

# THE SOCIAL ROLE OF BUSINESS

*"Business can't succeed in societies that fail"*

How to leverage business - community  
engagement for a more prosperous society

New Zealand Business Council  
for Sustainable Development



December, 2010

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**THIS IS REPORT 1 OF A SERIES ADDRESSING THE SOCIAL ROLE OF BUSINESS.**

**Report 1: The Social Role of Business** - How to leverage business - community engagement for a more prosperous society

**Report 2: Business Guide** - Engaging in Corporate Social Responsibility

**Report 3: Snapshot 2010** - Stories of business engagement in the social space

All reports are available on [www.nzbcscd.org.nz](http://www.nzbcscd.org.nz)



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# Chairman's Introduction



*Bob Field*  
 Chairman  
 New Zealand  
 Business Council  
 for Sustainable  
 Development

Sustainability for a business is about achieving profits while looking after people and the planet. This report complements our recent work on incentives for better environmental management by taking us back to our roots in supporting the social role of business.

Our parent, the World Business Council for Sustainable Development, has a saying "*business can't succeed in societies that fail*".

Business has a direct interest as an employer, taxpayer, and as a citizen, in how well society meets the needs of its members.

Business benefits directly from the performance of our schools and youth organisations as today's school students are their future employees or customers. As a taxpayer, business helps pay when the social fabric is torn and, as a producer of services and goods, its ability to do business is compromised. Business, therefore, has a strong interest in ensuring it's social environment is sustainable and healthy through seeing unemployment reduce, families working effectively, and people receiving community income support moving back into employment.

The mutual interest and benefits of business and society in success has always been front of mind for our Business Council members in New Zealand.

The champions for this project from our Executive Committee, Sir Stephen Tindall, Dick Hubbard and Steve Bonnici, have the importance of business and social sustainability deeply embedded in their values and experience.

In the early days of the Business Council, Sir Stephen Tindall and Dick Hubbard were the drivers for our work in social sustainability. We published guides advising businesses on how to help reduce youth unemployment and partner with low decile schools. Steve Bonnici has developed his company, Urgent Couriers, around the joint goals of profitability, environmental stewardship, and ensuring his owner/drivers earn a good income.

Successful businesses contribute to society through providing employment and paying taxes when they produce products and services that are more valuable to consumers than the cost incurred in creating them. Many New Zealand businesses choose to do more than just be profitable. They may be a donor of funds or sponsors of activities to charities that provide social services, others provide staff with paid time off to be volunteers, and still others partner with organisations to provide services that help the most vulnerable. While every business takes

its own path, the one thing all businesses have in common is their effort to be more strategic and have a greater impact.

This series of reports address three key aspects of the Social Role of business. This report, **the first in the series**, is a discussion paper outlining the challenges facing business and their community partners in aligning, delivering and growing their social roles. The second report explores how New Zealand businesses are currently engaging with communities. It presents an overview of how and why business gets involved, the challenges of measurement, collaboration, partnership, and how the corporate social responsibility practitioners within businesses might be better supported.

The final report is a storyboard demonstrating the range of social sustainability practices. With the social issues we currently face, the social role of business has never been more important or valued.

Twenty years ago, it was fairly common for environmental policy to be discussed between governmental and environmental non government organisations (NGO), without business being represented. That is no longer the case. In social policy, conversations have traditionally taken place between the Government and social service providers with minimal to no business input. However, both international and national experience demonstrate that a government is not in a position to tackle all the social issues a country faces alone. More can be achieved with the government, business and social sector working together. We believe there is value in business having a seat at the table and contributing to the conversation. Business has experience to add in innovation, taking solutions to scale, and measuring what works. Business needs to be involved, particularly when employment is part of the solution.

This report series, we hope, will help both business and the community to get more value and impact for their community partnerships and for us all as a nation to achieve a happier and more prosperous community.

**Bob Field**  
 Chairman

**New Zealand Business Council for  
 Sustainable Development**

# Executive Summary

## Background

The sustainability pioneers in New Zealand, like Sir Stephen Tindall and Dick Hubbard, were interested in how companies could add value environmentally and socially. In its earliest years, just over a decade ago, the Business Council and its members used to provide advice on finding employment opportunities for young people, and also encouraged businesses to partner with low decile schools. With the recent economic downturn, issues facing lower decile schools are again coming to the fore. For others in our communities, recent increases in unemployment and the impact of lower real wages and changing employment patterns mean our members' employees, and their families and friends may be experiencing increased uncertainty in employment and increased financial hardship.

## The purpose of the study

The Business Council has over 50 leading company members who regularly report on their triple bottom line (profit, people, and planet) performance. Business Council members were interested to find out:

- The range of community engagement activities members were undertaking;
- The value and impact of business engagement in these initiatives and the challenges they face while engaging in New Zealand's social issues; and
- The potential for business to contribute to a better social environment.

## Many businesses, many models for engagement

The social initiatives undertaken by business are varied and range along a wide spectrum of activities. Some businesses focus their efforts on their employees, such as supplementing staff donations with that of the company. Others encourage volunteering by offering paid leave to work with a charity or not for profit (NFP) in providing social services. Some organisations have long term partnerships with a particular NFP which combines volunteering, donations, and a formal multi-year contract between the company and the NFP. The range of activities and transition across these are detailed more fully in Report 3 of this series.

## Why do they do it?

For most businesses, the reason is clear – they feel *"it's the right thing to do"*. Like most New Zealanders, the businesses are modest, responsible citizens that, when asked, want to help make a difference. We find that rarely is a small-medium enterprise (SME) decision to get involved in a social capacity based on some strategic analysis of the company's purpose or a business case. Corporates, especially multinationals, may use a business case as the starting point for organisation-wide or resource-intensive initiatives.

For most businesses, there is a large element of serendipity involved. Sometimes an employee or stakeholder recognises a need in the community that the business can help with and gets the business involved in. Sometimes it is something a leader may be personally passionate about or involved in that, over time, becomes a cause the business supports. While the initial steps are not strategically driven, companies tend to pick roles that are compatible with their capabilities and experience. Companies tend to avoid activities that could appear to be self serving, or that are likely to be controversial for their stakeholders.

## What are the challenges companies face?

### Measurement

Businesses like to say what gets measured gets managed. Many businesses have been active socially for many years, and are asking themselves *"how do we measure our involvement and its impact?"*. Measuring the value of your cash donation is fairly straight forward, but it needs to be aligned and measured with other factors such as measuring increase in staff engagement, stakeholder engagement, customer choices, community impact or behaviour change. Measuring whether your partnership with a school is really making a difference is more problematic. Community partners need to be able to measure value add from the business relationship, benefits the NFP offers to business along with impact on their clientele.

Measurement tools are emerging to enable both partners to achieve this and business and community partners are developing a shared understanding of how important measurement is for both.

*Most businesses feel Corporate Social Responsibility is "the right thing to do"*

*Business is keen to share capability and resources and work in partnership to build capacity.*

### **Partnership – making it work**

People living in stressful situations usually have multiple needs. A parent alone may need a job, training, access to reliable childcare, support for a medical condition, and adequate shelter. Community needs vary from region to region and across regions. Any one organisation is not in a position to support, address or tackle issues that face our communities. Yet, the larger the number of organisations involved in making something worthwhile happen, the harder it is to organise. In order to build capability within communities and share skills and resources that are increasingly scarce, it is important that business, government and NFPs collaborate and work in partnership.

We find a shared view on priorities between NFPs, business, and Government would help focus partnership activity on high impact initiatives.

### **Supporting the CSR specialists in business**

In many businesses, the Corporate Social Responsibility (CSR) specialist or sustainability adviser is a single individual, tested daily in providing value to the business, but often quite isolated from their peers in other businesses and without external support, training, advice, or mentoring for the role. Semi-formal networks of CSR specialists are beginning to emerge in response to this need. An overview and some guidelines for specialists and chief executives (CE) involved in or wanting to get involved in CSR is provided in Report 2 of this series.

### **The way forward**

Within New Zealand and increasingly overseas, good practice strategies and support organisations are emerging that can:

- help measure CSR performance and impact;
- select areas for social engagement by business;
- co-ordinate businesses and NFPs working on the same issues with or without Government involvement; and
- support CSR professionals in their work.

Potential business led organisational models for increasing the effectiveness of businesses seeking social partnership opportunities, identified through this project, are presented in this report.

### **The unrealised potential for business engagement**

Business has the capacity to help improve the social environment in New Zealand, in particular when employment forms part of the solution. It is clear for business, employment is not the only focus of its community engagement. Business is keen to share capability and resources and work in partnership to build capacity. Government often talks to NFPs about social and community issues. Business may also have views that could provide value. Social issues are usually complex and cannot be fixed by one intervention or agency. The cost of failure is, however, large and paid for by all.

Business needs to have a better understanding of what the government and NFPs see as the priorities for action. Business has experience in taking solutions to scale, and creating self-funded models by first finding out what works and then making it the normal process with flexibility to respond to localised variations across New Zealand. NFPs are very good at identifying needs and can find localised solutions but may struggle to get to a national scale.

Business wants to help but its capacity to provide financial support decreases in recessions, as profits fall just when the need is often greatest. The ways business meets the challenges of operating and sustaining profitable outcomes in a downturn are common to the NFP sector – critical learnings can be shared between the business and NFP sectors.

Business is interested in promoting earlier and effective social investment to reduce the need to fund social support later. Central Government assistance, funded by taxpayers, will inevitably continue to meet most of the direct cost of social support. Government, therefore, has an interest in how NFPs and business direct social investment into the areas of greatest effectiveness so that its own investment is better used. It has been customary for both central and local government to work with key social programme providers (e.g. social agencies, NFPs) without any business involvement. There is opportunity to create a positive synergy by including business, where they have interest, in these conversations.

The size and diversity of the NFP sector is significant. The volunteer hours worked are similar to the total hours worked in the New Zealand construction sector. As in the construction sector, aligning the diversity of stakeholders and developing improved models for better outcomes and performance is problematic.



If the Government, NFPs and business can agree on the priorities for action and who is best placed to do each task we should be able to accelerate how we get to a healthier social environment and a better return on the social investment dollar. A shared view of the priorities for social investment between the Government, NFPs and business would enable an alignment of effort to occur to reduce our social deficit. Business needs to be at the table when social policy innovations and priorities are discussed.

The challenge for business is to effectively negotiate *how* it participates in social growth as an active partner becoming more engaged in developing solutions to broader societal problems by working alongside Government and the NFP sector. Internationally, there are a range of models of community engagement between business, NFPs and those they are helping. Certain successful business coalitions with specific arrangements of community engagement appear to be more effective and may be useful models for New Zealand to adopt and adapt.

### Recommendations

The Business Council has established that business engagement in the community could be better leveraged to achieve targeted outcomes aligned to significant social issues. In other countries, business is represented as a key stakeholder in solving social issues by business-led organisations with a focus on achieving synergy across business engagement in communities. The absence of a business-led organisation or activities like those found overseas may indicate why business is not really identified as a key stakeholder in solving social issues.

The recommendations of the Business Council address this observation. The Business Council recommends a proof of concept study exploring the establishment of this business led organisation or activity. How this form of business led activity would best fit the existing New Zealand context so it provides significant benefit for business, NFP partners and communities needs to be more fully explored.

Tentatively named Business and Community Engagement (BACE) and based on international examples, there are key features to be evaluated at this next stage. These would include how BACE might:

- put business at the table when social issues and priorities are discussed with Government to ensure the business perspective is understood;
- provide a sounding board for business ideas on social innovation or community engagement prior to discussion with Government and NFPs;
- help broker relationships between multiple businesses and other service providers and funders;
- help align efforts and effectiveness to focus the donor dollar and volunteer effort; and
- reduce duplication of effort and overheads from multiple businesses and agencies operating in the same space.

The Business Council seeks expressions of interest from business to join other business leaders in working to fully develop this proof of concept and establish a uniquely New Zealand business-led engagement model.

# What is Corporate Social Responsibility and why it matters for Business

*The Mission's stocks are low after a huge increase in the number of people needing help over the past 12 months.*

*Diane Robertson,  
Auckland City Mission  
29 June 2010*

## What is Corporate Social Responsibility?

Sustainability is about looking after the needs of the current generation without reducing the options for future generations.

Corporate Social Responsibility, as defined by the World Business Council for Sustainable Development (WBCSD), is "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large". In this way, the central intent of social sustainability is to promote the public good by supporting the social sector – this is its *raison d'être*. Without serving the social sector, a social programme could not make this classification and would simply be a business initiative.

Sustainability has three dimensions - profit, people and planet – usually talked about as economic growth and the quality of life incorporating both the social and physical environment. This report covers the relationship between the economic and social roles that business play in New Zealand. We call this corporate social responsibility. In many situations, this covers the three aspects of sustainability, but in this report we are intentionally using it in the narrower sense addressing the social role.

## Business cannot succeed in societies that fail

Social well-being is vital. It supports and enables economic growth.

Business is an active partner in social growth - improving the quality of life of the workforce and their families, local communities, and society at large. It seeks to manage the business processes to produce an overall positive impact on society.

The economic downturn has led to an increase in demand and need for the services of charities working to support social and community well-being. Justine Munro, CE of the New Zealand Centre for Social Innovation, states that if these [social services] are to be delivered for the same or less funding, we need to be innovative.

While successive governments have targeted resources to support entrenched areas of disadvantage, critical change in these areas is considered to be beyond single sector or provider efforts. For business, there are both potential risks and significant advantages in becoming involved in these hard to solve areas.

New Zealand and international success in bringing lasting change in areas of social problems demonstrates the strength of partnership engagement between non-profit, business and Government agencies where each sector works on what it does best.

In light of the current pressures on social investment spending, it is important that we ensure the efficient and effective use of the contributions of business, both in-kind and through financial investment, to maximise social wellbeing outcomes.

Business and New Zealand cannot afford the cost of social failure which brings with it:

- More children being raised in poverty
- An increase in mental health problems
- Higher taxes to pay for the unemployed and dependent;
- More crime;
- Harder to fill skilled vacancies; and
- A lower standard of living and quality of life for all.

## Creating social value

As an employer, business creates social value through providing employment. The level of social contribution is affected by the conditions the organisation creates as an employer. For example, the approach toward, among other things; training, diversity, employee share ownership, stress management, respect, fairness, flexibility, remuneration, and ethics.

As a consumer, business also provides economic and social value within the supply chain. The level of social contribution is influenced by the approach taken toward labour standards, payment levels and terms, geographic sourcing, enforcement of supply chain standards.

Business provides social value through paying taxes.

As a producer, business creates social value through providing goods and services to meet human needs. The level of contribution depends upon the social purpose of the goods and/or service, the approach taken to positioning non-necessary goods (use of pressure to over-consume), responsible advertising, approach toward environmental impact of goods (e.g. resource efficiency, environmental technology).



*For 25 years, the Child Safety Foundation New Zealand promoted education, training and other initiatives to make the environment safer for children up to six. However, the Foundation has received a cut in funding for its main programme – promoting child restraints in cars – from its principal funders, Accident Compensation Commission and New Zealand Transport Agency. This led to the decision the foundation could not continue with other programmes which included safety around the home.*

*July 2010*

As a member of society, business impacts in all the ways mentioned above. In addition, it specifically has the opportunity to create social value through the approach it takes toward advocacy, political support (financial, in-kind, public relations), lobbying, support of community activity, philanthropy, recruitment policies (employment of long term unemployed, migrants).

**The place we find ourselves in**

New Zealand society has traditionally had a philanthropic outlook to assist its community organisations. This has mostly been by way of private donations, through funding trusts, donations from business or via lottery grants. The downside of this kind of support is that social agencies must continually request money from trusts, business or government. With the recession, charitable donations and in some instances government funding for charities have been reduced. While there is increased demand for their services, many charities are having difficulty fulfilling their mission and some have (or will be forced to) shut down operations due to challenges in funding.

Business reports that requests for sponsorship/donations have increased and in some instances are overwhelming. They find it difficult to know who to support, often from their own reduced budgets.

The recession has also highlighted challenges to the government's ability to solve complex social problems. Others in the community, including business, need to be involved.

Social problems were once the sole domain of the charitable sector principally funded by government with additional revenue from community trusts. There is now also strong consumer expectation that business must share the burden of working in these areas. Almost one third of New Zealand consumers will move their purchases to a provider of goods and services if its social and environmental performance is better, and the cost is about the same.

The challenge for business is to ensure that community engagement is a core part of its business strategy and to negotiate **how** to participate in social growth as an active partner by developing solutions to broader societal problems and by working alongside government and the NFP sector.

# Why it matters for New Zealand and Business

## New Zealand is doing well

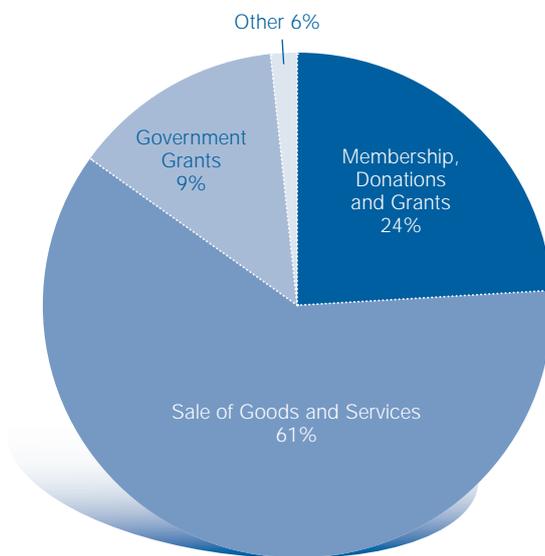
New Zealand performs comparatively well on several important labour and skill indicators. Overall, the New Zealand health sector and education systems are world class. Average student achievement in secondary education and tertiary education participation rates are among the highest in the OECD. We have internationally recognised innovation and best practice in these and other social sectors.

## New Zealand's charity and voluntary sector

The charity and voluntary sector<sup>1</sup> makes a significant economic contribution (4.9%) to GDP – amounting to almost \$7b when volunteer labour is included. This is about the same as tourism.

Across the NFP sector, philanthropic contributions are a critical (\$1.27b) source of income. Philanthropic giving is a key activity in business CSR. However, only 24% of NFP income comes from membership, donations and grants. The remainder is from the sale of goods and services (around 61% amounting to \$8b), and 9% government grants.

### Not-for-profit sources of income



While there are over 90,000 charities and non profits; the sector has only a few economically significant charities. 3,300 have over 6 employees, 880 have over 20 employees. Of the 23,000 registered charities in 2009, only 3,000 had income over \$100,000.

Individuals make significant contributions to charity and voluntary sector<sup>2</sup>. In 2004, giving per person is estimated at \$91 per annum compared to C\$400 per annum in Canada. In New Zealand, over one million volunteers gave more than 270m hours of

unpaid labour. More than 7.6m voluntary hours were worked in just 10 major social service organisations during a 12 month period. Voluntary managers gave around 10% of this total, and board members 1%. This adds up to the equivalent of 4,063 full-time workers per year - equivalent to the number of employees in the dairy industry.

## Challenges and issues in our society

The issues across the social sector are complex and inter-related and have the potential to act as a brake on social and economic development in New Zealand.

Social progress in New Zealand over the past few years has been mixed<sup>3</sup>. Even during relative economic prosperity prior to the recession, there continued to be sites of dysfunction and poor social outcomes.

Preventing poor social outcomes has many economic benefits including reduced fiscal cost of dealing with poor social outcomes, reduction in crime and attracting and maintaining skilled workers.

### The \$3 million dollar man



A New Zealand study estimated that the lifetime cost to a society of a chronic adolescent antisocial male is \$3m<sup>4</sup>. This demonstrates the wasted potential and productivity of under-participating members of society. The cost of addressing deep seated antisocial behaviour is expensive, but not preventing or treating it is even more expensive.

## Education

Average educational achievement for New Zealand students across the primary, secondary and tertiary levels is amongst the best in the OECD. Research shows that success in education is highly correlated with improved economic outcomes including lower unemployment rates and poverty, higher productivity, and higher GDP per capita. Equally important is that success in education contributes positively to improved social outcomes.



The variation in education performance in New Zealand is, however, greater than in most other countries. Therefore our poorly performing 'tail' is bigger than in many other countries. Some indicators suggest a slight improvement such as a narrowing educational achievement gap between relatively well-off and more disadvantaged children. There is, still, a widening performance gap in student achievement between average performers, and bottom performers with low education achievement are more likely to be found in Maori and Pacific Island communities. A further negative indicator is that too many young New Zealanders do not complete secondary school.

#### **Crime**

Young people who have been raised in a benefit-dependent family are more likely to engage in a variety of risky behaviours, including crime and illegal drug taking. One fifth of all young offenders are responsible for 90% of the youth crime.

**The Te Hurihanga programme** that turned around the lives of such people at a cost of \$167,000 per person was recently closed down when the Government stopped funding. Targeting 'top-end' youth offenders, the programme aimed to prevent the likelihood of people on the programme to spend around 10 of the next 20 years in prison, at a total cost of \$800,000 or \$80,000 a year.

The challenge is that offenders not only cost our criminal justice system, but also our communities. Almost 1,000 violent crimes are reported per death from assault. Family violence causes about one-third of assault mortality and is estimated to cost Government approximately \$1.2b dollars a year in health care, welfare payments and law enforcement. It also costs New Zealand employers, through absenteeism. Violence against children accounts for around one third of family violence deaths.

#### **Housing**

While there are signs housing has begun to get slightly more affordable (compared with 2006 levels), there is an existing housing shortage in the greater Auckland region which, with forecast population growth, is likely to increase significantly. There are emerging shortages in the western Bay of Plenty, Hamilton, and perhaps Christchurch. The current economic environment has created many challenges due to high levels of personal debt.

**Employment**

The primary reason that most people work is to financially support themselves and their family or whanau. Not surprisingly, people in paid work are generally better off financially than those out of work, and earnings rise with qualifications. While many people on a benefit may enter employment on lower than average wages, earnings can be expected to increase as experience in employment grows. People in employment gain skills and work-related experience. A New Zealand study of beneficiaries who moved from a benefit into work found that there was real earnings growth over time. Two years after entering work, monthly earnings in real terms were on average 8.5 percent higher than when they started in work.

In 1960, only 2% of working-age people were on a benefit. In 2010, that figure has risen to 13%.

**The extent of long-term benefit receipt imposes costs of employers**

Long-term benefit receipt contributes to a mismatch between the needs of employers and the readiness of potential employees. Long periods on a benefit cause people to become detached from the labour market and poorly motivated. This imposes costs and risks on employers and undermines economic performance<sup>5</sup>.

In unemployment statistics, New Zealand is ranked 12th out of the 30 OECD countries. Youth unemployment is more alarming. New Zealand ranks 29th out of 30 OECD countries for the proportion of unemployed who are 15-19 year olds and only slightly better for 20-24 year olds. Almost 30% of the unemployed in New Zealand are aged 15-19 compared with around 12% for OECD countries.

Of the working-age population, 170,000 have been on a benefit for at least five out of the past 10 years.

**Poverty**

A lack of paid work raises the likelihood of children being in poverty. Nearly 60% of all children living in poverty are in households where no adults are in paid work. A shrinking economy will accentuate poverty and hardship for children, the elderly and disabled in our communities. New Zealand is ranked in the bottom of OECD measures on the percentage of children in households with equivalent income of less than 50% of the median income. Current trends indicate the number of children raised in relative poverty has begun to increase. New Zealand is one of the less equal countries in the OECD, ranked 23rd with the United Kingdom, when assessed on basis of equal distribution of income<sup>6</sup>. The single most important determinant of health is income. A child growing up in poverty is three times more likely to be sick than a child growing up in a higher-income household. Poor nutrition, a stressful environment, and substandard housing are factors that diminish the ability to fight infection<sup>7</sup>.

**Health**

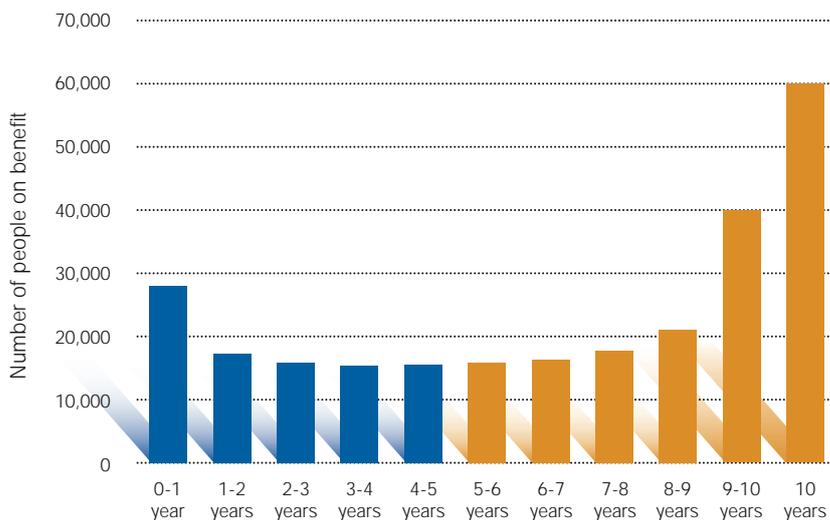
Health outcomes and life expectancy are relatively high in New Zealand in international terms. However, there is an association between life expectancy and the level of deprivation in the areas where people live. In 2000-02, males in the least deprived 10th of areas in New Zealand could expect to live 8.9 years longer than males in the most deprived 10th of areas (6.6 years for females)<sup>8</sup>.

**NZ's approach to social development**

Given this diversity across social issues and problems, contextual factors and population demographics, a "one-size-fits-all" approach to public policy is increasingly inadequate to ensure equality of opportunity and equity of outcomes (i.e. a fair go) for all New Zealanders.

The Government's responsibility is to promote the wellbeing of its citizens through planned, organised interventions and co-ordinated, cross-sectoral planning within a common development framework. There are two key aspects to social development: social protection and social investment.

Time beneficiaries have spent on a benefit over the previous 10 years, June 2009



Note: People aged 28-64 on a benefit as at June 2009.

Source: Ministry of Social Development Benefit Dynamics Dataset.

### Social protection

Social protection involves looking after vulnerable members of society, through things like paying for social assistance and arranging care and protection for children. Around 75% of the \$43b Government spends on the social sector can be characterised as 'social protection' spending (including direct health care costs of obesity; rising prison population, expenditure on child and youth care and protection). Some of this spending might be able to be avoided if more is invested in high quality, future-focused forms of spending to build resilience and prevent problems escalating and becoming entrenched – namely social investment.

### Social investment

Social investment is about acting before people need help. It provides resources, programmes and support for individuals, families and communities to build on their strengths and improve their social and economic wellbeing over time. It helps a society to get ahead of some of the most difficult issues, reducing the future need for social protection.

### Social Outcomes

The Social Outcomes Briefing to the Government (2009)<sup>9</sup> argued that the projected increased demand for spending on social protection is likely to be difficult to sustain fiscally. It proposed moving to using a portion of forecast spending growth to fund early intervention programmes so that long term growth in protection spending is avoided.

The Government is only one player in the sector.

The challenge is:

- How do we use the money available so large social investments realise more than they have previously?
- How do we best support those leaders who make it happen?
- What is the role each of us has, including business, in improving the social outcomes?
- What can the Business Council and its members do to help?



### How can business help?

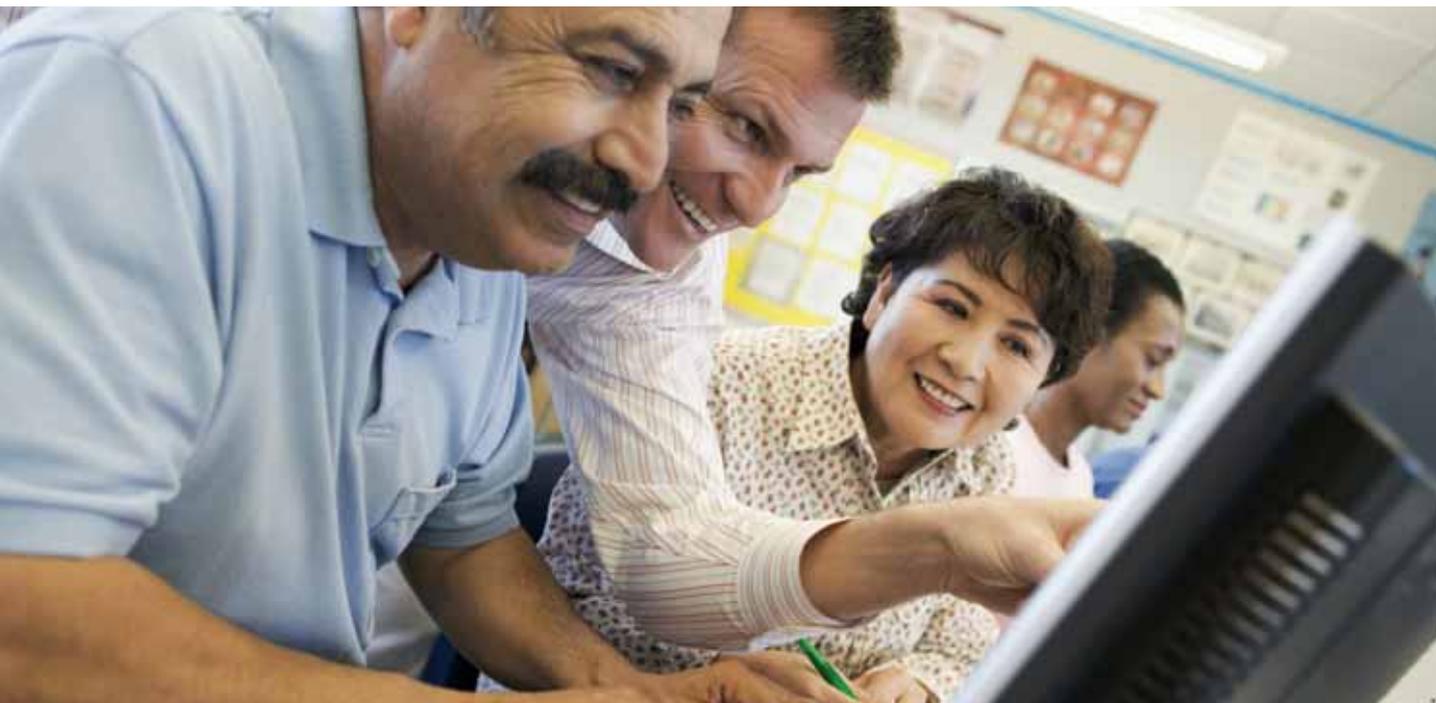
#### ***Business is part of the answer***

Business has resources particularly in the form of people, skills and capability which can contribute towards developing capacity in the community and building social capital. Business should be part of the answer particularly where employment is part of the solution.

Given many of the social progress indicators are yet to indicate strong improvement, commentators argue CSR has not yet significantly improved society. One of the primary reasons argued is that the non-profit and business sectors are for the most part still stuck in their old stereotypical roles. The business of business is business and social agencies are charged with social capital development.

Social problems do not neatly apportion themselves between the private, non-profit, and public sectors. Neither are they the sole domain of lower socio-economic groups in our society.

Many of our most pressing challenges – economic development, job training, housing, poverty eradication, challenges arising from demographic changes in our society, addressing addiction, identity and a sense of place – are rooted in circumstances where businesses have deep expertise that non-profit and governments lack. Yet those capabilities are lost when businesses choose to act only through cash contributions.



Furthermore, business is, on the whole, not engaged in high level collaboration between Government agencies and community non profit sector in addressing areas of common interest. Business engagement needs to be able to develop as communities and their needs change. Current common shifts in the core themes of engagement are presented in the following table.

Social Sustainability: Traditional and Emerging Key Themes	
Traditional	Emerging
Basic needs, including housing	Demographic change (ageing and international migration)
Education and skills	Empowerment, participation and access
Equity	Identity, sense of place and culture
Employment	Health and safety
Human rights	Social mixing and cohesion
Poverty	Social capital
Social justice	Well-being, happiness and quality of life

In New Zealand emerging social issues such as community cohesion and participation and access can be facilitated through business involvement in communities. It takes vision, commitment and effort to develop these synergies and partnerships.

Business involvement and contribution in resourcing of the sector is challenging. Companies report they have trouble identifying, prioritising, and addressing social issues that matter the most or that aligns business where it can make the biggest impact. They have questions regarding where the limits of their responsibilities are – where does Government act? At present Government appears to give little advice on its prioritisation of social need, neither does it align investment around priorities. Setting strategic priorities could help business, the community sector, and Government to develop collaborative ventures and deliver solutions. Early soundings from the Minister of Social Welfare, Paula Bennett, suggest this may change following her planned November 2010 study tour to the United States of America, to review business-community engagement models and bring back to New Zealand learnings from those observations.

# Why does Business get involved?

## The right thing to do

Ask leading business CEOs why they are engaged in the social aspect of corporate social responsibility and the reply is often, quite simply, because it is *'the right thing to do'*.

Other research shows commitment is based on clear financial and value-add propositions, principally through maintaining a good business reputation or brand equity, around business investment in social programmes<sup>10</sup>. Most also see employee attraction, retention and motivation as another important factor.

Business engagement in CSR is predicated around one or more key justifications<sup>11</sup>:

- **Moral obligation** – a business' inherent responsibility to do the right thing;
- **Sustainability** – only by benefiting society can any business hope to last in the long-term;
- **License to operate** – business can only operate through the expressed or implied approval of governments, communities and other stakeholders; and
- **Reputation** – a business' CSR efforts improve its image, thereby strengthening its brand, invigorating morale, and raising its stock value.

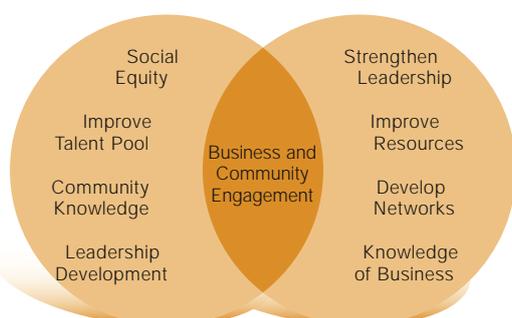
CSR is about how companies manage the business processes to produce an overall positive impact on society. For members of the Business Council, social responsibility is integral part of their business models. It's "doing well by doing good" and more businesses are committed to this, both because it's the "right thing to do" (a positive impact on society) and because it's good for business (value add for business).

## Business and Community Engagement Model<sup>12</sup>

### Business and Community

**Added Value**  
Adds Value to the Business

**Positive Impact**  
Community Impact



## A positive impact on society from engagement

For the community, the benefits of business engagement could include:

- Strengthened leadership for non-profits in strategic alliances comes from business helping build capacity and credibility.
- Improved resources, including financial support and a portfolio of skills, supports and advances the work of the social agency.
- New and wider networks are available within the same operating arena.
- Businesses partnered in social programmes can provide knowledge of the needs of employees which may not always be accessible to community groups.

## Adding value for business

For the business, engagement in social sustainability may enable value to be added in the following ways:

- Social equity is built by reputation in the community in which business engages. This, in turn, develops risk mitigation through good relationships and mutual understanding.
- The capacity to attract and retain talented employees who see significant corporate community engagement as an important aspect of their association with a company.
- New or strengthened relationships with customers and clients can differentiate the business and its products.
- Partnership can create new opportunities for skill and leadership development, and their transfer to the business.

Additional benefits of CSR identified by New Zealand business and supported by an international survey<sup>13</sup> include:

- Economic considerations;
- Ethical considerations;
- Innovation and learning;
- Risk management or risk reduction;
- Access to capital (specifically social responsibility capital) or increased shareholder value;
- Market position or share; and
- Cost savings.



### Case Study: Business Investment Gains

These benefits of engagement can be measured and mapped in both the social and business contexts. The Building Better Schools through Business Partnerships is a programme with NFPs. Measurement tracked its success for both business, and schools and their communities.

A study was made of 15 New Zealand businesses involved in the Building Better Schools through Business Partnerships programme in 2009. The seven business partners had been partnered with a low decile school in Auckland assisting with capacity building for over one year. They were asked about the impact on their business. The chart demonstrates where business saw the greatest value (ranked out of 10).



Courtesy of Ed&Co, Committee for Auckland

The evidence suggests the businesses were aware of the benefits and many saw financial advantages, one business reporting it had increased sales as the community responded to the new partnership. Branding at the early stage was not reported as significant. However, there were comments that they believed this would improve over time.

CSR is normally characterised as a journey and the range of ways business engages in CSR is extensive. The starting point for many New Zealand businesses in their CSR journey is through in-house CSR activities and culture before picking up further elements such as community sponsorship, community volunteering, pro-bono services and partnerships.<sup>14</sup>

Over 60% of New Zealand businesses are engaged in some form of community or social activities<sup>16</sup>. According to an August 2010 ShapeNZ survey of business decision makers, the most common practices for social sustainability are:

- 40% of business contribute employee time in volunteering and mentoring;
- Half contribute to charities and community organisations;
- Two thirds provide training and education opportunities;
- 76% of business decision-makers said they looked after the environment and people as well as focusing on profits;
- Flexible working, commitment to ethics and equal opportunities are also considered critical.

A more detailed 2010 storyboard of where and how business is currently participating across this range of activities and engagement appears in Report 3 of this series.

### Business Engagement in Social Activities<sup>15</sup>





# Are we there yet? Where are the challenges?

Business engagement in social sustainability has been characterised as a journey - at times with significant challenges. There is no "right" way – and no uniform best way applicable to all business engagement.

## Engaging in CSR

Five key steps have been identified in CSR engagement by New Zealand business and best practice around these steps has been further developed in the Business Guide found in Report 2 of this series.

- **Leadership and commitment** from CE level is required in social sustainability programmes.
- Present a robust evidence based **business value case** with adequate resourcing.
- Identify **the 'right' cause and engagement model**.
- **Increasing the impact of engagement through relationship development** (including buy-in from employees).
- **Measure impact** through appropriate metrics and evaluation.

The range of ways business engages in CSR is extensive. The challenge for business is continual improvement and, through its engagement with the community, to produce effective outcomes.

A number of key challenges and opportunities to improve business-community engagement and realise effective outcomes for society and business have been identified. These have been broadly categorised across Government, business and NFP areas.

## Central and local government

### Priorities and planning

There is no strategic prioritisation of need and investment by Government. Finding "win-win" situations where the synergy of business, Government and community investment can be realised is problematic. Overcoming inertia and resistance in getting these "win-win" situations into effective operation is a challenge – but not impossible as demonstrated by the SKIP, The Warehouse, and DIY Dads partnership<sup>19</sup>.

### Lack of business voice

In local and central government, there is little recognition of the contribution, existing or future, of business in the social dimension of community development policy. The absence of business from discussion or leadership policy forums demonstrates this.

## Change and moving to scale

Leadership (not control) is required to ensure we make a step change in addressing the issues facing society and communities. Various enterprises working in the social space argue it is possible to scale successful impact at the local level to social problems that are both pressing and painful. The UK Young Foundation has demonstrated that it is possible to create conditions that enable successful endeavours to scale their impact in more timely, significant and cost effective ways. They bring together business and social innovators who apply the language and techniques of business to the complexity of the social sector.

The New Zealand Centre for Social Innovation, brings the innovation, research and development learnings from business into the social space to create new solutions and enable positive step-change in delivery and outcomes.

## Business

### Aligning business with social needs

Business alone cannot solve some of the social and community issues confronting New Zealand. Furthermore, it is often problematic for business to use its involvement in sensitive, hard to solve issues as a lever for building its own brand. Knowing where to act and align business involvement is challenging.

Business reports significant challenges in accessing the information needed to make these decisions about who to partner with and what is the best strategic fit. Information which is available can at times be prone to exaggeration and over publicising successes.

### Agreeing on outcomes for social investment

Every business faces unique challenges and opportunities which can constrain its commitment to increasing its social impact. There is a need to determine:

- Which results will we hold ourselves accountable for?
- How will we achieve them?
- What will results really cost, and how can we fund them?

### Developing effective relationships with community partners

Business report there is a lack of business training in developing and managing partnership relationships within social and community agencies, and vice versa. Negotiating a “partnership” arrangement is difficult.

### Measuring outcomes

Business finds it takes time to put in place systems and measurement to assess social impacts. Developing and agreeing on indicators which will effectively monitor impact can be difficult and require outside expertise.

While there are benefits of measurements which link CSR programmes to core business goals and add value, they do not normally address business operational aspects related to CSR partnerships and are challenged by a scarcity of data on programme impact.

Gathering the data needed to justify sustained, strategic investments in social responsibility programmes can be difficult, but without this information executives and investors cannot see these programs as separate from a company's core business or related to its shareholder value. There is difficulty in linking activity or programme metrics and indicators to a real financial impact.

There are relatively few established metrics and tools which support both community programmes and business measurement needs. However, for both business and community groups, developing appropriate metrics can be time consuming and can be seen to be resource intensive and a diversion of funding from addressing actual programme and community needs. Measurement also needs to take into account anecdotal and statistical feedback. This can, in its simplest form, mean tracking numbers, getting verbal and written feedback from volunteers and participants, tracking behavioural change of a focus group and regular reporting on the part of the business and its NFP partner.

### Developing a complete CSR culture

Many programme measurements assume that social sustainability benefits from standard company-wide policies, procedures, practices and systems that support the basic functioning of any business unit. The assumption is that the company has quality hiring practices, performance review systems and administrative support. Weaknesses in social sustainability programmes caused by failure in these foundational items might not be revealed in

impact assessments. Not having the right resources to effectively manage and contribute to partnership development with community partners can significantly reduce the potential impact of the programme.

For many CSR practitioners, their organisational context and operating culture determines their approach to CSR advancement in their business. Developing an appropriate mix or combination of activities from those available which meet predetermined criteria can be a key challenge for CSR practitioners.

There is both reported and anecdotal evidence of a sense of fragmentation of knowledge and experience. Shared best practice around embedding CSR within an organisation is currently missing.

### Mechanisms for business to engage in new solutions

Resourcing, systems and funding for social innovation is largely absent in New Zealand. That business has skills, capacity and capability to contribute to social and community development and innovation is without question. There is opportunity to develop methodologies and collaborative approaches through which business brings its capabilities and the NFP sector brings its knowledge, skill and resources together to enable effective social innovation.

### Engagement during the recession

Even when there is a degree of alignment of social responsibility programmes with its core business model, it is reported that sustained, strategic investment in social programmes can be a difficult sell in normal economic conditions. Some businesses suggest that sustained investment is particularly challenging in the current financial environment as they face the pressure of making cuts. Philanthropic giving becomes an obvious first choice to axe. A business reducing its staff finds it harder to justify donating to external causes. This is confirmed by a recent Waikato Business School survey<sup>20</sup>. It found that senior managers citing personal values and beliefs as a positive influence in adopting social practices declined from a high of 46% in 2006 to 29% in 2010. Managers commented in the survey that as they fight for the survival of their businesses, their focus shifts from external CSR engagement, and even to reducing internal CSR practices such as training programmes.





Further evidence suggests that sustainability practices have been significantly decreased in smaller businesses compared to larger corporates during the recession. The report argues that in a country like New Zealand with 99% of business small or medium sized, this result means it is difficult to achieve national social objectives where business support is vital, particularly during an economic downturn. Harnessing business engagement during periods of economic growth and using it as a strategic resource especially during an economic downturn is critical.

### Community

#### Developing measurement of effective relationships with business partners

In the current economic climate with community groups vying for funding, long-term partnerships are increasingly sought. However, there is a lack of understanding and a number of challenges on both sides to develop and maintain long term partnerships.

Since NFPs work in complex areas which are not defined by single issues, but multiple ones, it is difficult to develop best practice measurement tools. Yet these are essential so that investors can have confidence that claims of success are not exaggerated and that genuinely effective programmes are scaled up. Where impact assessment is required, the ability to isolate the impact of a specific investment activity, within context of a whole programme of activities needs to be identified.

#### Measuring outcomes at programme and partnership level

Measurement, in this sense, has two dimensions—business and social. There is a need for impact measurements for business reporting based on agreed standards for measuring and reporting these impacts on society. At present these tend to be programme, service supplier and sponsor specific measurements.

Measurement of the impact of social programmes can be defined as the ways social responsibility programmes make meaningful and substantive impact on the community and the business. Measurement of a programme needs to consider its structure and its effectiveness. Meaningful and substantive *community* impact denotes detectable progress relative to a charitable cause or public benefit (for instance, increasing the literacy rate).

Meaningful and substantive *business* impact refers to a detectable improvement in an item related to business success such as employee engagement and retention or product appeal.

The biggest challenge to useful measurement is the scarcity of data on programme impact. There are some drivers known to increase impact, yet, many other causal factors have yet to be identified. Drivers are standard but companies are not. There are inherent limitations to the applicability of every indicator to the drivers in every company in every situation.

New Zealand business considers a lack of metrics to establish a business case as a significant barrier in developing new and extending existing models of socially-related activities.

#### Cumulative impact measurement

A further gap is identified in tracking the performance of the NFP sector as a whole. This can be achieved through shared measurement processes designed to provide the cumulative impact of multiple programmes and initiatives on common social indicators. Recent studies<sup>21,22</sup> demonstrate how shared, comparative and adaptive learning measurement systems across social enterprises are now being used to measure the social impacts of NFP performance and outcomes.

These measurement systems are used by foundations, funders and other stakeholders who give grants, and provide information about the collective capacity of the entire non-profit system and how effective it is being at addressing social problems. This approach to outcome measurement can create transparency and accountability enabling higher performing organisations to develop in the social sphere. For funding groups, these measurement systems provide opportunity of establishing tangible, recurring ways of understanding impacts in the social sphere. Higher performing community organisations can grow and develop with knowledge of how to achieve and deliver desired outcomes as evidenced in measurement.

# Where are the opportunities?

## Government leadership

### *Building the strategy and engagement models*

It has been argued that strategic leadership is critical. At present it is difficult for business to determine where to direct efforts to maximise the potential collaboration of Government, business and community to achieve significant social benefits.

Leadership is required to ensure a partnership approach across key delivery experts in social programmes and aligned parties (e.g. national, regional and local government, business, researchers, and communities) to address both national and local social issues. Leadership will enable the optimal use of national available resources and capabilities (CRIs, universities, regional councils, industry groups) in acquiring the knowledge required to develop strategic social responses, and ensure this is achieved in a coordinated or 'planned' way. Inclusion of multiple stakeholders, including business, can enable greater efficiency and innovation in the sector and there would be a need to establish seed funding to support social engagement and innovation in this manner.

#### OPPORTUNITY

Central and local government to work together with business to find better ways of setting of strategic social goals for regions and New Zealand.

## Business leadership

### *Engagement at executive level*

The engagement and commitment from CE and executive level management has been identified as essential in enabling strategic community investment which can realise significant social impact.

There are international examples of CE engagement leading to significant social change. Internationally, there are a number of business coalitions working to support and grow business and not for profit sector engagement. They include – Cleveland Tomorrow, Australian Business Community Network, Canadian Business for Social Responsibility, Business in the Community, and Philippines Business for Social Progress.

In each example, the business CE is committed to the partnership and releases resources to be engaged at many levels.

## The Australian Business and Community Network

The Australian Business and Community Network (ABCN) [www.abcn.com.au](http://www.abcn.com.au) is a business led organisation, focusing solely on education, particularly in areas where social regeneration is most needed.

### THE AUSTRALIAN BUSINESS AND COMMUNITY NETWORK

ABCN members include Bain & Company, Commonwealth Bank, Deloitte, Goldman Sachs, IAG, Minter Ellison, MLC, PwC, and Qantas.

They work to deliver an outstanding education for all children. The network itself generates business to business connections, and educates the schools' leadership in understanding how to prepare students for the business world.

The single focus of ABCN and its success sees ABCN representing business in social and community development policy forums. This has enabled the significant resource commitment business injects into the social space, together with its essential role of employment, to be part of dialogue around social issues.

The Government sees the contribution of ABCN as part of an overall response to achieve quality teaching and successful outcomes for children from schools.

## Business in the Community

The Business in the Community (BITC) [www.bitc.org.uk](http://www.bitc.org.uk) model formed in the UK, is considered to be a leader in growing CSR and business-community partnerships. It works with businesses and communities using global and local measurements of outcomes/impacts. BITC's initiatives have seeded globally and are built from the premise that engagement is the key to the success and sustainability of the entire programme. In other words, just throwing money at the community is not good enough.

BITC operates programmes for the business community in conjunction with NFP communities. Programmes are developed within a clear strategic framework through close partnerships with Government. However, new initiatives are seeded through business leadership and then Government is approached to support.





## BUSINESS IN THE COMMUNITY

In the UK, Business in the Community (BITC) is a leader in CSR and partnership, working with businesses and communities using global and local measurements of outcomes/impacts. BITC has been in operation for over 20 years. It has more than 830 company members including Accenture, Barclays, BP, BT, EDF, ita, Sainsburys, KPMG, Lloyds, M&S and The Royal Mail Group.

The membership is business led and brokers relationships with the community under headings agreed by the members; examples include education, environment, health and wellbeing.

A working relationship is firmly established with the Government for the member companies to work in consultation with the Government across all phases of BITC community engagement. BITC is one partner of Government informing strategy development of central Government welfare and community development spending.

BITC operates programmes for the business community in conjunction with the NFP sector. Programmes are designed and delivered so that synergies between business, NFP, and Government programmes deliver the best outcomes possible. New initiatives, generally, are seeded through business leadership. Once established, Government is approached to support.

BITC actively engage CE and executive level managers in "seeing is believing" programmes, providing business leaders with exposure to "real people in real streets, schools and communities". The programme effectively promotes dialogue on how business can do something about real, challenging, and difficult-to-solve issues outside the business arena.

It harnesses the knowledge and expertise of the individuals and organisations through its privileged access and delivers ProHelp – free or pro bono professional advice and help for community groups.

It provides opportunities for business learning and not just giving. Cushman & Wakefield LLP used an employee volunteering opportunity brokered through Business in the Community's Cares programme to transform the outdoor area of two schools and a nursery. It was part of a team building challenge to enhance relationships between the employees and supply chain members at its newly opened Birmingham office.

The team's goal was to turn a clinical, concrete playground into an interactive learning environment. The challenge was extremely satisfying and everyone involved reported they had grown in appreciation of the challenges facing young people with special educational needs.

The team building aspects of this engagement provided opportunity to develop team interaction and to foster relationships-suppliers were indistinguishable from employees in the day's work.

This form of effective delivery has enabled BITC to become a centre of excellence on issues such as homelessness, diversity and volunteering and it has capacity in advocacy, influencing think tanks and working with other organisations aligned with business and CSR. BITC has a unique capacity to bring top business leaders together, to engage competitors in collaboration, and to persuade business leaders to work in shared partnership with public and voluntary sectors. A working relationship is firmly established with the Government for the membership to work in consultation.

BITC advocates and uses measurement of outcomes as a key determinant of programme, NFP and business engagement success. It actively pursues measurements across all partnerships between business and NFP. The London Benchmarking Group (LBG) was formed through this. BITC assists with measurement systems for businesses and for non profits. It has a high standard of shared best practise that supports good business models.

### Attributes leading to success

There are six key attributes contributing to the success of these models:

- The engagement and commitment from CE and executive level management in contributing businesses;
- Prioritisation of areas of engagement to meet identified community needs;
- Alignment of engagement of business, NFP, and Government (where appropriate) around priorities through existing and new programmes of delivery;
- Measurement of outcomes and achievements for business and community;
- Growth of shared understanding; knowledge, capacity and capability development in community and business; and
- Engagement with Government and social sector strategy as appropriate.

### Other engagement models

Aside from business-led, other models of community-led engagement have been successful internationally. The recently launched MacroAuckland initiative is modelled on a very successful MacroMelbourne enterprise. Aligned with the Auckland Communities Foundation, MacroAuckland seeks to identify key social needs and corresponding projects within Auckland. It increases the alignment of philanthropic giving by individuals, existing trusts and business with these targeted projects.

#### OPPORTUNITY

There is no “business-led” organisation working to provide synergy, leadership and engagement for business in the social sector in New Zealand.

Further contact with business involved in these models will provide additional insight into the added value to both business and the community, and how they have developed highly effective engagement programmes.

### **Business engagement in social policy**

The benefit of engagement through a business led social responsibility group is the opportunity for engagement with government in policy and practice in planning, design and delivery of community development. Many policy forums around social and community development do not engage with business in spite of the significant resource business injects into the social space and the essential role of

employment in creating self sufficiency. It was noted that business was not included in the initial announcement of membership of Social Policy Forum of Auckland City.

Central and local government work with a relatively small number of key social programme providers (e.g. social agency, NFPs). The synergy possible in facilitating closer working relationships with business in these conversations could realise better solutions. Business, for example, has a key role to play in the debates and programme development regarding employment / unemployment / return to work.

#### OPPORTUNITY

Central and local government should give further consideration how best to engage business in think-tanks and advisory groups at both local and central levels, to design, develop and deliver policy and effective programmes to address long-term social needs.

### **Sharing knowledge, learning and best practice**

While a range of informal structures and opportunities to share best practice are evolving, there is opportunity to develop a structured environment for established CSR practitioners and to create a one-stop for the sharing of best practice. Business has knowledge which can contribute in developing appropriate engagement and measurement tools for community agencies. It is not a task for a single business alone. Both sides of the business/NFP partnership need to share best practice on CSR measurements and could be facilitated through shared engagement across businesses involved in CSR.

#### OPPORTUNITY

An opportunity exists to develop a platform for businesses to collaborate to address social needs in New Zealand and design appropriate measures that would potentially drive better performance delivery. This would involve:

- Both sides of the business/NFP partnership sharing best practice on CSR measurements.
- Developing and improving the ways best practice is shared among CSR practitioners – finding ways to overcome the perceived “competitive advantage” of not sharing.
- Generating networking opportunities that ensure some standardisation of operation and measurement across the sector.





**Reducing the information and performance measurement gap**

Even with a green light, knowing where to invest energy and resources to get the best return on investment can be problematic. The multiplicity of approaches to business from the NFP sector leaves a wake of confusion over where to best invest, whether it is the most compelling or the best fit for the company. Regular publication of impact results of individual businesses provided through annual report systems against target would promote highly effective programmes. The publication of gathered impact results each year from the business community would provide substantiation of the responsibilities agreed by businesses in New Zealand. Through this process innovative solutions can be illustrated and provide engagement models for new entrants to adopt.

**OPPORTUNITY**

Business has the opportunity to work with its NFP partners to collaboratively develop a quality controlled measurement that fits with global community reporting yet has a unique New Zealand approach. This would offer independent evaluation of social organisations and rank social effectiveness by including reviews by clients and volunteers, and funders of NFPs. There is early work being undertaken in New Zealand by the Knowledge for Good partnership and these initiatives could be extended and supported.

Government, business and the NFP sector could extend and support existing initiatives in this area. This would provide opportunities to increase the awareness of impact results and success stories of CSR investment from the business and community sector. Telling stories of business-community engagement is important.

**“Brokerage” role**

Internationally, it has been recognised that there are leadership organisations or “brokerages” that can successfully channel business investment to deliver the most effective impact and outcomes. These organisations can provide business with a robust basis for their internal business case development based on a clearer understanding of:

- What are the most significant emerging trends and challenges effecting disadvantage and inequality?
- What are the main directions in government policy designed to reduce disadvantage and inequality?
- What are the highest priority areas for action and investment to help meet these challenges?
- What are the most effective social programmes for business investment?

There are challenges around principal naming rights sponsorships and confidentiality.

In New Zealand, organisations like the Robin Hood Foundation previously delivered a similar, albeit reduced, brokerage service. At present other mainly regional organisations are working to establish a presence and value in response to long expressed concerns about duplication, fragmentation and the lack of co ordination within the NFP sector.

Brokering can be community or business led. With a business led group there is opportunity for business members to challenge each other and direct joint efforts into major projects to alleviate social problems.

Other brokerages are led from a donor perspective. They specify areas for investment or the benefits of collaboration for both donors and community organisations. This has the advantage of breaking down the silos and competition between community organisations as they vie with others for funding the results. There are limited vehicles for social NFP agencies to develop appropriate strategies and intent to work together in a rationalised way so that duplication of spending is avoided.

**OPPORTUNITY**

There is an opportunity for a formalised brokerage role between business and NFP organisations. In developing such a unit of expertise (and exploring those existing and developing models such as MacroAuckland and ABCN), it is clear there are challenges in areas like brand association, tiered corporate sponsorships and leadership preferences for engagement.

## Community leadership

### *Develop collaboration and cumulative measurement systems*

Standards have evolved for measuring and reporting impacts on society. The Breakthroughs in Shared Measurement and Social Impact report<sup>20</sup>– demonstrates how shared, comparative and adaptive learning measurement systems across social enterprises are now being used to measure the social impacts of non-profit performance and outcomes. These shared approaches recognise that no single initiative can solve major social problems, and offer ways to increase the efficiency, knowledge and effectiveness of the entire system of interrelated organisations that affect complex social issues. Shared measurement systems can help the sector move beyond the fragmented and disconnected efforts of multiple NFPs and funders by measuring the multiplying effect (or otherwise) of the impact of all these funders.

More recently there has also been a shift to developing collaboration in the NFP sector through trying to get community organisations with similar aspirations for outcomes to work together.

#### **HE PŪTEA MAHI TAHI**

Working Together More Fund – He Pūtea Mahi Tahi – is led by the collaboration of four funding organisations – the Todd Foundation, Tindall Foundation, Wayne Francis Charitable Trust and the J R McKenzie Trust. Through the collaboration these philanthropic funders have demonstrated the benefits of working in synergy. The fund aims to assist community organisations working to achieve similar or same outcomes to join their efforts and make a greater difference for the people and communities they serve. While not right for all organisations, those who have worked closely together report real returns for the efforts including improved services for their clients and consumers.



## Working with business

### Providing other options for employees to give

There is work to establish and support direct payroll giving opportunities to a range of charities. Internationally, the availability of direct payroll giving opportunities has given more security around the risk of individual donation and provided a less resource intensive way of gaining funds for the NFP sector.

### Partnership

In the current economic downturn, it is reported that NFPs are shifting to a partnership approach in working with businesses that share the same values to develop strategies; to achieve individual benefits and shared outcomes. Partnership is about each party doing what they do best and aligning complementary resources to deliver a commonly agreed outcome. The aim for NFPs is to have greater security around funding and resources that can be used efficiently to deliver agreed outcomes. It is important that there is early involvement by business in discussions with community and Government around shared values and opportunities, needs and responsibilities of each partner and the development of how accountability for each sector will be established.

#### **OPPORTUNITY**

There is a need to educate and share understanding of “partnership”. This could be achieved through evaluation of current business / community / Government partnership working that addresses social issues and disseminate findings particularly what has worked and what hasn’t.

# Key Recommendations



The issues across the social sector are complex and inter related. Potentially, they can act as a brake on social and economic development in New Zealand. The wasted potential and productivity in our communities and economy of under participating members of society is significant. It is compounded by the social costs. The estimated lifetime cost to a society of a chronic adolescent antisocial male is \$3m.

*The key for business is: "Business cannot succeed in societies that fail".*

While business participation and investment in communities and social engagement is relatively high, business is challenged by how best to invest their energy in social sustainability to make the most meaningful difference. The majority of business–NFP relationships are one-to-one and therefore do not achieve the benefits of scale and scope. Business is aware that no one player in a community can ever have all the answers, so it won't be just one business or one NFP or social agency or whomever in a community that comes up with the solutions.

Business engagement and investment of resources, capabilities and knowledge in the community could be better leveraged to achieve targeted outcomes and social benefits. Different arrangements to make community engagement between business, NFPs and those they are helping more effective have been explored.

This requires that business has a seat at the table when social policy priorities are set, particularly when employment is part of the solution.

In other countries, business-led organisations identify business as a key stakeholder in solving social issues.

We recommend that the Government, NFP organisations and business engaged in social investment form a strategic leadership group to:

- Create a shared view on priorities for action in social investment;
- Decide the respective roles each should play in social investment including the development of innovative new approaches; and
- Agree how progress should be measured and monitored.

We further recommend that the Business Council, in association with an establishment partner, investigate the viability of forming a business-led organisation or activity using learnings from Business in the Community in the UK, and the Australian Business Community Network in Australia. We recommend a proof of concept study be undertaken for a New Zealand activity, tentatively named Business and Community Engagement (BACE NZ) to:

- Put business at the table when social issues and priorities are discussed with Government to ensure the business perspective is understood and support leveraged.
- Provide a sounding board for business ideas on social innovation or community engagement prior to discussion with Government and NFPs.
- Help broker relationships between multiple businesses and other service providers and funders.
- Help align efforts and effectiveness to focus the donor dollar and volunteer effort.
- Reduce duplication of effort and overheads from multiple businesses and agencies operating in the same space.
- Advise and implement monitoring and measurement tools for community engagement and provide mentoring for CSR professionals.

The Business Council has agreed to supervise the preparation of the proof of concept study and seeks expressions of interest from business to join other business leaders in working to fully develop this and establish a uniquely New Zealand business-led social engagement model.

# Endnotes

- <sup>1</sup> Source: Statistics NZ Non-Profit Institutions Satellite Account:2004 (August 2007); Philanthropy NZ Giving NZ Philanthropic Funding 2006 (2007)
- <sup>2</sup> According to a 2004 VAVA report released by the NZ Federation of Voluntary Welfare Organisations
- <sup>3</sup> see NZ Institute: Scorecard for NZ (2010)
- <sup>4</sup> Interagency plan for conduct disorder/severe antisocial behaviour (2007), Wellington, Ministry of Social Development
- <sup>5</sup> <http://ips.ac.nz/WelfareWorkingGroup/Downloads/Issues%20Paper/WWG%20Summary%20Paper%20-%20Long-Term%20Benefit%20Dependency%20-%20The%20Issues%20-%20August%202010.pdf>
- <sup>6</sup> Statistics New Zealand, 2007
- <sup>7</sup> Child Poverty Action Group 2008
- <sup>8</sup> ("The Social Report", 2007, p. 25)
- <sup>9</sup> Social Outcomes Briefing prepared by Social Sector Forum of CEs of Ministries of Health, Education, Social Development and Justice
- <sup>10</sup> McKinsey
- <sup>11</sup> Mallen Baker, <http://www.mallenbaker.net/csr/definition.php>
- <sup>12</sup> © J. Donvin-Irons, used with permission
- <sup>13</sup> KPMG's International Survey of Corporate (Social) Responsibility Reporting 2005, which surveyed more than 1,600 companies worldwide
- <sup>14</sup> Categorising CSR activities is problematic, and so the categories selected for discussion in this section are not definitive, but illustrative
- <sup>15</sup> © J Donvin-Irons, used with permission
- <sup>16</sup> Findings from New Zealand research; Figures from ShapeNZ/Fairfax business behaviour research reported in The Independent, August, 2010; This finding is comparable with international and other national findings
- <sup>17</sup> © J Donvin-Irons, used with permission
- <sup>18</sup> [www.youngfoundation.org.uk](http://www.youngfoundation.org.uk)
- <sup>19</sup> SKIP is a community based programme supported by the Ministry for Social Development. Further information is available on p.43
- <sup>20</sup> University of Waikato study prepared in collaboration with Business Council and SBN, 2010
- <sup>21</sup> FSG Social Impact Advisors report: Breakthroughs in Shared Measurement and Social Impact
- <sup>22</sup> FSG Social Impact advisors at <http://www.fsg-impact.org/ideas/pdf/breakthroughs>