

Chapter 1: From Well-Meaning to Strategic

What Some Companies Say About Community Investment Challenges

"We spend lots of money on CI, but relations with communities don't improve (and sometimes even deteriorate)"

"Our CI program has become a source of conflict among communities"

"Local stakeholders have become dependent on us"

"Infrastructure projects we built lie abandoned and unused"

"There are endless requests from communities—how do we say no?"

"We get pulled in a hundred different directions"

"We've ended up having to take over the government's role"

"Our CI program has little to do with our core business"

"We are doing all these good things for the community, but no one gives us any credit"

"In the end, we have little to show for all the resources we've spent"

12 REASONS "OLD-STYLE" COMMUNITY INVESTMENT HAS UNDERPERFORMED

Achieving long-term, positive community development impact through company-supported initiatives can be a complex and challenging endeavor. Many programs do not deliver to their full potential—for either the company or the community—despite the considerable time, goodwill, and resources invested. In some cases, poorly planned CI has given rise to negative attitudes about the company by creating dependencies and generating conflict around the distribution of benefits. Contributing factors include:

1. **Limited Understanding of the Often Complex Local Context**

Companies have sometimes commenced community initiatives without fully understanding the socio-cultural context or how their presence and actions can affect the often complex dynamics between and among local stakeholder groups. This has led to a range of unintended consequences, including the exacerbation of tensions or creation of conflict among communities.

2. **Insufficient Participation and Ownership by Local Stakeholders**

Delivery of community projects without sufficient involvement of communities and local government in decision making around development priorities has resulted in projects with low relevance to local stakeholders.

3. **A Perception of "Giving" Rather Than "Investment" (Including Lack of Clear Objectives)**

The tendency to view community development as charity rather than as an investment linked to the business has resulted in vague objectives and a lack of direction and purpose.

4. **Detachment from the Business**

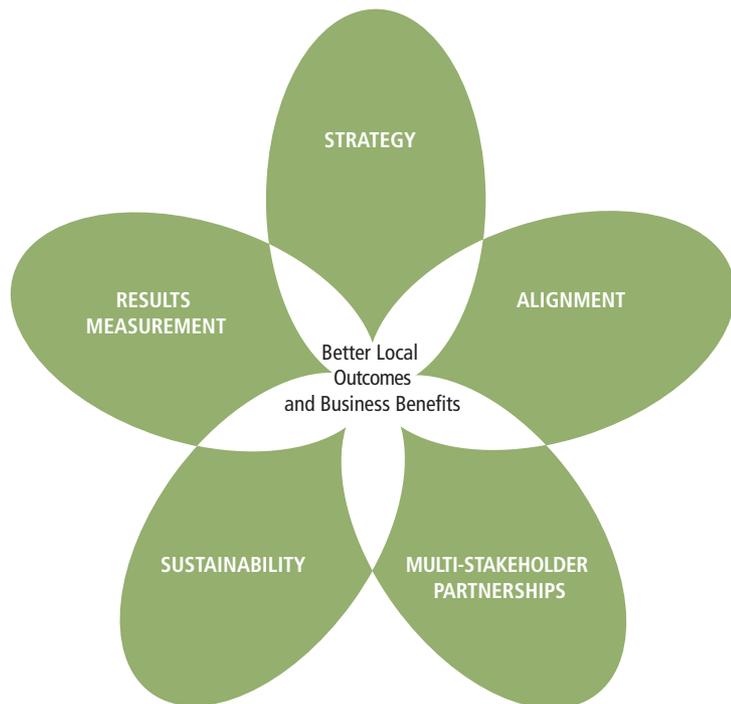
Community programs have tended to be planned and implemented in isolation from business activities and other day-to-day actions affecting stakeholders. This has limited CI's effectiveness in helping the company to address key social risks and opportunities at the site level or to take advantage of business efficiencies and competencies in support of local communities.

5. **Responding to Local Requests in an Ad Hoc Manner**
Ad hoc approaches are typically opportunistic and focus on short-term outputs rather than catalyzing long-term change. The risk, in many cases, is that the sum of all these disparate contributions to local causes does not add up to anything that either the company or host communities can point to as a tangible or lasting development benefit.
6. **Lack of Professionalism and Business Rigor**
Few community programs are held to the same standards that companies apply to other business investments they make (in terms of professional rigor, a clear business rationale, planning and budgeting processes, and accountability for results). This often reflects the low priority given to CI by senior management when there is no perceived link to the company's bottom line.
7. **Insufficient Focus on Sustainability**
It is only in recent years that the sustainability of community development activities supported by companies has become a key factor in project selection and design. In the past, short-term objectives took priority over longer-term considerations, and sustainability policies and criteria were not given much emphasis.
8. **Provision of Free Goods and Services**
While well-intended, the long-term consequences of providing free goods and services have not proven to be in the interests of either the company or local stakeholders. The lack of requirements for matching contributions (whether financial or in-kind) has made it difficult to generate shared ownership or financial sustainability, and has instead fostered dependency.
9. **No Exit or Handover Strategy**
Commencing activities without planning in advance for the company's eventual withdrawal has rendered many company-supported programs unsustainable and created difficulties for the company around its "social license to exit" in times of financial cutbacks or project end.
10. **Overemphasis on Infrastructure and Underemphasis on Skills Building**
Traditionally, community programs have been dominated by company-led, bricks-and-mortar types of projects with a significant lack of investment in the participatory processes, skills building, and organizational development necessary to affect and maintain long-term change.
11. **Lack of Transparency and Clear Criteria**
Unclear criteria have led to numerous cases of conflict between and among communities over who gets what and why. When transparent criteria are lacking, company practice in distributing benefits may be perceived as secretive, unpredictable, and susceptible to manipulation.
12. **Failure to Measure and Communicate Results**
In many cases the effectiveness of community programs is unknown because it has not been systematically tracked or measured the way most other business activities or expenditures would be. Common shortcomings include the lack of proper baseline data and a focus on measuring the volume of spend or the number of outputs rather than the *quality* of outcomes.

ELEMENTS OF A STRATEGIC APPROACH

In learning from these past experiences, companies seeking to break out of a low-results pattern are beginning to adopt new approaches and ways of engaging with their local stakeholders. Strategic CI encompasses five elements that reinforce one another: strategy, internal and external alignment, multi-stakeholder partnerships, sustainability, and results measurement. The goal is to create lasting improvements in the quality of life for local communities, which in turn generate business value for the company in the form of broad community support, reputational benefits, risk reduction, productivity gains, and/or competitive advantage.

Figure 1.1: Key Elements of Strategic Community Investment



HOW STRATEGIC IS YOUR APPROACH?

The following self-assessment provides a more detailed look at how the five elements of a strategic framework for CI might be incorporated and applied in practice. Companies can determine the general degree to which their programs and practices are consistent with strategic CI by undertaking this quick survey.

COMPANY SELF-ASSESSMENT

STRATEGIC	Yes	No	Partial
<ul style="list-style-type: none"> We have a written strategy linked to a clear business case and assessment of risks and opportunities 			
<ul style="list-style-type: none"> We screen all initiatives against well-defined objectives, criteria, and guiding principles, and say “no” to requests that do not fit within these parameters 			
<ul style="list-style-type: none"> We look beyond financial resources and consider how to make the best use of our company’s competencies, assets, expertise, and relationships in support of CI 			
<ul style="list-style-type: none"> We focus selectively on a few key areas for greatest impact where the company can most effectively leverage its role and competencies to address community priorities 			
<ul style="list-style-type: none"> Our choice of implementation model is driven by strategic factors, such as time horizon, budget, availability of local partners, and fit with our objectives 			
ALIGNED			
<ul style="list-style-type: none"> We align the strategic issues of our business with the development priorities of local communities, civil society, and government to create “shared value” 			
<ul style="list-style-type: none"> The link between CI and business objectives is understood by staff and management, and we involve all business units that interact with local stakeholders in the design of the CI strategy (and assign cross-functional responsibilities for meeting objectives) 			
<ul style="list-style-type: none"> We coordinate CI with all other company policies, practices, and programs that affect communities, including impact management, stakeholder engagement, and local hiring and procurement 			
MULTI-STAKEHOLDER DRIVEN			
<ul style="list-style-type: none"> We position ourselves as a partner in multi-stakeholder processes rather than the principal actor in promoting local development 			
<ul style="list-style-type: none"> We support communities and local government in defining and meeting their own development goals and aspirations through participatory planning and decision making 			
SUSTAINABLE			
<ul style="list-style-type: none"> We do not commence activities without a clear exit or handover strategy 			
<ul style="list-style-type: none"> The projects we support are designed to avoid dependency, encourage self-reliance, and create long-term benefits that can outlast company support 			
<ul style="list-style-type: none"> We take a long-term view when engaging with communities (although short-term results may be needed to meet business objectives at various stages of the project cycle) 			
<ul style="list-style-type: none"> Our support requires matching contributions (financial or in-kind) or fee-for-service arrangements and partnerships 			
<ul style="list-style-type: none"> We invest in capacity building, participatory processes, and organizational development to enable local actors to take progressively greater roles and responsibilities 			
<ul style="list-style-type: none"> We try to reinforce, rather than replace, local institutions and processes 			
MEASURABLE			
<ul style="list-style-type: none"> We track progress systematically over time against an established baseline (and use outcome and impact indicators to measure both the quality and quantity of change) 			
<ul style="list-style-type: none"> We are able to communicate the value generated by our community investments to both internal and external audiences 			
<ul style="list-style-type: none"> We use shared definitions of “success” and participatory methods of monitoring and evaluation to build trust and local ownership of results 			
<ul style="list-style-type: none"> We track changes in community perceptions to gain real-time feedback on performance 			

GETTING STARTED: THE BUILDING BLOCKS

Assess Whether Community Investment is Needed

Not every project needs to have a CI program. In fact, many projects can reduce their social risks by managing project impacts well and adjusting their business practices and procedures to increase local economic benefits. However, in “higher risk” contexts where there are significant project impacts on local communities, where basic needs and expectations for benefits are high, or where the affected communities do not have the ability (i.e., skills or resources) to take advantage of development opportunities being created by private investment, CI may provide a company with an effective channel to enhance development impacts.

Table 1.1: Higher Risk and Lower Risk Contexts

HIGHER RISK	LOWER RISK
Significant project impacts on communities	Minimal projects impacts on communities
Poor or remote areas	More developed or urbanized areas
Company needs host community support to operate effectively (fixed site)	Community relations is not a significant issue for the business
Basic needs are high but government capacity is low	Government provides basic services and infrastructure
Company is the largest or sole employer	Company is one of many employers in the area
Expectations for benefits are high	Community is indifferent to the project
Local opposition to the project exists	Community is indifferent to the project
Local needs go beyond employment	Employment is the main issue
Affected community lacks the ability to take advantage of opportunities created by the project	Population has the skills and resources to benefit from opportunities created by the project

The process by which a company engages its local stakeholders and partners, and the spirit in which this is done, are as important to the success of CI as the strategy itself.

Invest in Process

The process by which a company engages its local stakeholders and partners, and the spirit in which this is done, are as important to the success of CI as the strategy itself. The building blocks of CI—trust, mutual respect, goodwill, capacity, shared learning, and local ownership—are all developed through an ongoing and iterative process of collaboration. Getting it right involves focusing less on the number of meetings organized and more on the *quality* of the interaction. This implies a long-term investment of company time and resources in establishing and maintaining a process that local people find meaningful and empowering.

Don't Skip the Strategy

An *ad hoc* approach (reacting to community requests as they arise) is the opposite of being strategic. Having a good strategy enables a company to direct its CI efforts with purpose. This lowers the risk of unintended outcomes and increases the chances that CI objectives will be achieved.

WHAT A GOOD COMMUNITY INVESTMENT STRATEGY SHOULD DO

- **Set out a 3-5 year plan** for the company's community investments
- **Establish CI strategy objectives** that are linked to the business case
- **Identify target stakeholder groups** and specify eligibility criteria
- **Link the CI strategy to the local context** by drawing upon socioeconomic baseline studies
- **Establish an iterative process of engagement** with local stakeholders and partners on CI
- **Draw on the company's core competencies and resources** to support communities
- **Promote cross-functional coordination and accountability** for supporting CI objectives
- **Integrate CI with other company programs that involve communities** (stakeholder engagement, grievance process, environmental and social impact management, and local hiring and contracting)
- **Set out criteria and guiding principles** against which all CI proposals will be screened
- **Identify the key program areas** in which the company will invest
- **Identify the implementation model** and decision-making/governance structures
- **Define roles and responsibilities**, budget, scope, and timeline
- **Describe the company's exit/handover and sustainability strategies**
- **Consider both short-term and long-term objectives**
- **Describe how project results will be monitored and communicated**

* A template for preparing a community investment strategy is provided in the Tools section.

Align with the Project Cycle

Strategic CI needs to evolve with each phase of the business. This calls for different approaches along the project cycle to respond to changing business drivers. As the types of risks and opportunities related to communities change, so should the strategy and the kinds of activities that flow from it.

SEQUENCING ISSUES AND THE PROJECT CYCLE

- During the concept phase, special considerations may include planning for future workforce needs, local procurement, or suppliers/outgrowers development. For example, if the construction or development phase is going to create jobs, a community investment program on skills training or technical assistance for local communities might need to start well in advance.
- If the project is going to cause significant negative impacts that people are concerned about (e.g., resettlement or loss of livelihoods), it is advisable to engage with communities to explain and address these basic concerns before engaging on CI.
- In the development phase, “quick impact” projects executed (e.g., infrastructure) by the company may be needed up front to deliver on initial expectations by government and the community for tangible benefits and to counterbalance disruptions and impacts caused by construction activities. The operations phase is often where capacity building, partnerships, and long-term productive investments take place.
- Communities need to understand the project schedule so as to avoid unrealistic expectations regarding the delivery of benefits. Some major projects can take as long as a decade from early concept to actual operations. Other projects may be fully operational within months.
- CI can be an extremely strategic element of a company's exit/handover planning process, enabling communities to think beyond the life of the project and to prepare themselves for it. Ideally this planning should occur at the development phase but, at a minimum, five years prior to exit, with constant monitoring and evaluation of the transition process.



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Use Communications as a Strategic Tool

Some companies may be reluctant to talk publicly about their CI programs. The view is that “good works” should speak for themselves and that the company should not oversell in this area. While true, this thinking can also lead a company to undersell its efforts and, in doing so, miss important opportunities to optimize the business benefits generated by CI. If, for example, a community investment program is designed to secure a license to operate, improve risk management, or enhance brand value, communicating actively and repeatedly about these programs should be an integral part of the process. Similarly, if a company wants to reap reputational benefits, both shareholders and other stakeholders at the local, regional, and international levels need to be informed about these investments and the value they create.

Having both internal and external communications plans for CI, and implementing these proactively, can yield a number of important benefits. It can help to secure internal management support for community investment and to promote a collective sense of pride among staff. Locally, it can contribute to improved relations by creating a two-way channel for information sharing. (A template for preparing a communications plan is provided in the Tools section.)

Table 1.2: Benefits of Having a Communications Strategy for CI

External Communications	Internal Communications
<ul style="list-style-type: none">• Increases program transparency• Reduces the spread of misinformation• Serves as a two-way channel for feedback from stakeholders• Builds interest and buy-in from civil society and government• Strengthens corporate image among the public and industry peers• Improves risk management• Strengthens brand value/reputation• Increases appeal to financial investors	<ul style="list-style-type: none">• Helps secure internal support and resources for CI (through communication of the business case)• Builds company-wide understanding and appreciation of the purpose of CI and the link with business goals• Promotes a collective sense of pride and goodwill among staff by doing something positive for communities• Leverages External Relations/ Communications staff in support of CI

COMMUNICATIONS VERSUS ENGAGEMENT

In contrast to stakeholder engagement, communications is more informative than consultative. In the context of CI, the purpose of communications is to:

- Deliver key information to target audiences
- Convey plans for community investments
- Create transparency around the process
- Prevent misinformation from spreading
- Disseminate information about successes and achievements
- Enhance the reputational benefits from community investment
- Communicate the value of CI to different audiences and stakeholders
- Help anticipate, control, and manage crisis situations

When it comes to managing company-community relationships, community investment is only one part of the equation.

Take a Holistic Approach to Community Relations

When it comes to managing company-community relationships, community investment is only one part of the equation. While CI can be used to help build local support and channel development benefits to communities, it should not be thought of as the company's primary means for risk management, stakeholder engagement, or local job creation. These three functions are part of a company's core business processes and should normally be in place prior to commencing CI.

This handbook assumes that companies are already implementing the following three programs, and that community investment will build upon and seek to add value over and above these existing processes.

✓ Risk Management: Run Your Core Business Well and Actively Manage Your Direct and Indirect Project Impacts

Good social and environmental performance is fundamental to managing risks and building strong relationships with local communities. CI programs—which should not be confused with mitigation or compensation for project impacts—cannot be effective if the local population feels that the company is not adequately managing negative impacts. Good practice companies take broad responsibility for the wide range of impacts generated by the project and work with communities transparently and in good faith to address them. This includes indirect or “induced” impacts (such as population influx, food security, or an increased incidence of HIV/AIDS), as well as impacts from associated facilities linked to the project.

✓ Stakeholder Engagement: Engage Communities on the Issues that Matter to Them Most and Be Responsive to Local Grievances

As a general rule, a company will have established ongoing engagement on the broader project—and the issues of highest concern to local stakeholders—*before* it engages communities on CI. Making investments in community development when there are major outstanding issues, or when adequate relationships have not been established, is usually unproductive. Effective engagement comes from knowing what issues local communities care about most, discussing these with them early on in a culturally appropriate manner, and using iterative processes (including accessible grievance mechanisms) that enable company action and follow up. The quality of the engagement process and how the company engages will set the tone for future interactions and relations with local stakeholders, so it is important to try to get this right from the beginning.

✓ Local Community Content: Adopt Policies and Practices that Promote Local Hiring, Sourcing, and Supply Chain Development

In most cases, the number one expectation of communities from private sector operations is for “jobs,” both direct and indirect. The natural starting point for any company is opportunities linked to its core business processes, such as employment, procurement of goods and services, and assisting local vendors to become suppliers. This is because the income-generating potential of local hiring and procurement efforts linked to a company's own business processes far outweigh those that can be generated through other community investment efforts.

Sometimes what the company defines as “local,” however, may be different from the community's definition. This can affect the perception of “fairness” in the way a company allocates jobs and contracts. Special efforts may be required in working with Human Resources and Procurement to ensure that local content includes local *community* content. Consultations with communities should address this issue in a transparent manner and seek to manage expectations.

THE COMMUNITY PERSPECTIVE: WHAT FACTORS DETERMINE THE RELATIONSHIP WITH THE COMPANY?²

Experience from the Corporate Engagement Project (CEP) across regions and sectors has shown that communities are surprisingly consistent when it comes to defining what matters most to them in terms of company-community relations. According to communities, it is the company's policies and practices in the following three areas that determine whether the relationship will be a positive or negative one.

How Does the Company Distribute Local Benefits?

- Does the project generate tangible economic and social benefits for local communities (e.g., jobs, contracts, development opportunities, improved access to social services and infrastructure, and so forth)?
- Is the way in which the company distributes these benefits perceived as fair, transparent, and equitable?
- Are there clear criteria and does the company apply them consistently?

What Responsibility Does the Company Take for Project Impacts?

- Does the company take broad responsibility for the range of impacts (both direct and indirect) that affect people's lives or does it take narrow responsibility?
- Are company actions in this area perceived as fair, transparent, and accountable?

How Does the Company Behave?

- Does the company engage with local communities in a manner perceived as open, transparent, and honest?
- Do company actions and the behavior of its staff convey respect, caring, and trustworthiness? Or does the company's behavior convey arrogance, disrespect, and lack of caring?

