business strategy reflects the increasing pressure on companies to create a business case for CCI, perhaps as a result of the closer governance controls discussed above. One respondent noted that, *"we want to make sure that our community activities add value to our business"*. (Rolls Royce). The link to organisational competencies may also reflect this trend, but also results from a desire for greater social impact. One interviewee noted

Figure 2: CSR/CCI strategy and the nature of



that, *“we could write a cheque to save donkeys in Egypt, but we don’t know anything else about donkeys in Egypt so have nothing more to contribute, whereas with financial inclusion and entrepreneurship we can make a very practical and valuable contribution”*

Barclays

This more strategic focus impacts on the stakeholder partners chosen by companies because companies wish to engage with charities who can best assist them in delivering their CCI strategy. Thus, the operationalisation of CSR influences:

- the governance of CCI
- the social issues addressed by companies
- the choice of stakeholder partners
- stakeholder engagement processes

CCI and organisational factors

Given that companies approach CCI from different governance and business strategy perspectives, it is likely to vary in the way it is manifested organisationally among companies.

We found that the social issues addressed by companies vary by industry and sector. Thus a financial services company may largely be concerned with issues to do with financial inclusion; aerospace and air travel companies are primarily concerned with issues around climate change; while pharmaceutical companies make health their priority.

The organisational features of CCI may also reflect the nature of the markets that the company operates in, and its visibility and presence in local communities. A multi-site retailer with 2,000 stores, for example, would approach CCI in a different way than a manufacturing company with 20 sites. A company selling directly to the public may also invest in the community in a different way than a company selling to other businesses. Those companies with fewer sites and those companies that sell to businesses tend to put a greater focus on employees in their CCI programmes, while reputation seems to be more of a focus for multi-site companies retailing to the general public.

Part five – CCI project cycle and stakeholder engagement

In some cases the increasingly strategic approach to CCI themes has led companies to select a small number of CCI partners who may have multiple relations with different functions within the organisations. One interviewee described the company as therefore developing *“integrated stakeholder management”* (GlaxoSmithKline). This reflected:

- the complexity of the business (eg the nature of the business, its size and location)
- the CCI strategy and forward and backwards business linkages across the supply chain (eg engagement of suppliers and customers)

Our findings reveal that companies select and relate to their stakeholders differently, and manage their overall stakeholder engagement differently. Thus, stakeholder engagement varies across the different CCI modes practised, be it employee volunteering, strategic philanthropy or partnership. Different stakeholders play different roles at different stages within the CCI project cycle (Table 2).

Overall, internal stakeholders were the most consulted across all stages in the CCI project cycle reflecting attempts to integrate CCI into business strategy. There seems to be a relationship between drivers for CCI and the stakeholders which companies are likely to engage at different stages of this cycle.

Emergence phase

The emergence phase includes the processes of identifying, appraising and selecting partners and social issues for CCI. Here companies appear to consult, engage and involve stakeholders mainly for instrumental motives such as risk and reputation management, social and political legitimacy, and factors of competitive advantage. Consulting stakeholders ensures CCI remains relevant to stakeholder needs and concerns, thereby enabling companies to demonstrate their ‘corporate social responsiveness’:

“[stakeholders] provide some pointers and signals for which way to go and the right waters to be in”

GlaxoSmithKline

“by listening to the needs of key partners who are the experts in their field, we would define our CCI programmes accordingly, and so programmes at different sites might be different”

Rolls Royce

Stakeholders such as opinion formers, customers, industry associations and employees are a source of information. They are useful when determining the social issue focus and the CCI project partners that will add strategic value and advance the business objectives. The processes of gathering information from stakeholders range from the informal to the formal (eg opinion surveys, focus groups and peer consultations). However, the selection of social issues and partners ultimately rests with internal stakeholders such as senior management, employees and representatives from business functions.

Implementation phase

In the implementation phase stakeholders are involved in project design, delivery and monitoring and evaluating the projects' impact and stakeholder engagement processes. The drivers for CCI and stakeholder engagement are related to anticipated business performance, human resources development, and innovation creating competitive advantage. Stakeholder engagement is a continuous process of dialogue as companies seek to build relationships, share responsibilities in project delivery and meet project objectives. Driven by the need for reputation management, public image, stakeholder goodwill and meeting the demands of social regulation, companies engage a plethora of stakeholders to communicate and report CCI programme achievements.

Several companies have a stakeholder engagement plan commensurate with broader CCI objectives, and develop systematic processes for stakeholder engagement management. Nonetheless, companies are cautious of *'being too process-oriented'* or *'being too mechanistic'* (Part 7). Company representatives emphasised human relationships and their desire for stakeholder interactions that are open and transparent, and based on trust and mutual respect.

Project closure

The project closure or renewal phase involves overall evaluation and recommendations. The final project evaluations are usually by commissioned researchers or consultants who make recommendations to the company. The prerogative for renewing or closing projects rests within the internal governance structures.

Companies tend to engage stakeholders that are of strategic value and can help them meet their business and CSR goals. They employ different engagement processes depending on whether the stakeholders are internal or external. Even if companies want to engage a range of stakeholders through the entire CCI project cycle, this is not always feasible as companies are faced with limited budgets, time constraints and the realities of stakeholder diversity:

"balancing stakeholders [is a challenge] – lots of them have different agendas; which is why it's important that we understand the dynamics between them."

Anglo American

Table 2: CCI project cycle and stakeholder engagement

| | CCI project cycle | Company motives |
|---------------------|------------------------------|--|
| Emergence | Partner/issue identification | <ul style="list-style-type: none"> ■ social and political legitimacy ■ business and CSR strategy ■ business performance ■ licence to operate |
| | Partner/issue appraisal | <ul style="list-style-type: none"> ■ risk management ■ cost and benefit analysis |
| | Partner/issue selection | <ul style="list-style-type: none"> ■ comparative advantage ■ risk and reputation management |
| Implementation | Project design | <ul style="list-style-type: none"> ■ business performance ■ competitive advantage ■ innovation and value creation ■ stakeholder relations |
| | Project delivery | <ul style="list-style-type: none"> ■ reputation ■ business performance and competitive advantage ■ human resources development |
| | Monitoring and evaluation | <ul style="list-style-type: none"> ■ business performance ■ risk management ■ social impact |
| | Communication and reporting | <ul style="list-style-type: none"> ■ reputation ■ public image ■ stakeholder goodwill ■ soft regulation demands |
| Closure/ renewal | Overall evaluation | <ul style="list-style-type: none"> ■ business performance ■ risk management ■ social impact |

| Key stakeholders | Company benefits |
|--|---|
| <ul style="list-style-type: none"> ■ opinion formers ■ business coalitions ■ employees ■ customers ■ senior management | <ul style="list-style-type: none"> ■ awareness of stakeholder needs, interests and concerns ■ ability to prioritise social issues ■ stakeholder buy-in |
| <ul style="list-style-type: none"> ■ senior management ■ business functions | <ul style="list-style-type: none"> ■ mitigate risks ■ balancing business and social objectives |
| <ul style="list-style-type: none"> ■ senior management ■ business functions ■ employees | <ul style="list-style-type: none"> ■ balancing business and social objectives ■ meeting stakeholder needs and expectations ■ increased employee motivation and loyalty ■ widespread buy-in |
| <ul style="list-style-type: none"> ■ charities ■ community ■ employees ■ business functions | <ul style="list-style-type: none"> ■ meeting stakeholders needs and expectations ■ knowledge acquisition and transfer ■ shared responsibilities and improved stakeholder interaction ■ business value creation and innovation |
| <ul style="list-style-type: none"> ■ community ■ charities ■ employees ■ customers | <ul style="list-style-type: none"> ■ enhanced reputation ■ acquisition of new skills and knowledge ■ improved relations with stakeholders ■ mutual respect and trust |
| <ul style="list-style-type: none"> ■ charities ■ employees ■ business functions ■ research/consultancies | <ul style="list-style-type: none"> ■ improved transparency and accountability ■ enhanced credibility ■ enhanced business performance ■ improved stakeholder engagement process |
| <ul style="list-style-type: none"> ■ media ■ government ■ customers ■ shareholders ■ employees ■ business coalitions | <ul style="list-style-type: none"> ■ improved public image ■ enhanced stakeholder relations ■ enhanced reputation as a 'a good citizen' ■ peers' assessment ■ gained social and political legitimacy |
| <ul style="list-style-type: none"> ■ research/consultancies ■ senior management ■ business functions | <ul style="list-style-type: none"> ■ improved social and business performance ■ enhanced corporate image and reputation ■ enhanced stakeholder relations |

Part six – ‘Glocalised’ networks of CCI

Two recent trends identified in academic literature are confirmed by this research. The first is that stakeholder networks represent a new form of stakeholder engagement (Svendsen & Laberge, 2005). The second is that companies are becoming more integrated into more fragmented forms of governance (Rosenau, 2005) – or glocalisation.

Stakeholder networks

This research uncovers evidence to support the idea of companies using and even developing networks to engage stakeholders in CCI (Box 1).

The precise nature and use of stakeholder networks for CCI does vary from company to company and even among company projects.

“projects are so varied, it’s hard to say what the standard approach is – it’s more of a tailored approach. The vision for our Unicef partnership, for example, will see us involving several different stakeholders, but in very different ways”

Barclays

Companies convene stakeholder networks to address complex social issues and these appear to be particularly valued by companies operating globally. In these networks, companies act as facilitators of stakeholder networks, sometimes providing leadership rather than just resources.

Box 1: GlaxoSmithKline and stakeholder engagement in the PHASE programme

One of GSK’s leading CCI projects is the PHASE (Personal Hygiene and Sanitation Education) programme. This programme is aimed at reducing diarrhoea-related disease amongst children and improving their overall health. It has been running since 1998, is active in 10 countries worldwide and by 2010 the programme aims to reach over 1 million children.

In order to achieve the project aims, GlaxoSmithKline has created a global partnership where NGOs, government departments as well the company itself can all influence the project. These include Save the Children, Plan International, African Medical and Research Foundation, Health Ministries, and Education Ministries.

The inclusion of these organisations and agencies is based on their core competencies. This may be in terms of organisational expertise such as experience in urban areas or rural areas, or it may be tied to the organisational mission – such as a concentration on child welfare.

GSK is undoubtedly the focus of this network, as the company itself realises: *“we’re bringing together all the partners who are looking to implement this and we’ll try and evolve it”* (GSK)

Source: www.gsk.com/community/phase.htm
Addition: Interview with Justine Frain, GlaxoSmithKline

Glocalisation and internal networks for CCI and stakeholder engagement

While the use of stakeholder networks is decided on an individual project basis, this research suggests that there is another, more widely used form of network emerging. These are internal networks for stakeholder engagement in CCI reflecting the emergence of multinational corporations as inter-organisational networks (Ghoshal and Bartlett 1990). These result from the simultaneous trends towards better global and local governance for CCI, or glocalisation.

Companies are aiming to co-ordinate and control CCI strategy from their organisational centre, but are simultaneously devolving some responsibility for delivery to local business units and branches as described:

“our three global themes for Corporate Social Investment (CSI) were launched two years ago with a view to encouraging our Group companies to focus their CSI programmes around these themes.”

BAT

This trend of glocalisation is also evident in the distribution of budgets for community investment, which are increasingly split between the global centre and local branches/business units.

The overall trend of glocalisation creates a network of CCI professionals within the company each with some form of responsibility for CCI and stakeholder engagement. Each member of the network may be one contact point for external stakeholders, knowing that the external stakeholder may also be liaising with others in the company network at the same time.

Part seven – The professionalisation of CCI and its challenges

One trend noted in recent academic literature is of stakeholder engagement becoming more professional, with processes emerging for engagement (Gable & Shireman, 2005), including the use of IT systems and software designed to help organise and manage stakeholder engagement (Hughes & Demetrius, 2006).

Professionalisation of CCI and stakeholder engagement

Our research found evidence to support the theory of a trend towards more professionalism in stakeholder engagement and CCI. Only two of the twelve interviewees keep some form of stakeholder database to track stakeholders and stakeholder engagement. However, most of the other ten respondents have some basic process for recording stakeholders, stakeholder contacts, CCI projects or stakeholder partners. Significantly, most of these recognised the value of stakeholder databases and communications logs. A typical response was, *“we’re not as sophisticated as that!”*, suggesting that such practice is seen as a more professional feature of stakeholder engagement and one that they were interested in or were even introducing. One company claimed that, *“we have just started to do that for some of the stakeholders that really work across multiple departments within the company” (GlaxoSmithKline)*. Another claimed it was investigating an online system for managing feedback from stakeholder engagement.

This interest in monitoring and tracking stakeholder engagement illustrates greater professionalism in this area. It demonstrates a greater desire for a stakeholder engagement ‘audit-trail’ whereby the actions of CCI managers and departments can be easily monitored by the business, but more importantly, it can be accessed by other departments engaging with stakeholders.

This trend towards professionalisation reflects our earlier finding that there is a growing focus on the corporate governance of CCI. The monitoring and tracking of stakeholder engagement and CCI is necessary if senior management are to perform an oversight function.

The challenges of professionalisation

Companies face a challenge of balancing these emerging forms of professionalisation and demands for company consistency with the aim of allowing more autonomy to local entities so that individual outlets, factories or business units can reflect the concerns and expectations of their local stakeholders with regard to CCI.

One solution to this challenge could involve the company-wide dissemination of CCI and stakeholder engagement best practice. One interviewee revealed that their company presents best practices for engagement through their company intranet. Thus companies can guide and direct stakeholder engagement to satisfy governance and ‘audit-trail’ requirements whilst allowing appropriate autonomy for local entities to satisfy their stakeholders. This solution reflects the glocalisation of stakeholder engagement in which the corporate centre sets strategy, outlines best practice and gives guidance, but allows local autonomy over tactical decisions with regard to CCI and stakeholder engagement.

Part eight – Organisational learning from CCI stakeholders

As well as offering companies a way to respond to society's expectations and to deliver CCI, stakeholder engagement also offers opportunities for organisational learning. As Rondinelli and London note: *"Alliances with non-profit organisations can be a source of information and knowledge about creative ways to rethink operational activities, identify new products and marketing opportunities, and address stakeholder concerns"* (2003 p62)

Our companies approach stakeholder engagement as an opportunity for learning by asking such questions as *'how can we create a better world?'*, *'how can CCI create value for the organisations?'*, and *'how can company-stakeholder relations be enhanced?'*. Companies are increasingly looking for best practice, and looking to learn from competitors, other companies and business, charity and brokerage associations. Companies see this as a reciprocal process:

"some of it is about lobbying and some of it is about communicating and being communicated to"

Boots

Stakeholder engagement provides the opportunity for companies to learn how to improve their CCI programmes. One company reported learning about the sort of support package community prize-winners needed to enable them to make the most of their achievements (GlaxoSmithKline). More broadly, when stakeholder feedback is incorporated into the organisational evaluation process, it makes CCI *"tighter and more focussed, based on experience"* (Lloyds TSB). This form of organisational learning could be through a regular review process or through more ad hoc personalised meetings and feedback within a partnership.

Companies also reported how learning from stakeholders assisted in identifying community needs *"you've got to understand your stakeholder needs first, and then understand the business needs and then try to map the two together and deliver a programme that satisfies both"* (BT). Others saw stakeholder engagement in CCI as providing opportunities for employee learning:

"we have regular reviews on our major projects such as community projects for trainees which are set up to develop our staff competencies with regular reviews with the project customers"

Rolls Royce

Organisational learning can even transform stakeholder engagement from that of means to that of ends, as illustrated by the comment:

"if we understand from a local strategic plan or from a local community partner that something is becoming an issue locally then we'd try to hook in our involvement to add any value we could"

Rolls Royce

The extent of learning will depend on the nature of the stakeholders involved (ie their identity and diversity), the way in which a particular CCI project is integrated into wider business management and governance, whether the stakeholder engagement primarily reflects ends or means motivations, and the stage of the CCI project cycle.

In some cases learning through stakeholder engagement is planned and deploys: periodic reviews, research or consultancies; the use of evaluation tools; and surveys/focus groups of selected stakeholders. This planning has in some cases extended to knowledge sharing

through best-practice forums and company intranet facilities to support learning across the organisation. Engagement with stakeholders can sometimes bring valued learning opportunities throughout the CCI project cycle:

“mapping stakeholder engagement is critical to the success of any project. A regular process for reviewing and evaluating progress should be built into any initial cooperation agreement to ensure all stakeholder views are taken into consideration and partners can learn from each other as the project grows and develops.”

BA

In summary, stakeholder engagement provides an opportunity for the acquisition and transfer of knowledge. This in turn can inform innovation, not only in the performance of CCI, but also in linking CCI to core business competences for competitive advantage (Box 2).

Box 2: British American Tobacco Biodiversity Partnership Projects

The focus on biodiversity is directly related to BAT's main raw material – tobacco, an agricultural product. The Biodiversity Partnership Projects aim to build expertise in biodiversity conservation and research. They are measured against three strategic priorities:

- to protect and restore habitats and species and ensure sustainable use of natural resources
- to integrate biodiversity into BAT's business
- to build capacity of individuals and organisations

These three strategic priorities are achieved through working in partnership in 35 projects with institutions such as Earthwatch Institute, Fauna & Flora International, Royal Botanic Gardens Kew and Tropical Biology Association.

The partners play two major roles:

- as *project implementers*, the partners propose projects which aim to achieve improved conservations of biodiversity in areas of mutual benefit. BAT capitalises on partners' networks, reputation, and expertise: *“to help us understand and embed biodiversity considerations into our business much more, as biodiversity is a very important environmental issue beyond its impact on climate change” (BAT)*
- as *innovators of knowledge*, the partners develop joint projects with BAT with the aim of embedding biodiversity assessment, management and conservation into its operations as stated in the interview: *“working with us directly to help us build biodiversity concerns into our core business” (BAT)*

The Biodiversity Partnership helps in the process of knowledge creation, acquisition and transfer within members of the partnership themselves, and to the local communities in over 18 countries.

Source: www.batbiodiversity.org.
Addition: Interview with Martin Summers,
British American Tobacco

Part nine – Conclusions and issues for debate

Our research concludes that there is a clear trend of an increased linkage between CCI and CSR strategy reflecting a greater interest in incorporating CCI into wider business strategy. This is as a result of a greater awareness of the motives and benefits of CCI.

This has yielded a much more explicit interest in stakeholder engagement, both to understand expectations (stakeholders as ends of CCI) and to better enact CCI (stakeholders as means of CCI).

Although there are common themes in CCI stakeholder engagement, company specific forms of engagement emerge according to i) the precise motivations upon which they are acting and ii) the stage in the CCI project cycle that they are addressing. Stakeholder engagement efforts are increasingly focused on building stakeholder relationships rather than managing stakeholder relationships. These forms of engagement are also influenced by the companies' distinctive organisational and sectoral features.

Companies enjoy numerous organisational learning benefits from stakeholder engagement in CCI. These include learning about CCI issues and project performance, enhancing employee knowledge and competencies, and driving innovation for competitive advantage.

Companies have emerged as critical nodes of glocalised stakeholder networks for significant multi-sector responses to complex social issues. Companies face some challenges in this stakeholder model of CCI, particularly in balancing the demands of governance for company-wide CCI management principles and systems with the local and often personal foundations of many CCI successes.

This study has been of a small number of best practice companies, and as such is not necessarily representative of wider practices in UK corporations. The next, quantitative, phase

of research is designed to address this limitation and also to investigate the themes raised here more closely. For example, the research will include attention to the firm level and CCI project cycle factors that lead to different forms of stakeholder engagement.

Our findings raise various issues for debate, including:

- how can those charities which rely on philanthropic donations adapt to partnership-centred stakeholder-oriented CCI?
- how can charities participating in CCI partnerships adapt to changing corporate strategies both in terms of their management capabilities and their members' expectations?
- what should companies do when their business strategies are no longer aligned with their CCI partnerships?
- how do companies balance stakeholder expectations for CCI with other expectations of business?
- how can companies manage integrated global CCI principles and systems, and reflect the value of local stakeholder engagement?
- what is the impact of company glocalised networks of CCI on charities? Does it result in the duplication of effort and increased costs?
- what are the wider implications of these new glocalised and networked approaches to solving community issues (eg regarding governmental responsibilities, continuity of provision, accountability and community capacity)?

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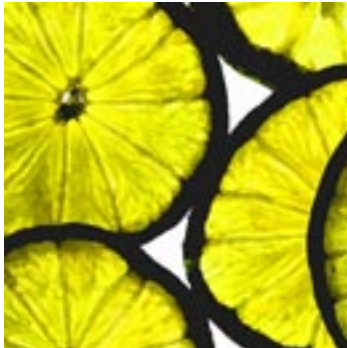
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