

How to invest in the community

Corporate programs to foster the economy of local communities are very diverse, but a new study by the Conference Board finds some common factors which support their effectiveness.

Citibank California prefers to use the term “social investment” to philanthropy. The bank’s lending department has developed a program of working with foundations to provide cheap loans to inner city non-profit organisations.

It is one of a growing number of American corporations with an explicit community economic development (CED) program. A study probing the objectives, implementation and results of such programs has recently been published by The Conference Board* in the US. The Centre has a valued relationship with this organisation. Some of our Australian companies are its members. Its researchers have presented at our meetings and it has been host to us on international study programs

It uncovered great creativity in the strategies developed by companies to foster renewal of their local communities. Programs included:

- education and training programs to build the capacity of the local workforce
- support for cultural or sports facilities
- support for low cost housing
- comprehensive economic revitalisation projects,
- small business support and job creation.

Some programs involve cash investments or loans, some are supported with executive or employee time, while many involve both. There are many programs that do not involve significant additional costs. Initiatives to target disadvantaged communities may include strategic site location, job creation and employment training programs, minority hiring and advancement, purchasing programs, social and environmental audits, cause and issue based marketing and ethical standards for suppliers.

The study found that most CED projects have concrete business goals. The most important of these – enhancing the corporate image and developing trust in the company – are not easily measurable. Some other objectives are, such as improving the ability to recruit new employees. The underlying objective is to foster a stable, self sufficient community in which business may prosper.

The study’s findings, which are supported with both quantitative data and case studies, indicate that, although the involvement of the chief executive is important, so too is cross functional involvement in the programs.

The corporate contributions and community relations departments often work in partnership with line functions such as finance, legal, manufacturing, purchasing and real estate. Because of the emphasis on job training and creation in many CED programs, the human resources function is also often involved. The study suggests that the more broadly based a program is, the better.

Most programs involve partnerships with community groups. These partnerships can create new businesses and new customers. For example, General Mills has the objective of improving community opportunities in small food manufacture and marketing businesses. It provides financial resources and technical expertise to small, minority owned, ethnic food businesses in partnership with local community groups.

Many are designed to make the community in which the business operates a safer and more attractive place in which to live. When Alcoa decided it needed a new headquarters, its chief executive, Paul O'Neill decided to donate the old building in the heart of Pittsburg to a consortium of community and economic development organisations.

Similarly Corning found itself investing in a race track, establishing a Corning Glass Museum and supporting a golf tournament, and after school and child care programs to revitalise the local economy in the small town, Corning, from which it draws its name.

The electricity utility, Southern California Edison acts as a catalyst for small business development by hosting investor forums that enable about a dozen entrepreneurs to present their business plans to groups of more than 100 investors.

Amid this diversity, the Board study identifies the key success factors, and provides both a quantitative and qualitative base of research to support them.

** Building the Corporate Community Economic Development Team, by Myra Alperson, published by The Conference Board. Copies of the report are available from The Conference Board for \$US100 plus postage. Fax: 0011 1212 980 7014, Email: orders@conference-board.org. Online: www.conference-board.org.*