

Introduction to Community Engagement and Investment

Alan S. Gutterman

Sustainability is about the long-term wellbeing of society, an issue that encompasses a wide range of aspirational targets including the sustainable development goals (“SDGs”) of the 2030 Agenda for Sustainable Development adopted by world leaders that went into effect on January 1, 2016. The SDGs, which include, among other things, ending poverty and hunger, ensuring healthy lives and promoting wellbeing for all, ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all, are based on the recognition that society in general is vulnerable to a number of significant environmental and social risks including failure of climate-change mitigation and adaptation, major biodiversity loss and ecosystem collapse, man-made environmental planning and disasters (e.g., oil spills), failure of urban planning, food crises, rapid and massive spread of infectious diseases and profound social instability. Clearly the challenges described above are daunting and for most businesses it may be difficult for them to see how they can play a meaningful role in address them. While it is common for “society” to be identified as an organizational stakeholder, the reality is that one company cannot, acting on its own, achieve all the goals associated with societal wellbeing. However, every company, regardless of its size, can make a difference in some small, yet meaningful way, in the communities in which they operate, and more and more attention is being focused on the impact that companies have within their communities. Focusing on the community level allows an organization to set meaningful targets and implement programs that fit the scale of its operations and which can provide the most immediate value to the organization and its stakeholders.

Sustainable entrepreneurship is based on the premise that companies need to move beyond focusing exclusively on short-term financial results for their owners and acknowledge and accept responsibilities to other stakeholders including investors, employees, regulators and society in general. In fact, at its core, sustainability really is about the long-term wellbeing of society, an issue that encompasses a wide range of aspirational targets including the following based on the sustainable development goals (“SDGs”) of the 2030 Agenda for Sustainable Development adopted by world leaders that went into effect on January 1, 2016¹:

- Ending poverty in all its forms, everywhere

¹ <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

- Ending hunger, achieving food security and improved nutrition and promoting sustainable agriculture
- Ensuring healthy lives and promoting wellbeing for all at all ages by ending preventable deaths and epidemics and achieving universal health coverage
- Ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all
- Achieving gender equality and empowering all women and girls
- Promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- Developing quality, reliable, sustainable and resilient infrastructure, enhancing scientific research and significantly increasing access to information and communications technology (e.g., providing universal and affordable access to the Internet)
- Reducing income inequality within and among countries and empowering and promoting the social, economic and political inclusion of all
- Reducing inequalities of outcome, including by eliminating discriminatory laws, policies and practices
- Promoting peaceful and inclusive societies for sustainable development, providing access to justice for all and building effective, accountable and inclusive institutions at all levels

The goals listed above are based on the recognition that society in general is vulnerable to a number of significant environmental and social risks including failure of climate-change mitigation and adaptation, major biodiversity loss and ecosystem collapse, man-made environmental planning and disasters (e.g., oil spills), failure of urban planning, food crises, rapid and massive spread of infectious diseases and profound social instability.² There are also economic, geopolitical and technological risks, some of which, including the following, are especially problematic for businesses³:

- ***Failure/shortfall of critical infrastructure:*** Failure to adequately invest in, upgrade and/or secure infrastructure networks (e.g. energy, transportation and communications), leading to pressure or a breakdown with system-wide implications.
- ***High structural unemployment or underemployment:*** A sustained high level of unemployment or underutilization of the productive capacity of the employed population.
- ***Illicit trade (e.g. illicit financial flows, tax evasion, human trafficking, organized crime, etc.):*** Large-scale activities outside the legal framework such as illicit financial flows, tax evasion, human trafficking, counterfeiting and/or organized crime that undermine social interactions, regional or international collaboration, and global growth.

² The Global Risks Report 2017 (12th Edition) (Geneva: World Economic Forum, 2017), 61-62. The Report and an interactive data platform are available at <http://wef.ch/risks2017>.

³ Id. at 63.

- **Severe energy price shock (increase or decrease):** Significant energy price increases or decreases that place further economic pressures on highly energy-dependent industries and consumers.
- **Adverse consequences of technological advances:** Intended or unintended adverse consequences of technological advances such as artificial intelligence, geo-engineering and synthetic biology causing human, environmental and economic damage.
- **Breakdown of critical information infrastructure and networks:** Cyber dependency that increases vulnerability to outage of critical information infrastructure (e.g. internet, satellites, etc.) and networks, causing widespread disruption.
- **Massive incident of data fraud/theft:** Wrongful exploitation of private or official data that takes place on an unprecedented scale.
- **Rising income and wealth disparity:** Increasing socioeconomic gap between rich and poor in major countries or regions.

Clearly the challenges described above are daunting and for most sustainable entrepreneurs it may be difficult to see how they and their businesses can play a meaningful role in address them. While it is common for “society” to be identified as an organizational stakeholder, the reality is that one company cannot, acting on its own, achieve all the goals associated with societal wellbeing. However, every company, regardless of its size, can make a difference in some small, yet meaningful way, and its leaders must understand the connection between the company’s success and a healthy society, a link that has been explained as follows:

“A healthy company requires a healthy, stable, safe, and resilient society. Social unrest is triggered by many factors, the root cause of which is growing income and wealth inequality. Companies can help reduce those chasms by contributing their fair share to fund physical and social infrastructure, a welfare social safety net, and quality health and education systems. Much of a company’s reputation and social license to operate depends on how much it does on community and social issues, especially and how well it participates in collaborate efforts to advance society wellbeing, or at least does no harm to society. A health, resilient society does not boomerang on businesses; instead, it provides a supportive nest for their operations.”⁴

Sustainable entrepreneurs are embedded in the communities in which they operate and as such need to take into account their relationships with local governments and the natural and physical environment in those communities as well as the quality of life provided for residents in close proximity to where the company operates and in distant areas where the company’s products and services can improve living conditions. Individual organizations can and should pursue societal goals with respect to sustainability within their

⁴ B. Willard, “Society Wellbeing” in Sustainability ROI Workbook: Building Compelling Business Cases for Sustainability Initiatives (May 2017 Edition) (the Workbook, which is regularly updated, is available for download, along with other information on corporate sustainability projects, at <http://sustainabilityadvantage.com/>).

communities, and more and more attention is being focused on the impact that companies have within their communities. Focusing on the community level allows an organization to set meaningful targets and implement programs that fit the scale of its operations and which can provide the most immediate value to the organization and its stakeholders. Societal wellbeing projects and initiatives must ensure that the organization does not compromise, and instead improves, the wellbeing of local communities through its value chain and in society-at-large.

While businesses generally benefit their communities by improving the standard of living and providing community members with products and services that fulfill their needs, companies can also contribute to society through philanthropy and corporate social responsibility (“CSR”). Philanthropy can take many forms and includes donations of cash, products and employee time (i.e., volunteering) to charities and other nonprofit groups. Some companies enjoy engaging in cause-related marketing, which is essentially a partnership between a company and a nonprofit that calls for the business to market its products with a promise that a portion of the sales will be donated to the nonprofit. This strategy certainly benefits the nonprofit; however, the company obviously hopes that it will see a positive uptick in sales and be able to add to its customer base. CSR initiatives vis-à-vis the community includes recruiting and training disabled veterans and providing flexible schedules and benefits to Olympic athletes to support their training activities.

While the potential benefits of community engagement and investment for businesses are often framed as being readily apparent, it is useful to consider ideas about the specific aims and objectives of corporate community involvement. One comprehensive list included making people inside and outside the community aware of various problems in the community; ensuring that investment and development efforts occur across all sectors of the community and in multiple areas including education, health, recreation and employment; motivating members of the community to participate in community welfare programs; providing equal opportunities within the community for access to education, health and other facilities necessary for better wellbeing; building confidence among community members to help themselves and others; generating new ideas and changing patterns of life within the community in positive ways that do not negatively interfere with traditions and culture; bringing social reforms into the community; promoting social justice; developing effective methods to solve community programs including better communications between community members and local governments; and creating interest in community welfare among community members and mobilizing those members to participate in the collective work for community development.⁵

The Conference Board reported on the collaboration between Points of Light and Bloomberg LP to identify the 50 most community-minded companies in the US for 2014 and noted that companies included on the list were typically strong with respect to one or more of the following⁶:

⁵ <http://www.studylecturenotes.com/social-sciences/sociology/339-aims-and-objectives-of-community-development>

⁶ Y. Turner, “The Civic 50: Best Practices in Corporate Community Engagement”, Giving Thoughts (The Conference Board, March 2015).

- Employer-led community programs positively impacted employee engagement, meaning that employees who participated in community engagement initiatives with the support of the employers scored higher on measures of morale, engagement, pride and productivity than employees who did not.
- Companies and communities found value in skills-based: skills-based volunteering strengthened employees' morale and workplace skills while providing five times greater value to the community than traditional volunteering.
- Companies raised their voice to advance social change by taking national leading positions on social issues related to their own operations, thus taking advantage of their ability to contribute lasting solutions.
- Purpose was aligned with profit, with most of the companies integrating their community engagement into at least one of three business areas: marketing, skill development and diversity and inclusion.

Other noteworthy characteristics of the listed companies included extensive use of strategic community investment tools that went beyond grant giving to include employee time and skills and in-kind donations; development of institutional policies, systems and incentives to support the strength and longevity of their community programs; and systematic measuring of the business and social impact of community engagement work.

The importance of organizational attention to its communities is illustrated by the inclusion of community involvement and development among the core subjects (along with organizational governance, human rights, labor practices, the environment, fair operating practices and consumer issues) mentioned in ISO 26000: Guidance on Social Responsibility first issued by the International Organization for Standardization in 2010.⁷ In the overview of the subject included in ISO 26000, the need for organizations to focus on community involvement and development was explained as follows:

“It is widely accepted today that organizations have a relationship with the communities in which they operate. This relationship should be based on community involvement so as to contribute to community development. Community involvement—either individually or through associations seeking to enhance the public good—helps to strengthen civil society. Organizations that engage in a respectful manner with the community and its institutions reflect and reinforce democratic and civic values.”⁸

Organizations have been launched and thrived in turbulent times; however, they cannot have a reasonable expectation of survival unless they are operating in a healthy, stable, safe, and resilient society. As such, their own sustainability depends on their willingness and ability to contribute their fair share to improve and maintain the physical and social infrastructure of the world in which they operate and improve the wellbeing of the

⁷ International Organization for Standardization, ISO 26000: Guidance on Social Responsibility (Geneva, 2010).

⁸ Id. at 60.

persons who will be their employees, customers and neighbors. Additional business benefits to organizations pursuing and achieving societal wellbeing goals through the actions they take in their local communities include:

- Aligning the organization's day-to-day actions in the actual environment in which it operates with its purpose and values
- Using the information gathered from engagement and consultation with community groups to make more informed decisions about projects impacting the community and gain a better understanding of the opportunities associated with acting responsibly vis-à-vis the community and the risks of failing to consider community concerns
- Building on responsible involvement in local political activities to avoid reputational and financial costs due to lawsuits brought by members of the local community and/or disputes with local regulators over violations of laws and regulations
- Expanding and improving the organization's risk management practices by taking into account the consequences associated with failing to recognize and address the local impact of broader societal challenges in areas such as education and job skills training, health, income inequality and technology adaptation and diffusion
- Securing and supporting the organization's social license to operate by gaining and maintaining the community's acceptance of the organization's operational activities and business practices
- Enhancing employee loyalty, involvement, participation, retention and morale through opportunities for employees to engage in the community and live and work in an area in which the organization is perceived as a valuable and responsible citizen
- Attracting goodwill in each of the communities in which the organization operates through the involvement of the organization and its employees in the community in day-to-day encounters and contributions, both philanthropic and investment, to causes and projects that support the wellbeing of the community
- Creating, protecting and improving critical local infrastructure and services upon which the organization and its stakeholders (i.e., employees, local customers and supply chain partners) depend for both business purposes and day-to-day living

Community engagement and investment activities provide organizations with important opportunities to leverage the impact of their contributions given that businesses typically rely on their local communities as a source of talent for the employee base, for contractors for services that the organization seeks to outsource and, of course, as a market for the organization's products and services. By contributing to educational and health programs in the community an organization can increase the skills base of potential workers, thereby reducing training costs when new employees are hired, and lower the risk of adverse impacts to productivity due to illnesses among its employees or their immediate family members, either of which can cause employees to miss time at work. Organizations can provide financial support, as well as licensed technology, to launch a local network of engineers, scientists and/or software developers to generate innovations that not only benefits the organization but also provided new opportunities for other members of the community, thus improving overall community wellbeing. Finally, the proximity of local customers makes it easier for organization to develop and

communicate their marketing messages and seek and obtain feedback on the effectiveness of those messages and the quality and value of the product and services distributed by the organization. In fact, one of the compelling reasons for investing in community involvement at all levels is the relative ease of collecting and analyzing information relating to operational performance. Proximity to the human, technical and other resources that can be developed and nurtured through community involvement and development also allows organizations to move more quickly to seize opportunities and obtain a competitive advantage.

It should not be overlooked that community engagement and investment are not issues that organizations can master on their own: they need willing partners among the other community stakeholders. One of the most important partners, of course, is the local government and organizations should seek to develop a program of regular communications with governmental officials to address a wide range of issues including infrastructure; basic educational and health services for local employees, their family members and potential customers; skills development programs for workers who would be a good fit for the organization's talent pool; police, fire and other emergency services; and cultural and leisure opportunities that will draw prospective employees and customers into the community. When an organization is already a significant employer for the community government officials should obviously want to take steps to keep the organization happy; however, those same officials also realize that they need to invest their scarce resources wisely and build a diverse portfolio of businesses so that the community is not overly dependent on a single company. Organizations need to understand the political, economic and social context within which local government officials must operate and this means engaging with individuals and groups that are in positions to influence the views and actions of those officials. Organizations do not vote, but they can reach out to those people who can and do make choices regarding candidates and ballot initiatives that are related to local laws and regulations and to investment in community development projects.

Community engagement must be a permanent part of the strategy and operations of any organization and this means identifying community stakeholders as soon as possible and moving quickly establishing communications and understanding their needs and expectations regarding the organization and how it will operate within the community. Organizations need to understand the issues that concern community members; the beliefs, values and experiences that drive the actions of community members and how community groups interact with one another. Organizations also need to carefully select the best strategies for their relationships with their communities, typically choosing from among community investment, which is essentially a one-way process of providing information and resources to the community (e.g., information sessions, charitable donations, employee volunteering etc.); community involvement, which involves two-way communications, such as consultation processes prior to launching a major project; and/or community integration, which involves sharing information and consultation in advance of

launching collaborative projects that are jointly controlled with, and often led by, community groups.⁹

Meaning of Community

An important threshold question for community engagement and investment is the meaning of the core term “community”. Communities have been described as individuals linked by issues (i.e., people concerned with the same issue); identity (i.e., people who share a set of beliefs, values or experiences related to a specific issue such as the environment or public health); interaction (i.e., people who are linked by a set of social relationships); and geography (i.e., people who are in the same location).¹⁰ Ismail defined community “as a group of people sharing a common purpose, who are interdependent for the fulfillment of certain needs, who live in close proximity and interact on a regular basis”.¹¹ This definition was accompanied by a series of ideal communal characteristics, not all of which may be present in any given situation¹²:

- There are shared expectations for all members of the group and responsibility taken from those expectations
- The group is respectful and considerate of the individuality of other persons within the community
- There is a sense of community which is defined as the feelings of cooperation, of commitment to the group welfare, of willingness to communicate openly, and of responsibility to and for others as well as to one’s self
- There are community leaders who are responsible for the success of any community event, depending on the needs of the community, and the individual’s own feelings, and who strive to influence others to take responsibility for their actions, their achievements, and the community welfare

The communities of interest to a particular organization will vary depending upon the context and the size and nature of its activities and impacts; however, in general, the term “community” should be understood as including both the residential or other social settlements located in a geographic area that is in physical proximity to an organization’s sites or within an organization’s areas of impact and other groups of people having specific characteristics in common, such as the members of a “virtual” community who are concerned about a particular issue and/or share similar characteristics. For example, businesses need to be mindful, and may often be actively involved in the creation, of virtual communities of persons who use the Internet to communicate and share information about the markets in which businesses operate and/or their specific products

⁹ Network for Business Sustainability, Engage Your Community Stakeholders: An Introductory Guide (September 14, 2012), <https://nbs.net/p/engage-your-community-stakeholders-an-introductory-guide-615902ab-e363-47ff-a3fc-d87188938739>

¹⁰ Engage Your Community Stakeholders: An Introductory Guide for Businesses (Network for Business Sustainability, 2012), 3.

¹¹ M. Ismail, “Corporate Social Responsibility and Its Roles in Community Development: An International Perspective”, *The Journal of International Social Research*, 2/9 (Fall 2009), 199, 203.

¹² *Id.*

and services. Virtual communities may also exist and operate side-by-side with physical communities, such as when cities and villages develop online networks that residents can use to exchange ideas, discuss their problems and express needs with respect to the place in which they live and work.¹³

While the “community” is often mentioned as one of the stakeholders of any organization, it would be a mistake to think of community as a monolithic concept. In reality, community for any organization is a complex network of multiple stakeholders, each of which must be considered and engaged including neighborhoods, community development groups, environmental organizations, development organizations, citizen associations, non-governmental organizations, local nonprofit organizations, local regulators and governmental officials, other businesses in the community, indigenous peoples and underrepresented groups in the community.¹⁴ All of this makes community engagement and investment especially challenging since each of these community stakeholders have their own issues, concerns and perspectives.

Community engagement and investment has taken on a new dimension in some areas as businesses expand to the point where there is no longer sufficient housing for their employees in close proximity to the company’s offices and workers must settle in neighboring communities and make arrangements to commute to their workplace. In Silicon Valley, for example, the practice of highly paid workers for technology giants such as Google, Facebook and Apple buying or renting properties in San Francisco and Oakland has triggered significant pushback from community activists complaining that long-time residents of those cities are being pushed out of their homes and that local businesses that have served their communities for years are now losing favor giving the different tastes and spending habits of the tech workers. Issues regarding the transportation programs set up by the technology companies in those communities, such as large air-conditioned buses that disrupt traffic for large blocks of time during the day while being conspicuously nicer than the “local muni”, have also grabbed attention.

While the concept of community as a stakeholder typically focuses on the communities where the company is directly involved it should not be forgotten that decisions that a company makes with regard to other stakeholders can also impact communities. The clearest illustration of this is the impact that outsourcing to foreign countries by larger retailers has had on the communities in which their former domestic suppliers were operating. As those suppliers, many of which were among the largest employers in their local communities, lost the business previously provided from the retailers drastic measures were needed to keep their doors open. Many of them were forced to lay off workers, frequently people who had worked for the suppliers for many years and who had parents and grandparents who had done the same. The economic and psychological

¹³ C.H. Buhrmann, “Virtual communities: implications for companies”, *South African Journal of Information Management*, 5(4) (December 2003), 3.

¹⁴ *Engage Your Community Stakeholders: An Introductory Guide for Businesses* (Network for Business Sustainability, 2012), 3.

impact on the communities where the suppliers were operating was often devastating and has led to a strong activist backlash against the retailers.

Suppliers are important stakeholders and companies have taken a great interest in the actions of their suppliers and the impact of the business activities of those suppliers on the local communities in which they operate. A number of US companies have been embarrassed by disclosures regarding the poor treatment of local workers by their foreign suppliers and the adverse impact that the manufacturing processes of those supplier have had on the local ecosystems. In response, US companies have implemented due diligence and inspection procedures for their foreign suppliers to ensure that those suppliers are acting as good citizens in their communities.

Community Development

Community engagement and investment by organizations is part of the larger wave of CSR. Ismail noted that the classical view of CSR had actually been limited to corporate philanthropy; however, the focus has gradually shifted toward emphasizing the relationship between business and society and contributions that companies can and should make to address social problems.¹⁵ The result of this evolution has been the current concept of CSR in which business organizations consider the interests of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders as well as their environment. This means not only complying with applicable laws and regulations, but also acting in an ethical manner and proactively and voluntarily taking steps to improve the wellbeing of their employees and their families and the communities in which they are operating.¹⁶

One of the most-cited aspirations for business organizations with respect to their communities is providing a positive impact on community development and improving the quality of life and levels of well-being among the members of the community.¹⁷ One description of community development provided by Ismail referred to the process of developing active and sustainable communities based on social justice and mutual respect through initiatives undertaken by a community with partnership with external organizations or corporations to empower individuals and groups of people by providing those groups with the skills (i.e., how to make use of local resources and build political power through the formation of large social groups working for a common agenda) they need to effect change in their own communities.¹⁸ Another interesting, and admittedly broad, definition of community development includes “intentional collective actions to improve social, economic, physical, and environmental well-being, while preserving

¹⁵ M. Ismail, “Corporate Social Responsibility and Its Roles in Community Development: An International Perspective”, *The Journal of International Social Research*, 2/9 (Fall 2009), 199.

¹⁶ *Id.*

¹⁷ International Organization for Standardization, ISO 26000: Guidance on Social Responsibility (Geneva, 2010), 61.

¹⁸ M. Ismail, “Corporate Social Responsibility and Its Roles in Community Development: An International Perspective”, *The Journal of International Social Research*, 2/9 (Fall 2009), 199, 203.

valuable aspects of the culture of the particular geographic area”.¹⁹ Priorities with respect to well-being vary depending on the area and the level of economic and social development therein. For example, in the developed countries in North America and Europe community development tends to focus on housing issues; however, in less developed countries the concerns of community members tend to be coping with and overcoming threats to stability and fending off war, disease, famine, extreme poverty and environmental dangers.

It has been argued that community development should not be limited to one subject and/or one particular group within the community but instead should be viewed as any activity that improves the quality of life for a broad spectrum of community members. Project ideas can include a whole range of things that can positively impact people of all levels such as anything that²⁰:

- Increases the appeal of a neighborhood to housing buyers or renters including adding new stock of affordable units and imposing reasonable restrictions on the ability of landlords to raise rents and force long-time resident out of their units
- Rapidly recycles obsolete housing or commercial buildings by renovating to meet current trends and redevelopment into a new use that meets the needs of a large group within the community
- Corrects unwise development patterns, whether those may be a tendency to sprawl in an economically and socially inefficient manner, suburbanize in a bland sameness lacking in community focal points or dilute beautiful rural areas with scattered suburban style development
- Allows community residents to make a better living, over a longer period of time, with ample choices available within the community for career-changers and part-time workers (including persons working part-time due to their obligations to care for children and other family members)
- Provides the everyday goods and services that people in the community need within a short distance of all residences, and allows shopping for less routine purchases within a reasonable distance
- Cultivates a safe and secure environment
- Makes all parts of the community accessible to all, whether they can participate in the dominant transportation mode in their community or not (e.g., supporting high quality and affordable public transit)
- Gives community residents of all ages ample opportunity for recreation, physical exercise and exposure to nature
- Works with nature to locate key human activities away from environmentally sensitive land, and flood, fire, volcano, seismic, climate change and extreme weather hazards
- Increases the capacity of the community to meet and discuss problems and issues openly and resolve them within a reasonable period of time in a democratic fashion

¹⁹ <https://www.useful-community-development.org/definition-of-community-development.html>

²⁰ Adapted from a list appearing at <https://www.useful-community-development.org/definition-of-community-development.html>

- Pushes the community in the direction of an efficient, high quality, transparent governmental process that arranges for the necessary public services, including education and health services, and keeps the community's infrastructure updated, efficient and affordable
- Avoids senseless use of finite land and natural resources and pollution of land, water and air
- Organizes the community for inclusive discussion and diagnosis of challenges to its competitive edge and fast response to threats from the environment including dialogue between community members and for profit enterprises setting up business activities in the community
- Addresses the issue of the importance the community wishes to place on its historic and cultural heritage

Ismael noted that community developers must understand both how to work with individuals and how to affect communities' positions within the context of larger social institutions, and must also be able and willing to facilitate the participation of community members in decisions regarding the issues that affect their lives. While the goals of community development may be fairness, equality, accountability, opportunity and choice, among other things, the process itself is about educating, enabling and empowering community members to enable them to collectively identify needs and rights, clarify objectives and take action to meet these within a democratic framework which respects the needs and rights of others.²¹ While community members may live in the same geographic area, respect must be given to the diversity within the community and the differences among ethnic and social groups in the community.²²

Community development is often confused with economic development, which has been described as activities of the community to market its potential for growth followed by local efforts to act on specific opportunities. While the right forms of economic development can improve the wellbeing of community members, economic and community development converge only when an economically viable initiative also addresses and strengthens the social infrastructure and reduces the disparity of conditions and infrastructure that negatively affect the quality of life in a place where people live and work.²³

In 1971 the United Nations described community development as an organized effort of individuals in a community conducted in such a way to help solve community problems with a minimum help from external organizations such as government and non-government organizations and business enterprises of various types and sizes.²⁴ This definition emphasizes creativity and self-reliance among community members while providing opportunities and duties for external organizations and businesses to contribute

²¹ M. Ismail, "Corporate Social Responsibility and Its Roles in Community Development: An International Perspective", *The Journal of International Social Research*, 2/9 (Fall 2009), 199, 203-204.

²² *Id.*

²³ *Id.* at 204.

²⁴ United Nations, *Popular Participation in Development: Emerging Trends in Community Development* (New York: UN Department of Economic Affairs, 1971).

through CSR practices that provide education and organizational skills to the community.²⁵ Self-reliance is also an important element of the related concept of “community work”, which Ismael described as being about “the active involvement of people in the issues that affect their lives and focuses on the relation between individuals and groups and the institutions which shape their everyday experience”.²⁶ In the context of community work, businesses have a role in enabling sharing of skills, awareness, knowledge and experience in order to bring about change in the community.

Governments have been encouraging businesses to proactively embrace their roles as stakeholders in their local communities and support the efforts of governmental agencies and programs in promoting economic and social development. Conditions in communities vary and businesses may contribute in different ways ranging from financial support, providing human and technical resources, forging partnership and making significant social investments. The Government of Ireland broke out potential “best practice” community activities into the following areas based in part on guidance and policy documents that had already been issued by the Government²⁷:

- **Employment Creation and Skills Development:** Pre-employment training programs, supporting employment for people with disabilities, supporting regional youth services and supporting local programs to teach entrepreneurship
- **Community Engagement:** Incorporation of modules on CSR in the curricula of business schools, universities and other education institutions, peer group networking among large and small businesses at community level, support of and participation in forums and meetings with community equality/social justice groups, outreach educational programs, pro-bono services, company newsletters and open days for local communities and involvement in community initiatives (e.g., “clean up days”)
- **Social Inclusion:** Targeted social inclusion employment programs, employment of marginalized groups
- **Employee Involvement:** Employee volunteering and secondment programs, employee nomination of community groups for company support and fundraising initiatives for local charitable/community causes
- **Philanthropy and Sponsorship:** Charitable donations policies (e.g. dedicated charity partners), charitable funds and awards schemes, facilitation of staff donations to charitable causes (e.g. through payroll and on-line platforms)
- **Social Enterprise and Social Entrepreneurship:** Creation of a social innovation fund, creation and support of young social innovators program and other programs for social entrepreneurs, skills development programs for local community groups and potential entrepreneurs and development of creative programs for investment by community members in local enterprises (i.e., crowdfunding)

Common Roles of CSR in Community Development

²⁵ M. Ismail, “Corporate Social Responsibility and Its Roles in Community Development: An International Perspective”, *The Journal of International Social Research*, 2/9 (Fall 2009), 199, 204.

²⁶ Id.

²⁷ Good for Business: Ireland’s National Plan on Corporate Social Responsibility 2014-2016, 28-29.

Surveys have shown that commitment to CSR and related activities is an important driver of employee engagement and that employees care a great deal about how their employer is perceived with respect to social responsibility in the communities in which they operate. CSR is a multi-faceted concept that involves relationships with multiple stakeholders including investors, employees, customers and suppliers as well as with the local communities in which companies operate and society as a whole; however, it is possible and useful to review the following list of some of the common roles of CSR in community development prepared by Ismael²⁸:

- Business can share in the negative consequences resulting from industrialization, as is the case when companies operating higher emission vehicles pay a higher road tax in order to reduce the tax burden on small vehicle owners in the community and allow community members to re-channel their funds to more productive uses within the community. Business often invest in infrastructure to facilitate easier access to their facilities for deliveries and outward bound shipments and doing so in a socially responsible fashion means being mindful of the impact of such activities on traffic patterns of local residents.
- CSR activities focused on the local community build closer ties between businesses and their communities, support a peaceful co-existence and build social capital that is essential to community development. This explains why community engagement to collect information and forge relationships is such an important part of every community development effort undertaken by companies.
- Organizations with a reputation for CSR can take advantage of their status and strengthen their appeal as an attractive employer by making their commitment part of their value proposition for potential candidates. In addition, when employees have a favorable opinion of the CSR of their employers they score better on various measures of performance and have more confidence in senior management. Happy and motivated employees are better ambassadors of the company in the community.
- Closer ties between businesses and their communities promote better transfers of technology into the community in several ways including the flow of human resources; the flow of private support for the research and development efforts in the public sector (e.g., corporate underwriting of technology development at local public universities); and the flow of technology from the business directly into the local community in the form of more affordable and higher quality products and services.
- CSR helps to protect the environment in communities through the efforts of businesses to reduce their own environmental footprint and provide financial, managerial and technical support to local nonprofits involved in initiatives focusing on the protection of the environment. Activities that harm the local environment are clearly visible to community members and thus make it difficult for create the positive relationship mentioned above. In turn, protecting and honoring the local environment by supporting the creation of parks sends a powerful message throughout the local community.

²⁸ M. Ismail, "Corporate Social Responsibility and Its Roles in Community Development: An International Perspective", *The Journal of International Social Research*, 2/9 (Fall 2009), 199, 205-206.

- CSR is based on a commitment by businesses to universal principles in relation to the protection of human rights and involvement in their local communities allows companies to take a proactive role in promoting social inclusion, both directly and through partnerships with other organizations. Among other things, businesses can set an example in their communities through the way that they align their operations and strategies within the areas of human rights and labor and the requirements regarding human rights they impose on local suppliers.
- A CSR program can be seen as an aid to alleviate poverty in local communities. Businesses can contribute cash and other resources directly to organizations working to improve the lives of community members living below the poverty line and can marshal the resources of other community members through cause related marketing activities (e.g., allocating customers to earmark a portion of the purchase price for the company's products for contribution to local groups working on alleviation of poverty).
- A CSR program can help in gathering data that can be used by governmental agencies and other organizations in their own community development programs. For example, technology companies can assist under-staffed police departments with information gathering and processing by installing cameras with video processing abilities in areas where there are high rates of crimes in order to improve safety and security in the local community.

Management of Community Development Activities

Successful engagement by businesses in the development of their communities requires a number of core competencies and contributions from a number of groups and departments within the organization. Businesses must have the skills and resources to understand community and community development, build capacity within the communities that they operate, establish and maintain effective communications and relations with community leaders and groups and develop and implement strategic business and community partnerships. In addition to a central management group dedicated to community relations, which might also include a corporate community foundation, businesses will need to marshal support and assistance from personnel involved in marketing, human resources, health and safety, environmental management, ethical investment, public relations, and community resource development.²⁹

Ways for Businesses to Contribute to Community Development

ISO 26000 describes community development as improving the quality of life and levels of well-being among the members of the community.³⁰ Participation in community development projects are a means for organizations to directly and more effectively contribute, at the local level, to solving overriding societal development challenges that cannot be completely addressed through public policies alone and which require

²⁹ Id. at 207.

³⁰ International Organization for Standardization, ISO 26000: Guidance on Social Responsibility (Geneva, 2010), 61.

contributions from all organizations. In fact, certain of the overriding global commitments and goals with respect to sustainable development, such as environmental sustainability and the universal availability of fully productive, appropriately remunerated and freely chosen employment, cannot realistically be achieved without the proactive support and participation of businesses. Businesses also have the financial and human capital, as well as the technology, to supplement the often meager resources of governmental bodies in their communities in efforts to eradicate extreme poverty and hunger, improve primary education opportunities, promote gender equality and empower women and improve health and combat disease.

Community development is not the sole responsibility of organizations operating in the community, but rather comes from community stakeholders working together out of a sense of shared responsibility. From that perspective, the goal for each organization is to find the best way for it to contribute, and the commentary included in ISO 26000 suggests that organizations can contribute by³¹:

- Creating employment through expanding and diversifying economic activities and technological development
- Making social investments in wealth and income creation through local economic development initiatives both within and outside the organization's core operational activities
- Expanding education and skills development programs
- Promoting and preserving culture and arts
- Providing and/or promoting community health services
- Facilitating and participating in institutional strengthening of the community, its groups and collective forums, cultural, social and environmental programs and local networks involving multiple institutions
- Supporting related public policies and engaging in partnerships with governmental agencies to pursue development priorities identified during the course of the community's own deliberative processes
- Engaging with a broad range of stakeholders with special emphasis on identifying and consulting with and, where possible, supporting vulnerable, marginalized, discriminated or under-represented groups
- Engaging in socially responsible behavior

In a handbook for implementation of ISO 26000 designed and distributed in 2011 by ECOLOGIA for small and medium sized businesses the following suggestions for organizational actions relating to community involvement and development were offered with respect to the specific community involvement and development issues identified and described in ISO 26000³²:

³¹ Id.

³² Handbook for Implementers of ISO 26000, Version Two (Middlebury, VT: ECOLOGIA, 2011), 32-33.

- Community involvement: Respect the laws and practices of the community; join associations and work with groups and individuals for the common good; and establish and maintain transparent and honest relations with government officials
- Social investment (i.e., building infrastructure; improving social aspects of community life): Assess existing community-related initiatives, seeking to identify ways to improve; focus philanthropic activities (e.g., grants, volunteering and donations) on giving resources to the community through programs or projects for long-term development; avoid creating community dependence on a business' philanthropic activities; and broaden economic opportunities for community members, for example by increasing local procurement and hiring
- Employment creation: Consider the impact of investment and out-sourcing decisions on employment creation; when possible, make decisions to maximize local employment opportunities
- Technology development: Where appropriate, engage in partnerships with local organizations (e.g., universities or research laboratories) and engage in scientific and technological development with partners from the local community, employing local people in this work; and where economically feasible, adopt practices that allow technology transfer and diffusion, set reasonable terms and conditions for licenses so as to contribute to long-term local development
- Wealth and income: Engage in commercial relations only with suppliers that operate under legally recognized frameworks, wherever possible; in situations of poverty and low levels of development where suppliers have difficulty in meeting legal requirements, work with them to move toward conducting activities within the appropriate legal framework; use natural resources in a sustainable way that helps to alleviate poverty; obtain prior informed consent of the local community for the use of local natural resources; respect the traditional use of natural resources by local populations, especially indigenous peoples; give preference to local suppliers of goods and services; and fulfill tax responsibilities as described in law, and provide the authorities with the necessary information to correctly determine taxes
- Education and culture: Promote cultural activities; respect and value the local culture and cultural traditions; support education at all levels; engage in actions to improve educational quality, to promote local knowledge and eradicate illiteracy; encourage the enrollment of children in formal education; and contribute to the elimination of barriers to children obtaining an education
- Health: Promote good health by contributing to access to medicines and vaccinations, and by encouraging healthy lifestyles and discouraging the consumption of unhealthy substances; raise awareness about major diseases and their prevention, such as cancer, heart diseases, malaria, HIV/AIDS and tuberculosis; support access to essential health care services, to clean water and appropriate sanitation; and seek to minimize or eliminate the negative health impacts of any products or services provided by your business
- Responsible investment: Incorporate consideration of the economic, social, environmental and governance dimensions of an investment, in addition to the traditional financial dimensions; develop and disclose an active ownership or governance policy to be applied to your investments, including principles of social

responsibility; and seek to make positive social, economic and cultural contributions to communities when making investment decisions.

Community Development and Core Business Activities

ISO 26000 explains that some activities of an organization may be explicitly intended to contribute to community development, while others may aim at private purposes but indirectly promote general development. For example, programs focusing on preserving local culture and arts, which typically take the form of financial support and employee volunteerism, are generally unrelated to the core operational activities of the business but presumably provide value through enhancement of the reputation of the business and tighter integration with various segments of the community. On the other hand, investing in improvement to access roads and other aspects of the transportation infrastructure in the areas next to the facilities of the business not only provide direct operational benefits to the business but also are likely to provide indirect benefits to the community if the changes are well planned after consultation with impacted groups within the community. While each of the contributions listed above are important, businesses, regardless of size and like any other type of organization, do not have unlimited resources, nor do they necessarily have the expertise to make a significant impact, at least initially, in each of the areas. Every business has the capacity to continuously engage in socially responsible behavior; however, ISO 26000 notes that beyond that the most important contributions to community involvement and development will depend on the circumstances in the community itself, the unique knowledge, resources and capacity each organization brings to the community and the degree of alignment between the activity and the core operational activities of the business.

It makes sense that the most efficient way for an organization to contribute to community development is through applying its inherent skills base and selecting and implementing projects that are closely related to the its core business activities. There are many activities that businesses engage in as part of the ordinary course of their operations and ISO 26000 counsels that by explicitly integrating the concept of community development and involvement into the planning and implementation of those activities the business can minimize or avoid negative impacts and maximize the benefits of those activities and sustainable development within the community. ISO 26000 provides the following list of examples of ways in which execution of the core activities of an organization can also contribute to community development³³:

- An enterprise selling farm equipment could provide training in farming techniques
- A company planning to build an access road could engage the community at the planning stage to identify how the road could be built to also meet the needs of the community (e.g., by providing access for local farmers)
- Trade unions could use their membership networks to disseminate information about good health practices to the community

³³ International Organization for Standardization, ISO 26000: Guidance on Social Responsibility (Geneva, 2010), 63.

- A water-intensive industry building a water purification plant for its own needs could also provide clean water to the community
- An environmental protection association operating in a remote area could buy the supplies needed for its activities from local commerce and producers
- A recreational club could allow use of its facilities for educational activities for illiterate adults in the community

Another sampling of how companies linked their community development activities to their business competences and resources included the following illustrations³⁴:

- A bank's employee volunteer program capitalized on one of the bank's core competencies—its microfinance know-how—to deliver high quality pro bono consulting services to microfinance institutions in emerging markets.
- A company donates space in its local factory for use as classrooms for public schools in order to support the local government's efforts to alleviate a critical shortage of classrooms.
- A technology-focused company partners with a nonprofit focused on educational issues to establish technology learning centers in communities located in remote rural areas to foster new social and economic opportunities.
- A mining company worked with local farmers to increase yields through use of fertilizers that contained byproducts of the mining company's normal operational activities
- A technology-focused company used its technology to indigenous peoples monitor destruction of the forests in which they lived.
- A charitable foundation established by a large multinational company used its resources and powers of persuasion to create a partnership among financial institutions and other investors to provide access to finance for community entrepreneurs.
- A company sent its trainers to educate its supply chain partners on awareness and prevention of infectious diseases and created programs to disseminate health information to consumers in the communities in which the partners were located.

Core business competencies can come in many different forms and may include research and development, convening power, supply chain contacts, access to consumers, business know-how, facilities, equipment, logistics and staff time and expertise.³⁵

Startups and Small Businesses

While corporate philanthropy and social investment are commonly discussed with respect to larger businesses, there are significant and effective ways for startups and smaller firms to engage with their communities and have a positive impact that enhances their reputation and their morale of employees. Some of the ideas that should be considered

³⁴ Strategic Community Investment: A Quick Guide (Highlights from IFC's Good Practice Handbook) (Washington DC: International Finance Corporation, February 2010), 8.

³⁵ Id.

by entrepreneurs and small business owners include sponsoring the activities and/or specific events of nonprofit organizations in the community; incorporating employee volunteering into the company's mission and personnel policies; designing a business model that "gives back" to the community (e.g., setting aside a portion of the profits from each sale for automatic investment toward a solution of a community social or environmental issue); contributing to the local economy by prioritizing hiring from within the community and selecting local vendors for procurement of necessary goods and services; and promoting local businesses to customers and other contacts through co-marketing efforts or referrals.³⁶

Larger organizations typically have formal business units or teams focusing on various aspects of community involvement and development ranging from philanthropy; employee volunteerism; infrastructure investments and collaborations on local issues relating to education, health, safety and the environment. At their startups, sustainable entrepreneurs need to approach community involvement pragmatically, recognizing that how they demonstrate appreciation for the surrounding community will have a profound impact on the organizational culture that emerges from the launch phase. Sustainable entrepreneurs need to put community involvement and development high on their agendas, even as they are struggling with creating the company's initial products and services, and seek to identify not only what their communities can provide for the business but also what the business can offer to the community in exchange.

When a company is first launched the contribution of the business may be limited to the time and experience of employees who participate in community activities with the blessing and support of the company. While seemingly modest, these interactions will hopefully provide a foundation for a positive reputation for the business in the community, which can be enhanced by making a concerted effort to conduct meetings in the community to forge relationships with community leaders and prospective employees and other business partners. Other ideas for sustainable entrepreneurs looking for easy, yet potentially impactful, ways to quickly and efficiently start getting involved with their local communities include sponsoring events and activities of community-based nonprofit organizations; incorporating volunteering into the overriding purpose and mission of the business; identifying way to incorporate "giving back" into the company's business model; contributing to the local economy by making commitments to buy supplies and raw materials from local vendors and partnering with local businesses for services and other business-related purchases; and promoting other local businesses through co-marketing efforts and/or through referrals.³⁷

For many startups, the first community is an online group that includes early adopters and users of the company's product or service and others such, as representatives of the media and prospective investors, who have an interest in the progress of the company. In

³⁶ B. Berger, "5 Ways Entrepreneurs Can Enhance Local Communities", *Entrepreneur* (August 24, 2016), <https://www.entrepreneur.com/article/280501>

³⁷ B. Berger, "5 Ways Entrepreneurs Can Enhance Local Communities", *Entrepreneur* (August 24, 2016), <https://www.entrepreneur.com/article/280501>

most cases, the primary interest of the startup in its online community is growth of that community, hopefully with accompanying revenues; however, engagement with an online community should be done with the same goals and purposes that organization's become involved with traditional communities: building relationships, enhancing reputation and social license to operate, soliciting information and ideas that can be used in the business, attracting the interest of potential investors and other strategic partners and recruiting talent. Surveys among startups regarding their approaches to online community involvement and management identify a variety of useful ideas and strategies including recruitment of an experienced "community manager" as a high priority.

Community management is not to be confused with social media management, although mastering the technical and marketing aspects of engagement through social media is important. Community managers in this context practice meaningful engagement with community members regarding the company's products and services and the specific needs and expectations within the community, crucial information in a situation where it is relatively easy and costless for users to switch to a different platform. In fact, sustainable entrepreneurs often argue that community management is not the right term; the proper perspective is on engagement and eliciting participation in the vision by community members. The engagement process should involve building connections within the community so that members are able to communicate with one another, rather than just with the company, and do so in a manner that is transparent and amenable to discussion of problems with the way the company is handling a particular issue. Eventually, as resources permit, companies can expand engagement beyond online channels to include live events in areas where a significant pool of community members are located. Startups can also forge strategic partnerships with other organizations to offer related products and services to community members. In the meantime, the information obtained through community management can be used to focus the startup's efforts on the one or two things that really need to be done next in order for the company to scale efficiently.³⁸

³⁸ For additional ideas and case studies relating to startup strategies relating to community management, see R. Barba, Startups Share Their Tactics and Thoughts on Community Management (May 15, 2015), <https://tech.co/startups-share-tactics-thoughts-community-management-2015-05>

About the Author

This chapter was written by Alan S. Gutterman, whose prolific output of practical guidance and tools for legal and financial professionals, managers, entrepreneurs and investors has made him one of the best-selling individual authors in the global legal publishing marketplace. His cornerstone work, *Business Transactions Solution*, is an online-only product available and featured on Thomson Reuters' Westlaw, the world's largest legal content platform, which includes almost 200 book-length modules covering the entire lifecycle of a business. Alan has also authored or edited over 90 books on sustainable entrepreneurship, leadership and management, business law and transactions, international law and business and technology management for a number of publishers including Thomson Reuters, Practical Law, Kluwer, Aspatore, Oxford, Quorum, ABA Press, Aspen, Sweet & Maxwell, Euromoney, Business Expert Press, Harvard Business Publishing, CCH and BNA. Alan is currently a partner of GCA Law Partners LLP in Mountain View CA (www.gcalaw.com) and has extensive experience as a partner and senior counsel with internationally recognized law firms counseling small and large business enterprises in the areas of general corporate and securities matters, venture capital, mergers and acquisitions, international law and transactions, strategic business alliances, technology transfers and intellectual property, and has also held senior management positions with several technology-based businesses including service as the chief legal officer of a leading international distributor of IT products headquartered in Silicon Valley and as the chief operating officer of an emerging broadband media company. He has been an adjunct faculty member at several colleges and universities, including Berkeley Law, Golden Gate University, Hastings College of Law, Santa Clara University and the University of San Francisco, teaching classes on corporate finance, venture capital, corporate governance, Japanese business law and law and economic development. He has also launched and oversees projects relating to sustainable entrepreneurship and ageism. He received his A.B., M.B.A., and J.D. from the University of California at Berkeley, a D.B.A. from Golden Gate University, and a Ph. D. from the University of Cambridge. For more information about Alan and his activities, and the services he provides through GCA Law Partners LLP, please contact him directly at alangutterman@gmail.com, follow him on LinkedIn (<https://www.linkedin.com/in/alangutterman/>) and visit his website at alangutterman.com.

About the Project

The Sustainable Entrepreneurship Project (www.seproject.org) was launched by Alan Gutterman to teach and support individuals and companies, both startups and mature firms, seeking to create and build sustainable businesses based on purpose, innovation, shared value and respect for people and planet. The Project is a California nonprofit public benefit corporation with tax exempt status under section 501(c)(3) of the Internal Revenue Code dedicated to furthering and promoting sustainable entrepreneurship through education and awareness and supporting entrepreneurs in their efforts to launch and scale innovative sustainable enterprises that will have a material positive environmental or social impact on society as a whole.

Copyright Matters and Permitted Uses of Work

Copyright © 2020 by Alan S. Gutterman. All the rights of a copyright owner in this Work are reserved and retained by Alan S. Gutterman; however, the copyright owner grants the public the non-exclusive right to copy, distribute, or display the Work under a Creative Commons Attribution-NonCommercial-ShareAlike (CC BY-NC-SA) 4.0 License, as more fully described at <http://creativecommons.org/licenses/by-nc-sa/4.0/legalcode>.

062720