2 Getting Involved: Reasons for Business Investment in the Community

This section first of all defines the scope of business investment in the community and looks at how activity has developed over recent years. It then examines the reasons why companies get involved and how the various forms of business support for the community can be of benefit not just to the recipients but also to the companies involved.

2.1 The scope of business action in the community

‘Community investment’ by businesses embraces many types of activity, ranging from traditional forms of support for charitable bodies to action carried out through companies’ mainstream commercial activities. In the research reported here we adopted a broad definition of community investment. The areas of activity we include in this definition, and which are found in all of the cities visited for the case studies reported in Part II, are described below.

- Cash support for voluntary organisations, enterprise agencies and for initiatives involving partnership between different sectors engaged in community renewal and economic regeneration in cities or regions (such as Business Leadership Teams, established under the auspices of Business in the Community). Cash support may take the form of one-off donations, regular donations, project funding, loans, matching grants (equalling monies raised by other parties for a specific cause), running a payroll giving scheme for
employee involvement, or grants to intermediary bodies such as Community Trusts for distribution to voluntary groups.

- **Sponsorship** of projects or events: the area in which this has developed most strongly in recent years is business sponsorship of the arts, but sponsorship of environmental projects is becoming more important (see Forrester, 1990). Social sponsorship of community projects is promoted by bodies such as Action Match (see Appendix 2). Joint promotions, involving partnership between a company and a voluntary body, are another form of sponsorship: a recent development in this area is the emergence of ‘affinity cards’, credit card arrangements between voluntary bodies and companies through which the former receive a small donation for each transaction using the card.

- **Donation of equipment, products and materials**: giving in kind allows companies to pass on unwanted equipment such as office furniture to voluntary bodies and community groups; donate products for use or for raffle by the recipients; and donate office materials. Companies may also allow free use of facilities (rooms, offices, conference facilities) to community bodies.

- **Provision of staff time and expertise**: this type of support includes the *secondment* of staff either full-time or part-time for a set period; provision of specialist advice to community bodies on a one-off basis; involvement of staff on the boards of voluntary bodies, Enterprise Agencies, schools and other bodies such as Training and Enterprise Councils (TECs) and Business Leadership Teams; and employee volunteering of time and labour to community groups, either in their own time or in the company’s time.

- **Recruitment and training**: companies can engage in *targeted recruitment measures* aimed at providing opportunities for specific groups such as the long-term unemployed, disabled people and ethnic minorities. Initiatives in this category include customised training and job interview guarantee (JIG) schemes designed to equip unemployed people for work in specific companies or with skills in particular demand among local employers.

- **Education-business partnerships**: companies can form links with schools and colleges and provide work experience for school
students, operate COMPACT schemes and offer facilities for school visits, teacher placements, etc.

- **Local purchasing and sub-contracting**: companies can contribute to the local community through reviewing purchasing policy and placing orders and developing links with local firms, especially small enterprises.

- **Local investment measures**: companies can make a major difference to the economic and social well-being of the local community by reviewing investment decisions with community interests in mind, in order to maximise benefits to the local community and economy and minimise environmental disturbance. Measures may include investment in affordable housing schemes, property development for local small businesses, environmental improvements to local buildings and land, location of premises in an inner city area, and participation in urban renewal initiatives.

Clearly there is a very broad spread of activities here: the common factor is a decision by a company to direct resources into an activity with the aim of providing benefit to a community outside its own constituencies (employees, shareholders). An equally broad range of motivations may come into play as companies consider how to get involved in the local community. The ‘traditional’ forms of support – charitable donations and gifts in kind – tend to be associated with philanthropic motivation. The recipient benefits from the support, while the giver secures goodwill and, as one respondent put it, a ‘warm glow’, but does not seek to derive any more tangible benefits from the action. However, in the other areas listed above, the balance of benefits may be more even. Usually the principal aim will be to support a community body or cause or event, but the activity may produce indirect and sometimes direct benefits for the company. In the last four areas listed above – recruitment and training, education-business links, local purchasing, and local investment – the activities concerned are in the mainstream of company operations, and while the balance of motivation and benefits will be tilted towards the community, there may well be gains for the company which ultimately result in commercial benefit.

Before looking more closely at the motivation behind companies’ involvement and the benefits they, as well as community groups, can derive from it, we need to consider the development of company
activity in recent years and the rising importance of forms of support which go beyond ‘charitable giving’ and justify the use of the term ‘community investment’.

2.2 The growth of business investment in the community

The current level of company expenditure on the community

Statistics on the scale of company support for charities and the wider community are published by the Charities Aid Foundation and the Directory of Social Change. The figures depend on the comprehensiveness of company reporting of their community activities, and there are many problems with this. The main difficulty is in estimating the value of non-cash support – secondments, other provision of staff time, use of facilities, giving in kind, and so on. Many companies, large and small, make no attempt to estimate the value of such community activities, and so reported figures in company accounts may often be well below the true level.

A recent estimate of the total value of community support by companies is shown below; it must be borne in mind that it certainly under-estimates total contributions by a considerable margin, especially for non-cash support such as secondments. It also excludes funds raised through school-business links and activity by employees in their own right with the encouragement of their firms – such as volunteering.

**Estimated total community contributions by business, 1989**

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charitable donations</td>
<td>175</td>
</tr>
<tr>
<td>Sponsorship</td>
<td>50</td>
</tr>
<tr>
<td>Enterprise agencies</td>
<td>15</td>
</tr>
<tr>
<td>Non-commercial advertising</td>
<td>20</td>
</tr>
<tr>
<td>Joint promotions</td>
<td>15</td>
</tr>
<tr>
<td>Secondments</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total contributions</strong></td>
<td><strong>300</strong></td>
</tr>
</tbody>
</table>

The above figures conceal very wide variations in the practice of different companies, with high levels of expenditure by the top 50 corporate contributors in terms of percentage of pre-tax profits and amount spent per employee; and markedly lower rates from the rest of the top 400 contributors.

For all the flaws in the available data on the extent of company support, there is no doubt that it is substantial and has been growing in recent years. Declared charitable donations by the top 200 corporate donors doubled in real terms from 1987 to 1988. Measured in terms of donations per head of workforce, contributions by the top 200 givers almost trebled in real terms from 1977 to 1986. As for the percentage of pre-tax profits donated by the top 200, there has been only a slight increase in the 1980s, to just over 0.2 per cent on average as opposed to 0.17 per cent in 1977/8, but the substantial real rise in profits in recent years has meant that absolute contributions from this group have risen.

We return to the subject of statistics and levels of support in Chapters 3 and 4 below. Readers are referred to Fogarty and Christie (1991) for a full discussion of the available data on company contributions to charities and the community. Another measure of the rising importance of company involvement in the community in the UK is the amount of promotional activity designed to encourage and foster it.

Promotion of company involvement in recent years

It was not until the early 1980s that community investment by business began to move up the agenda of voluntary agencies and promotional bodies, but there are now numerous agencies promoting business involvement in the community: details of some of the leading agencies which can assist companies in developing their activities are given in Appendix 3.

Several factors have contributed to the rise in awareness and public promotion of the role of companies in the community.

• The growth of unemployment, especially youth unemployment, in the late 1970s, and growing concern in the 1970s over the disadvantages of ethnic minorities in the labour market, led to the establishment of bodies such as Fullemploy Group for the promotion of new employment and enterprise.
Changes in the political climate after the election of the Conservative Government in 1979:

- funding constraints on local authority social services and an increased emphasis on the role of the voluntary sector in the provision of services;
- the promotion of ‘active citizenship’ by individuals and companies and policies aimed at increasing the role of private and voluntary sector bodies in education, training, the arts, urban regeneration and the environment;
- substantial growth in the number and range of community initiatives on enterprise, training and job creation which demand an expanded role for the voluntary sector and for business in the management of projects.

A growing sense among business leaders in the 1970s that private enterprise had an unfavourable image in many areas, and that a more positive picture of the role of business needed to be conveyed to communities in the inner cities, to schools and colleges, and to the public generally.

Alarm among business leaders over the threat of alienation of whole sections of the population in disadvantaged areas from mainstream economic and social life, and of consequent social unrest and urban decay as experienced in many American cities. The riots of the 1980s in cities such as Bristol and Liverpool were a major stimulus to action for a number of large companies in the UK.

The example set by American businesses from the late 1970s onwards in spending on charitable giving, employee volunteering and other forms of community involvement. The volume of corporate giving expanded and many initiatives for promotion of more company involvement took off. By the late 1980s charitable contributions by US corporations were averaging 1.8 per cent of pre-tax profits (see Fogarty and Christie, 1991, chapter 6).

The involvement of many companies in the 1980s in schemes intended to limit the damage done to communities by industrial restructuring and large-scale redundancy programmes.

One effect of the combined force of all of these pressures has been the development of many new forms of promotional activity aimed at raising company awareness of the scope for business action. In 1981
Business in the Community (BitC) was established as a partnership of major companies for the promotion of greater involvement by business in local economic development and community regeneration. BitC now has some 450 member organisations, including public and voluntary sector bodies, and growth in membership has been steady throughout the last ten years. BitC promotes and oversees Enterprise Agencies throughout the country, and has developed initiatives in areas such as local purchasing and environmental regeneration through its numerous ‘Target Teams’. BitC has also overseen the development of new forms of partnership and promotion of business activity in the community, for example:

- The Per Cent Club, an association of companies which have made a commitment to devoting at least half of one per cent of pre-tax profits to supporting community activities, whether via donations, staff time, or any of the other methods listed in section 2.1 above. In 1990 the Per Cent Club decided to raise the guideline percentage to one per cent of pre-tax profits by 1992. Local clubs have been set up in Newcastle and Sheffield.

- Business Leadership Teams (BLTs), partnerships of leading business people and key personnel form the public and voluntary sectors in particular localities, which act as a forum for the promotion of initiatives for economic and community regeneration. BLTs have been set up in areas such as Blackburn, Bristol, the North West and Sheffield.

Business activity is also promoted and supported by a wide range of more specialised agencies and initiatives which have grown up since the 1970s. For example:

- Action Resource Centre, which promotes secondments of various kinds by business;
- Action Match, which promotes the development of social sponsorship by companies;
- The Association for Business Sponsorship of the Arts (ABSA), which represents business sponsors and promotes and facilitates sponsorship;
- Common Purpose, a new initiative based on an American model, is now becoming widely established throughout the UK after being piloted in Newcastle and Coventry. It aims to provide training in community leadership to senior people from all sectors of particular communities. The training brings together key decision makers.
makers from different walks of life in order that they can exchange ideas and experience and form new networks of collaboration and information exchange;

• The Groundwork Foundation, which works in partnership with many companies on projects for environmental improvement in and around urban areas.

There are many other voluntary agencies which work with and receive support from business in promoting enterprise creation, training schemes, small business support and so on. Their promotional activity in recent years has been supplemented by initiatives from government aimed at stimulating the private sector into increased community activity. For example:

• improved tax incentives for individual and corporate giving to charitable bodies, and also to enterprise agencies and Training and Enterprise Councils (TECs);

• the introduction of the TECs in England and Wales and of Local Enterprise Companies (LECs) in Scotland. The complete network will consist of 82 TECs and 22 LECs, responsible for delivery of training and enterprise support programmes in their localities. Two-thirds of TEC boards must be private sector employers at chief executive level. The TECs bring business leaders together with representatives from all sectors of the local community – public agencies, trade unions, education, local government and the voluntary sector. The TECs also have resources for the development of education-business partnership schemes, and have been assigned a wider role in the promotion of community economic regeneration beyond their remit for management of training and enterprise programmes, and thus form a new mechanism for community investment by business;

• the development of many central government schemes for urban renewal, designed to stimulate private sector investment in property development and environmental regeneration in the cities. The many initiatives launched by different government departments are grouped under the umbrella of the ‘Action for Cities’ programme, coordinated by the Department of the Environment (see Appendix 3). Among the main initiatives to emerge in recent years are:
  – the Urban Programme, a mechanism designed to help local authorities in inner city areas tackle economic, environmental
and social problems. Priorities include projects intended to improve the employment prospects of inner city residents;

– Urban Development Corporations, the main mechanism for using public funds to ‘pump-prime’ private sector investment in derelict inner city areas;

– City Grant, introduced to encourage and assist development in the inner cities by attracting private sector investment. The Grant is intended to bridge the gap between development cost and values on completion, enabling the developer to make a reasonable return;

– City Action Teams (CATs) and Task Forces, which seek to improve the coordination and targeting of existing government programmes, and develop innovative approaches to the economic regeneration of particular inner city areas;

– training and enterprise initiatives, chiefly aimed at helping unemployed people back into work and supporting small firms and enterprise agencies; these programmes are being taken over by the new TECs and LECs.

There is, then, a plethora of recent schemes and initiatives designed to involve the private sector in community action in general, encompassing charitable giving and forms of support which come closer to mainstream business activities – in training, property development, land reclamation, and so on. Among the leading promotional bodies there is a consensus that it is not enough simply to promote charitable giving by firms, important though it is to both companies and communities. They place increasing emphasis, as do government initiatives, on the promotion of forms of support which potentially can help the company achieve business objectives as well as contribute to community renewal. In short, there is now a widespread move towards appealing to companies’ sense of enlightened self-interest as well as to their sense of social responsibility. Business is being encouraged to think of ‘community investment’ (the phrase favoured by one of the biggest corporate donors, IBM (UK) Limited) rather than simply of ‘charitable giving’.

One of the main factors behind this shift in emphasis has been the recognition of the threats and opportunities presented by the decline of many inner city areas over recent decades and the sharp downturn in many cities’ fortunes in the late 1970s and early 1980s. The next
section considers the special impact of urban problems on the whole field of business involvement in the community.

**Business and the cities**

The recessions of the 1970s and the sharp decline in manufacturing employment in the UK especially in the period 1980-2, placed a heavy burden on the cities. Already deprived areas were badly affected by job loss, the collapse of local businesses and loss of population. Over the years many localities, whether truly in the ‘inner city’ or in marginal outer suburbs, had entered a downward spiral, with the loss of businesses, unemployment, crime, dependency on welfare, poor housing and infrastructure, and racial discrimination all reinforcing each other. Particular localities, given the often inaccurate general label ‘inner cities’, have become concentrations of severe social problems: communities with reduced capacity for self-regeneration, in which many citizens feel they have no ‘stake’ in society, and plagued by persistent high levels of long-term unemployment, crime, drug abuse, and discrimination.

The recession of the early 1980s, the riots of 1980 and 1981 in Bristol and Liverpool and elsewhere, and the Birmingham riots of the mid 1980s all played a part in alerting business leaders to the need for action, following a long period of withdrawal by many firms from inner city areas. Another important factor was the example, in two ways, of the experience of the United States. First, there was from the late 1970s an upsurge in corporate giving in the USA and in business involvement in urban renewal. Many British business leaders returned from study visits to America impressed by the renewal of ‘inner city’ areas in cities such as Baltimore and Boston. Second, many of them also returned with a sense of horror at what they had seen of the decay of neighbourhoods in cities such as Chicago, and the seemingly hopeless position of the citizens there, who had come to constitute an urban ‘underclass’, economically marginalised and completely alienated from mainstream society. As the CBI Task Force on Business and Urban Regeneration put it in its report *Initiatives Beyond Charity* (CBI, 1988, p.19):

> The most deprived parts of some North American cities stand as a chilling example of what could be in store for us. Lawndale, on the south side of Chicago, represents a future to be avoided at almost any cost.
The scale of the problems, and the importance to the private sector of the overall economic and social health of Britain’s cities, was a key factor behind the establishment of Business in the Community in 1981, and of the CBI’s Task Force on urban renewal, which was set up in 1987 and reported its recommendations on business action in the inner cities the following year. As the chairman of the Task Force noted in the report cited above,

Business has a massive stake in the nation’s cities. Employees and customers live in them; many companies operate from city locations, and their balance sheets reflect the cost and value of the assets involved; the retail, banking, insurance, tourism, leisure, manufacturing and construction industries will all be affected by the economic vitality and social health of the communities concerned (CBI, 1988, p.7).

The report of the CBI Task Force, and publications by BitC on inner cities, reflect the shift in the debate on corporate support for the community towards an emphasis on enlightened self-interest. While an appeal is still made to the business leader’s sense of moral concern and social responsibility, it is stressed that the nature of inner city problems is such that charitable giving, even at a much higher level than at present, is on its own inadequate to the task in hand. There is a need not just for more ‘philanthropic’ support but also for the injection of resources which can only come from major commercial investment decisions.

This perspective means a new focus on the potential benefits to business as well as to the community from putting large-scale resources into urban regeneration. In terms of business opportunities, depressed local economies mean reduced markets for companies’ products and services; unemployed and under-qualified citizens mean a waste of potentially skilled employees; the creation of ghetto areas and an underclass means the risk of social explosions which will damage the business community among others; derelict land means a waste of potential building sites for housing, offices, factories and parks, whose creation would generate wealth and opportunities for employment and new enterprises.

Less tangibly, it is argued that involvement can benefit businesses by allowing new opportunities for training and career development, improving staff relations, creating new links with local suppliers and customers, improving the image of business in general and committed
firms in particular, with the potential for positive effects on recruitment and orders as a result.

Ways in which business can get involved in the renewal of the cities are set out in detail in the CBI Task Force report. The model of activity is based on the establishment to enable business leaders, in partnership with other sectors, to create major projects for urban renewal which will generate wealth, stimulate new enterprise and job creation, and build up local confidence. Successful regeneration projects would attract more investment into an area, and a ‘virtuous circle’ would be created.

The process of revival as set out in *Initiatives Beyond Charity* and in BitC publications has three key elements, vital to its success:

- the need for business commitment to community investment to be long-term: quick commercial returns are unlikely to be compatible with regeneration which benefits the whole community, and large scale urban renewal is a matter of years, if not decades, as the American experience shows;
- the need for a multi-faceted approach to renewal: the problems of the inner city are multifarious and interlocking, and a simple property-led approach is liable to leave many social problems untouched;
- this leads to the recognition of the need for a partnership approach between business, local and central government agencies and community bodies. If the resources required are ‘beyond charity’, they are also far beyond the means of companies acting alone. Hence the need, as recognised by government, for the large scale injection of public funds into renewal in order to attract business investment. Moreover, the need for a multi-faceted approach in turn demands the collaboration of bodies with many different skills at different levels, from strategic planning down to the grassroots, and the mix of expertise required cannot be located in any one organisation or sector.

The problems of the cities, then, have been especially important in the development of company involvement in the community. They have played a key role in the growth of interest in action which can benefit firms as well as communities, and led to the development of ideas about business action in partnership with public bodies and community groups which go beyond traditional charitable links. And since the inner cities have many problems common to other areas, but
in a particular concentrated and intractable form, it may be that approaches which work or show promise there will have wider application in other cities and towns.

However, before we look at how companies are getting involved in regenerating city communities, we need to examine in more detail the reasons why companies have taken action and what benefits they, as well as the community, feel they are gaining from it.

2.4 Social responsibility and enlightened self-interest

*The importance of social responsibility*

There is no doubt that, of late, promotional agencies and government bodies have based their appeal to business to get more involved in community action largely on the notion of enlightened self-interest. Informants in promotional agencies say that they detect a growing emphasis among companies, especially the larger corporate donors, on activity which provides benefit both to the community recipient and to the firm; and that, increasingly, voluntary bodies and intermediary agencies are dealing with the private sector on a business basis – providing a service in exchange for financial or other support.

The move towards enlightened self-interest has important implications, which we will examine below, but it needs to be borne in mind that the change in emphasis does *not* mean that promotional bodies or companies are downgrading the role of a sense of corporate social responsibility, or ‘altruism’, or ‘philanthropy’. The desire to be a good corporate citizen, and disinterested support for charitable causes, remain powerful motivating factors behind company involvement. This is clear from our case study research and from other recent research work.

Fogarty and Christie (1991) report the results of a postal survey of medium-sized companies (500-2999 employees) involved in charitable support in the UK. Asked about the relative importance of different motivations and influences on their policy towards company giving, nearly 60 per cent of respondents rated ‘social responsibility’ as very important, while 12 per cent gave the same rating to ‘enlightened self interest’ – less than the proportion citing ‘views of chairman or managing director’ as a significant influence. Moreover, one quarter of respondents claimed that ‘enlightened self interest’ was not important as a motivating factor for them. A small survey of companies involved in secondment, carried out by Action Resource
Centre (Action Resource Centre, 1989), found that respondents most commonly cited ‘Making a contribution to the community’ as their main objective in providing secondees, ahead of various benefits to the company.

Our case study work confirms that for many companies the desire to ‘put something back into the community’, regardless of any self-interest, is a strong motivating force. This is the case among companies of very different sizes and areas of activity. Hewlett Packard’s ‘Corporate Objectives’ discuss involvement in the community in terms of good citizenship, which means ‘identifying our interests with those of the community’. In Manchester, Clayton Aniline’s company brochure states that ‘...business is not an end in itself and that it must serve people and society’. In Bristol, the small consultancy firm Mosaic offers a striking example of company-wide commitment to social responsibility. There are many examples of companies in which the family tradition of the owners, or loyalty to a particular locality built up over a long period, or the influence of particular individuals, leads to a strong commitment to corporate philanthropy.

**Social responsibility and corporate self-interest as a continuum**

It is important to emphasise the role of social responsibility in companies’ outlook on community involvement, since the recent move towards promotion of enlightened self-interest can sometimes give the impression that altruism and philanthropy are in some way less valuable as motives, or that they are even opposed to the development of policies based more on self-interest. In fact, of course, there is no clear dividing line at all between ‘social responsibility’ and ‘enlightened self-interest’.

This is evident from recent research and from our case studies. Many, if not most companies, have a range of activities aimed at supporting the wider community, and a range of motivations, rather than a single one, come into play. Firms typically distinguish sharply in terms of organisation, budgets and motivation between activities such as sponsorship, in which the balance is tilted towards commercial benefits and public relations, and charitable donations, which may be given via a company trust, a community trust, or even anonymously. However, in many areas of community action by firms, the balance is much more even, and a mixture of motivating factors comes into play.
For example, school-business links involve a degree of altruism and also an element of self-interest in relation to company image and recruitment; many forms of charitable support may involve some long-term considerations of benefit to company image in the community, or of the overall image of business; companies carrying out secondment policies increasingly are encouraged to think not just of the benefits to the recipient body but also of the potential for benefits to the firm from secondee’s exposure to new demands on their management skills.

So the key point to be made about social responsibility and enlightened self-interest is that they form a *continuum* of motivating factors for business investment in the community. They cannot be neatly disentangled, and altruistic motivation is certainly not to be regarded as ‘inferior’ or antithetical to policies involving recognition of business benefits from community support. This is underlined by respondents in companies visited for this and other studies. At Kellogg in Manchester, managers responsible for the company’s community policies stress that their activities are spread along the whole spectrum from concern for good corporate citizenship to self-interest. Barclays Bank underlines the intimate links between social responsibility and overall business interests:

> ...as we make profit *in* the community, it is right that we should make efforts *for* the community. It is, in a sense, enlightened self-interest; people are more likely to bank with us if we are known to have a social conscience (John Quinton, Chairman, in *Barclays Briefing*, no.75, February 1988).

Another point needs to be made clearly about the balance between motivations. A number of respondents stressed that the nature of the influence behind company action in the community was not as important as the honesty and commitment brought to bear in dealings with recipients. As Kellogg’s Corporate Affairs Manager put it:

> Anywhere along the spectrum from altruism to self-interest is legitimate as long as the company is aware and honest about its motives. Communities will respect any honestly expressed motivation.

**The special role of enlightened self-interest**

What factors have led to the recent emphasis on enlightened self-interest? As described in the previous section, the nature of the...
problems of the cities provides some of the answers. The resources required cannot be tapped via charitable policies in the private sector: many problems can only be tackled by treating them in part as investment opportunities.

Another key element is the recognition that measures for urban renewal and community regeneration need to strengthen communities’ sense of confidence and self-respect. There are particular problems here for any approach based on a charitable ‘gift relationship’, in which a donor gives to a passive recipient. At worst, in some areas ‘charity’ can be resented as patronising, especially if the support is ‘one-off’ and handed out by an organisation with no stake in the community. As one of our respondents, a director of an Enterprise Agency in an inner city area put it, initial support from the private sector for his venture was ‘altruism to help some poor people’. As dialogue went on with the private sector, business leaders came to realise that they were needed to provide a mechanism for economic regeneration via self-employment in the locality. This called for a long-term, hands-on commitment to partnership with community groups, and deployment of the firms’ mainstream business expertise rather than charitable funds. Other respondents argued that in many areas of community action the recipients of company support preferred to be involved in a commercial exercise which had ‘mainstream’ backing from the company. For instance, one provider of training schemes for the long-term unemployed argued that the last thing that people in this category wanted was to receive ‘philanthropic’ support; his approach was ‘100 per cent commercial’:

The long-term unemployed like that because they know we’re not doing them any favours.

A further reason for the promotion of enlightened self-interest is the need to recruit many more companies into the ‘culture’ of community involvement. The scene is dominated by major companies such as Marks & Spencer, IBM, Allied Dunbar and British Telecom, with large and sophisticated community investment programmes and policies, based on a mix of charitable giving and other activities. Despite the rise in company expenditure reported in section 2.2 above, there is huge scope for much more activity by existing corporate donors and for many more firms to get involved. Promotional bodies and many respondents in companies feel that the key to activating more firms, especially small and medium-sized companies, is to
emphasise that involvement can bring benefit to the firm as well as to the community. Given the range of demands upon company purses and staff time in an increasingly competitive environment, it is in the interests of companies and voluntary and community bodies alike to look ‘beyond charity’ towards more businesslike relationships which are potentially mutually beneficial. While many potential benefits to the company may be hard, if not impossible, to measure, business does indeed stand to gain in various ways from getting involved. What examples emerge from our research findings and those of other recent studies?

The range of benefits to companies from community investment

It is useful, in considering the range of benefits which can be gained by companies from community investment, to distinguish between long-term benefits associated with strategic enlightened self-interest, and those which are more short-term, associated with a tactical approach. As with social responsibility and self-interest, these need to be seen as part of a continuum rather than easily distinguishable elements of company activity. And of course, company policies may include both strategic and tactical elements.

Long-term strategic benefits from community involvement

At the strategic, long-term end of the spectrum, benefits identified by companies in our case study cities included the following.

- Long-term revival of economic activity in disadvantaged areas was often cited by respondents: helping communities and investing in the local economy would eventually bring new custom and business opportunities as overall local prosperity spread. As a respondent put it, ‘If people do not have disposable income they cannot buy our products’. Another referred to the chronic problem of bad debts in his company’s area, which had a serious impact on the firm. If the company could help through its community policies to reduce local unemployment and improve the very poor quality housing stock, then related problems such as bad debts and high levels of crime might eventually be alleviated.

- The development of a potential pool of skilled employees in inner city localities was also frequently mentioned by respondents. Reinvigoration of the local labour market, to which company support for training, enterprise creation, targeting of employment...
opportunities on groups suffering from discrimination, could help attract more business into the area and give the company an increased pool for local recruitment. As a respondent from a group of firms in Birmingham collaborating on equal opportunities initiatives said, this kind of strategy was simply good business sense – otherwise his firm and others would be missing out on ‘mountains of talent in Birmingham’s ethnic minority communities’.

- The maintenance and enhancement of company image and goodwill in the wider community was also frequently cited. This was sometimes very specifically related to a company’s activities. For instance, Clayton Aniline, a Manchester chemicals firm, is by the nature of its potentially hazardous business especially concerned to maintain good will locally: the factory is situated next to a residential area in East Manchester and the company has a strategic objective of ‘living in harmony’ with the local community. A telling and unusual case of the potential of the long-term public relations effect has been provided by Shell UK, whose recent fine for pollution of the Mersey would, said the judge, have been far higher than the £1m imposed if he had not taken into account the company’s track record in community support, arts sponsorship and environmental regeneration schemes.

- A related point is the contribution made by involvement in the community to a company’s ‘self-image’ – the effect on employee motivation. A manager at Kellogg related his firm’s overall approach in part to the need for a well-motivated workforce: working in a depressed area would lead to demotivation and loss of staff, and the need to avoid this was an added reason for seeking to invest in the local economy and community. The impact on company self-image and motivation was also important for a small ‘values-driven’ firm such as Mosaic in Bristol, whose ethos of community involvement by all employees is likely to be a major source of attraction to potential recruits. Schemes allowing staff time for community work and volunteering, as run by major firms such as Allied Dunbar, IBM and Grand Metropolitan, may have long-term benefits in retention of staff and overall motivation, and also bring new knowledge and skills into the organisation from employees’ exposure to new activities and problems. The same is
felt to be the case by companies involved in secondment programmes. The spin-off benefits for staff career development and acquisition of management skills are stressed by Action Resource Centre in its promotion of mid-career secondment and short-term ‘development assignments’ of staff to community bodies.

• Similarly, there are long range benefits from community investment in terms of the improved image a company can present to potential employees. This factor may be expected to increase in importance for firms seeking recruits, especially in the graduate market, as demographic change heightens competition for qualified people and as awareness of environmental issues grows. New graduates appear to be increasingly interested in the values of potential employers, especially in relation to environmental standards. The involvement, on a substantial scale, of many companies visited for this study in the development of their local TEC, also reflects a recognition of the strategic benefits for recruitment that can flow from involvement in broad community initiatives.

• A further factor is the long-term effect on company image among customers as well as employees and potential recruits. Companies such as Marks & Spencer and Body Shop seem to have improved their overall appeal to customers through their reputation for community investment (see Henley Centre, Planning for Social Change, 1989). This aspect of long-term benefit from community involvement can also be related to wider market considerations. IBM has related its environmental policies to its broad concern with being a company known for high quality in its products, processes, employee and customer relations. In Manchester, our respondent at Royal Mail related the company’s activities in the community to its broad strategy for total quality management (TQM) – an emphasis on continuous quality improvement in all areas of the organisation’s activities.

This is an area which deserves more exploration by companies, promotional agencies and researchers. As consumer pressures mount in relation to environmental standards, and increasing competition puts a premium on product and service quality, so there may be long-term value for companies in integrating their overall market strategies more closely with policies for community action and
environmental protection, in the interest of maintaining a reputation among customers, employees and potential employees as high quality enterprises. Excellence in one area should imply excellence in another: companies that place a high value on providing a quality service to one of their internal and external ‘communities’ (employees, shareholders, customers, suppliers, local community, national community) should aim for consistency of quality in relation to all of them. Companies moving in this direction, such as IBM, Marks & Spencer and, at the other end of the size range, Mosaic, are obviously very much exceptions at present; but the pressures for change, and the long-term benefits that these firms feel that they gain, cannot be ignored by others.

More immediate benefits from community involvement

Action taken in response to long-term and strategic problems, such as recruitment difficulties related to demographic factors and lack of adequately skilled labour, can bring significant benefits to companies as well as to communities over the short term. Our case studies found several examples of companies which were reaping benefits in terms of improved recruitment and retention from involvement in programmes for pre-employment training and schemes aimed at disadvantaged groups. In a study devoted to this particular field of activity (Crowley-Bainton and White, 1990), PSI researchers identified considerable benefits to employers, notably those working in inner city areas, from their involvement in training and employing unemployed people. Their key conclusions are that:

- most types of organisation have scope to consider recruiting from the unemployed pool;
- recruits from the unemployed pool, suitably trained, can be supplied to a wide range of jobs;
- pre-recruitment training targeted at ethnic minority members or other special groups can bring new sources of high-quality talent into an organisation;
- recruitment initiatives can often produce spin-off benefits, for instance increased applications from ethnic minority groups, positive publicity for the firm, and improved community and customer relations.

Benefits claimed by firms operating in inner city areas included:

- unexpectedly high quality of potential recruits;
Reasons for business investment in the community

- favourable cost comparisons with other recruitment methods;
- improved community relations;
- discovery of a new and plentiful supply of potential recruits;
- improved retention rates.

Other tactical self-interest reasons for community involvement include the need to win local goodwill on moving into an area or seeking to develop new sites; and the benefits to be gained from operating as a trainer on publicly-funded schemes for training unemployed people. These motivations came together in the case of one company visited, which was required by the local authority to take on local recruits on redeveloping a site in an inner city area when expanding its production facilities. This has proved extremely successful for the company, which has reported many of the benefits listed above in taking on recruits from the unemployed pool and the ethnic minority groups in its locality. Another firm found that its involvement in the community, via the operation of public training schemes, was profitable as well as a means of equipping the long-term unemployed for the labour market.

The tactical motivation can therefore lead to substantial gains which are long-lasting in their effects. It is also one of the ‘ways in’ to a more strategic, proactive and long-term commitment to community involvement. This was the case in the two companies mentioned above. Our respondent in the firm running training schemes had taken up a place on one of the target teams of his local TEC; and the other company, as noted by a community leader, had moved from initial reluctance and short-term considerations to a much more positive and committed attitude towards community action – in fact, he observed, they were now even ‘giving lectures’ on the subject.

Motivation and implications for the organisation of community involvement

It should be clear from the foregoing discussion that our original idea of a continuum of motivation, ranging from philanthropic altruism to self-interest at the other, with varying degrees of mixed motives in between, needs to be made more complex. There is also a continuum of enlightened self-interest, from a strategic perspective at one end to a more tactical and commercial approach at the other. Different forms of community support are associated with different parts of the continuum, as illustrated in the diagram below.
We need to consider one other reason for the recent shift in emphasis towards promotion of enlightened self-interest as a motive for corporate support for the community. This is the view that a perspective which incorporates potential benefits for the company as well as for the community has most chance of becoming fully integrated in a company’s culture and mainstream decision-making processes; and that resources adequate to the tasks involved in inner city renewal will only be unlocked if companies treat community investment as part of their central business activities (training, personnel relations, purchasing, marketing) rather than as a marginal activity. In short, getting companies involved in long-term, mainstream commitment to the community and organised to support it calls for an appeal to enlightened self-interest as well as a sense of ‘philanthropic’ social responsibility. It demands that companies develop a more ‘holistic’ approach to involvement, building up activities in the different segments of the diagram above to form a broad portfolio of community investment policies which reach into the mainstream of the business.

In the next section we look how companies are getting involved in their local communities and what lessons their experience provides about good practice.

### Mainstream Business

<table>
<thead>
<tr>
<th>Self-interest</th>
<th>Social responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>eg - Targeted Recruitment</td>
<td>eg - Donations to Charity</td>
</tr>
<tr>
<td>- Customised Training</td>
<td>- Sponsorship of Community Activities</td>
</tr>
<tr>
<td>- Mid-career Secondments</td>
<td>- Pre-retirement Secondments</td>
</tr>
<tr>
<td>- Enterprise Agency Support</td>
<td></td>
</tr>
<tr>
<td>- Marketing Sponsorship</td>
<td></td>
</tr>
<tr>
<td>- Support for TECs/LECs</td>
<td></td>
</tr>
<tr>
<td>- Local purchasing</td>
<td></td>
</tr>
</tbody>
</table>

### Community Involvement

Source: Robert Charleston, TSB Group

We need to consider one other reason for the recent shift in emphasis towards promotion of enlightened self-interest as a motive for corporate support for the community. This is the view that a perspective which incorporates potential benefits for the company as well as for the community has most chance of becoming fully integrated in a company’s culture and mainstream decision-making processes; and that resources adequate to the tasks involved in inner city renewal will only be unlocked if companies treat community investment as part of their central business activities (training, personnel relations, purchasing, marketing) rather than as a marginal activity. In short, getting companies involved in long-term, mainstream commitment to the community and organised to support it calls for an appeal to enlightened self-interest as well as a sense of ‘philanthropic’ social responsibility. It demands that companies develop a more ‘holistic’ approach to involvement, building up activities in the different segments of the diagram above to form a broad portfolio of community investment policies which reach into the mainstream of the business.

In the next section we look how companies are getting involved in their local communities and what lessons their experience provides about good practice.