Setting the corporate responsibility and social inclusion scene

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Introduction

[My comments and observations are qualified with the acknowledgement that, having returned earlier this year from living in the UK for five years, I may not be completely re-immersed in the Australian sector at the practitioner level.]

The Labor Government has outlined its working definition that “[t]o be socially included, all Australians must be given the opportunity to:

- secure a job;
- access services;
- connect with others in life through family, friends, work, personal interests and local community;
- deal with personal crisis such as ill health, bereavement or the loss of a job; and
- have their voice heard.” (Gillard and Wong 2007, p.1)

And Julia Gillard, as Minister for Social Inclusion has identified the challenge of generating effective, practical solutions for social inclusion at the level of local communities, of service providers, of employers and of families and individuals themselves. (Gillard 2008)

This paper examines the potential for Corporate Responsibility practices to connect with social inclusion goals and looks at UK examples to illustrate potential models and policy support.

Compared with Australia the UK government’s approach to corporate responsibility has a global sweep: from environment to poverty reduction; from application to International Development policy to domestic policy. And both are underpinned by a commitment to the Ethical Trading Initiative with respect to supply chains.

Today, corporate social responsibility goes far beyond the old philanthropy of the past – donating money to good causes at the end of the financial year – and is instead an all year round responsibility that companies accept for the environment around them, for the best working practices, for their engagement in their local communities and for their recognition that brand names depend not only on quality, price and uniqueness but on how, cumulatively, they interact with companies’ workforce, community and environment. Now we need to move towards a challenging measure of corporate responsibility, where we judge results not just by the input but by its outcomes: the difference we make to the world in which we live, and the contribution we make to poverty reduction. (Gordon Brown, Chancellor of the Exchequer)

Australian Overview

Professor Paul Smyth will deal with this in detail; my observation is that the initial
uptake of corporate responsibility in Australia has focused very much on delivering business “sustainability” through better environmental practices. e.g. new energy conservation practices in buildings and offices, paper recycling, china crockery instead of plastic; breweries and water re-use; welcome initiatives, but with very little link to social inclusion.

Current practices vary considerably, from the established facilitation of volunteering, making direct donations of time and money such as through payroll giving, to the more socially-focused mentoring for capacity building of third sector leaders, to community partnering, to a more embedded form through the pursuit of both individual and community economic empowerment and economic sustainability.

I think it is fair to say that in Australia the focus of corporate responsibility has been at the easier end of the continuum, and dare I say, slightly top down.

It would be useful to lead a discussion on the subject that collecting donations for a "favourite" charity on an annual basis is limited in its capacity to add social capital in that collections are another form of one-off income sources, like grants, or buying a car for a community organisation. More beneficial would be the creation of opportunities for long-term social inclusion through economic participation, through more embedded corporate economic partnerships with third sector organisations and individuals.

The UK Office of the Third Sector has identified a range of possible partnership models which take the possibilities for corporate responsibility much further than has been the norm in Australia.

The unique feature of these partnerships is the way corporates embed economically empowering social business/enterprises as partners in delivering some of their core corporate responsibility goals. These include:

- business to social business trading;
- supply chain relationships; and
- strategic alliances.

Two (UK) examples illustrate well how the more deeply embedded form of corporate responsibility can operate and achieve quantifiable impact.

Green-Works is a social business that removes surplus or unwanted office furniture for big companies. It was founded in 2000 by its current CEO, Colin Crooks who had a passion to reduce “the huge volume of office furniture which was routinely sent to landfill”. He was also aware “that many third sector organisations could not afford decent furniture.” His initial objectives (which remain for the current operation of the business today) were:

- “[t]o protect the environment through the diversion of waste away from landfill;
- [t]o reduce the operating costs of charities; [and]
• to create employment and training opportunities for marginalized people.” (Green Works 2008, p.1)

The challenge for Green Works was to match the market for recycled office furniture with the supply source.

The details of how Colin went from one person with a van making before and after work pick-ups of small amounts of furniture, to an award-winning social business with a turnover in excess of AS3.7 million, three London warehouses, 41 employees, and five franchise operations with indirect employment generation, provide instructive learning for the possibilities of more embedded corporate-third sector partnership opportunities. This is well illustrated in the following case study reported by the UK’s Community Action Network:

Case study: collaboration between HSBC and Green-Works

The collaboration between HSBC and Green-Works came about after a ‘cold-call’ letter from Green-works arrived at the bank just 18 months before its move to a new HQ at Canary Wharf. The relocation would consolidate 8,500 staff and 13 key City offices into one site, but the move would leave the bank with some 3,000 tonnes of office furniture comprising 7,000 desks and workstations surplus to requirement.

‘The simplest and most cost-effective solution would have been to send the furniture, equivalent to 178 double-decker buses, to landfill’, admits Peter bull, an executive in HSBC’s Community Group. ‘But our core values and, indeed, our own staff would not have accepted this wasteful and environmentally unfriendly option.’

Green-Works could provide a simple, one-stop and environmentally responsible solution. At the time, it did not have the capital, manpower, logistics or warehousing to handle such a big project but it was a huge opportunity. Green-Works’ founder, Colin Crooks, explains: ‘It was clear that we would have to demonstrate to the bank that we could deliver on that scale. We had a five-hour meeting to discuss the implications of the HSBC job from the cash flow, health and safety, and risk assessment perspectives. This made for a clear and relational business decision as to how we would progress.’

Colin then presented his proposal for a contractual arrangement with the bank which would involve a large enough proportion of the fees payable in advance to give Green-Works the financial clout to make the project happen. Both described the arrangement as ‘a leap of faith’ – but the bank was willing to go ahead.
Green-Works then had to tackle the legal complexity of the contract. Luckily, one of their partners on the project was another social enterprise called First Fruit, which already had some dealings with the City law firm, Lovells. The firm was enthusiastically supportive of the project and provided the legal advice required to put the contractual agreements in place.

Colin says that the result was ‘a real example of how a social enterprise can work with commerce’. He explains: ‘Putting forward business proposals in a language that big business can understand, rather than approaching them with a begging bowl mentality, was key to our success.

‘You have got to have the imagination to see the opportunity, to tell them what you want and package it up in a way that they can see is feasible. Make the decision-making as easy as possible as corporations are naturally risk-averse. Give them the solution as well as the benefit.’

What Green-Works was able to deliver for HSBC was efficient furniture clearance at the right cost – but the key is in the added value it brought as a social enterprise. ‘It was the best use of the furniture for the benefit of others,’ says Peter Bull. ‘It was not only an environmental success that delivered jobs and employment in a deprived area but the bank’s chairman and CEO were right behind the project.’ HSBC also got some great PR from the deal – with newspaper articles and a slot on regional television news.

As for Green-Works, Colin credits the contract and its successful delivery as the ‘catalyst that transformed us into a real working business.’ Three years on, Green-Works has a turnover in excess of £1.5 million, three London warehouses, 41 employees, five franchise operations around the country and has indirectly generated a number of new jobs linked to these operations.

(Community Action Network 2005, p.15)

Green-Works has identified the main qualitative and quantitative indicators of its social impact, as summarized in Table 1.
Table 1: The main qualitative and quantitative impacts of Green Works

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<thead>
<tr>
<th>Qualitative Social Indicators</th>
<th>Quantitative Social Indicators</th>
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<tr>
<td>1. Reducing the use and need for landfill (visual benefits, quality of life benefits for local residents etc.)</td>
<td>1. Protecting the environment (100% diversion from landfill) reducing the country’s carbon footprint</td>
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<td>2. Quality of life improvements for workers (particularly those from disadvantaged backgrounds)</td>
<td>2. Creating valuable employment and training opportunities (47% previously disadvantaged)</td>
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<td>3. Greater stability for previously homeless people</td>
<td>3. Offering discounts on quality office furniture to the community sector (cheaper versus IKEA/other second-hand suppliers)</td>
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<td>4. Decreased homeless related crime</td>
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<td>5. Improved involvement in the community</td>
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<td>6. Community development (e.g. Silvertown)</td>
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<td>7. Employee training programs in health and safety, carpentry, first aid, forklift driving and many others</td>
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<td>8. Increased service delivery for charities and schools</td>
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Source: Kennedy c2007, p.3.

The other example I want to highlight is the social business/enterprise, imaginatively named *Rolls on Wheels*, because of its red vans. Through a competitively won tender it trains and employs people with enduring mental health problems to make lunches for day hospitals in a disadvantaged area of Edinburgh. Its profits are completely reinvested in employment and community development and it has been calculated by the New Economics Foundation, that for every $250 spent by the local health authority on the contract, an additional $240 is generated for the local economy. Given a total sales figure of $440,000 this enables a significant reinvestment. And of course the social impact of keeping the employees in socially inclusive contact and in employment is just as valuable.

**Policy Settings**

The enabling environment for the third sector generally in the UK is both exciting and successfully making inroads in achieving social inclusion policy outcomes in line with the Labour government’s values. The sector has a meaningful and equal voice in national conversations, alongside the public and the private sectors. This is missing here in Australia, and therefore we lack one of the starting points for more meaningful interaction between the sectors and the legitimization of opportunities for third sector...
organizations to have the capacity to enter into equal business partnerships with the corporate sector and governments. Job Network is really not about equal partnership.

In terms of UK policy settings, in 2003 the UK Labour government established the Community Investment Tax Relief (CITR). This scheme arose out of the Social Investment Task Force’s report ‘Enterprising Communities’ (October 2000). The aim is to support lending to enterprises in disadvantaged communities that are excluded from mainstream sources of finance. The scheme awards tax relief to individuals and corporate bodies investing in accredited Community Development Finance Institutions (CDFIs), which in turn provide finance to qualifying profit-distributing enterprises, social enterprises or community projects. The tax relief available to the investor is 5% per annum of the amount invested.

And just this week, Kevin Brennan, Minister for the Third Sector has launched the (UK’s) Innovation Exchange’s Next Practice Programme which will support and showcase the best in third sector innovation. Fourteen projects working across the issues of independent living and excluded young people will receive support packages that can include expert consultancy and a share of a £200k NESTA (National Endowment for Science, Technology and the Arts) Innovation Exchange Fund.

I mention this because I see a huge future for the third sector in Australia in the delivery of innovative, socially inclusive health services. I would like to see the corporate sector, as part of its corporate responsibility agenda, look at investing in socially innovative, social business/enterprise health pilots, such as the Rolls on Wheels example. The multiplier effect of this would be enormous.

Corporates in Australia have made meaningful progress towards social inclusion goals in the move to mentoring and capacity building of both small and large organizations through their leaders, and in projects such as NAB’s active recruitment of indigenous employees. But a cultural change, from “provider” to “social investment partner” would, in my view, enable corporates to achieve deeper, longer lasting social inclusion outcomes. Perhaps a consortia of corporate foundations could consider setting up a risk capital fund for the social businesses/enterprises. That would truly scale up capacity building.

Finally, my observation is that the Minister has an important role to play in leading such cultural change.
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