

EMPLOYEES IN THE COMMUNITY A GLOBAL FORCE FOR GOOD

EXECUTIVE SUMMARY

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Executive Summary

Corporate philanthropy has a long history in many countries around the world. On every continent where private firms have flourished, there have been examples of business owners and their families giving to community causes such as the arts, religion and the relief of poverty. This tradition continues and is accepted practice within many of today's publicly held companies. The idea that business is an active "corporate" citizen of the community is well established in most western countries. Furthermore, as private firms re-emerge in post-communist societies and grow in the developing world, the role of business in the community is becoming an issue of greater significance for a wide range of very different societies.

The giving of cash by company founders, companies themselves and the foundations they have set up is seen as the usual basis of corporate philanthropy. This cash giving may on occasion be supplemented by gifts of products or old equipment, but the basis of the corporate contribution has tended to be a financial one. This trend has been changing in the past 30 years or so as United States companies in particular have begun to make provisions to support employees in their personal community activities and have increasingly involved them in company community programs. With their strong and unbroken traditions of corporate community involvement and citizen action, United States companies increasingly saw that it made sense to bring the two together in integrated employee community involvement programs.

This relatively new development in corporate social responsibility has many features that are attractive. Employee community involvement (ECI) is a step toward the "democratization" of corporate philanthropy. It allows ordinary workers, not just senior executives and foundation staff, to determine priorities and thereby creates grass roots links between the business and the community. Employees become the ambassadors of the company all around the world. Company resources are matched by employee enthusiasm and above all, employees bring to the community the special skills and problem-solving abilities of the for-profit sector. While money and in-kind resources remain a vital part of the corporate contribution around the world, the growing deployment of employees in the community is a major unexplored development. It is of particular importance to international companies, but can be relevant for local companies working in a single country as well.

The audience for this study is international companies, particularly in the United States and Europe that have responsibility for developing and implementing community involvement strategies. Locally-owned companies around the world may also find the report of value, as might nonprofits and policy makers concerned about the role of business in society. This study is an early attempt to view the practice of ECI from a global perspective. The study began with the following four basic goals:

1. To explore the global economic and social context that is the background to and often the drive behind the development of employee community involvement;
2. To develop a definition of ECI that includes employee "volunteerism" as a distinct sub-category of corporate philanthropy. A global approach to the subject requires a broad definition of employee community volunteerism that includes the diversity of

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practice that is developing around the world. How employee community engagement works is well understood in the United States and some other countries. However, it is not properly understood all around the world.

3. To identify and report on best practices of international companies operating different types of businesses in different regions of the world;

4. To explore how the practice of employee community involvement is developing in key countries and different regions of the world for locally-owned companies.

The report is organized into five sections:

Section I Describes the global context for corporate employee community involvement.

Section II Addresses how employee community involvement is defined.

Section III Presents 12 case studies of the practice of employee community involvement across companies in very different businesses with origins in the United States, Europe, Asia and Australasia.*

Section IV Reviews how employee community involvement is developing in the various regions and countries by indigenous and international companies.

Section V Addresses how employee community involvement is defined and measured.

In many ways this study raises more questions than answers. However, that is probably a good thing as one of the implicit assumptions in the work is that there is much more to do to fully understand the potential that ECI represents to society, business and the employees themselves. It is hoped that others will take up the challenge of doing further research into these questions at the local, national and international levels.

Key Issues and Trends By Section

Section I: Overview

The decline of communism and the liberalization of national economies and world trade are creating a common pattern of organization in the nations of the world, one based on the public, private for-profit and nonprofit sectors.

Outside the United States, as the state withdraws from many aspects of economic, social and cultural life, the for-profit sector in particular, but also the nonprofit sector, are growing rapidly. They are becoming more involved in directly providing goods and services to the community. In addition, all three sectors are exploring how to work together in partnership to promote the common good.

* In this volume the term “Australasia” is used to denote the region comprising Australia and New Zealand and all Pacific Island countries that are members of the Pacific Community.

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In former communist and developing countries the emerging nonprofit sector is starting from a very low level of development, and there are few private resources to support its growth. The personal giving, bequests and foundations that exist in the West in general and the United States in particular do not yet exist in these countries. Consequently, the role of companies in these countries in helping to “jump start” the development of civil society is vital. If companies mobilize their large numbers of direct and indirect employees, they could have a tremendous impact on society.

Countries and multi-national companies compared

Countries			Companies			
	GDP ¹ \$billion	Population (million)		Annual revenues \$billion	Direct employees	Indirect employees ² (million)
Poland	159	38.7	General Motors	161	594,000	2.3
South Africa	133	41.4	Wal-Mart	139	910,000	3.6
Ireland	82	3.7	IBM	82	291,067	1.1
Malaysia	72	22.2	Volkswagen	76	297,916	1.1
Pakistan	63	131.6	Hitachi	62	328,351	1.3
New Zealand	53	3.8	Sony	53	177,000	0.7

Sources: GDP and population figures from World Bank World Development Indicators revenue and employees from Fortune Magazine, August 2, 1999. All figures are for 1998.

Notes:

¹ *GDP and annual revenues are not directly comparable. In a technical sense, corporate value added would be most accurate but the comparison helps make a general point about the relative size of major companies and smaller countries.*

² *“Indirect employees” is an estimate: calculated by including, in addition to direct employees, three supplier jobs in the company’s backward linkages; one supplier job in the forward linkages, the assumption is based on broadly agreed figures in the auto industry but may not apply to all firms.*

Section II: Definitions

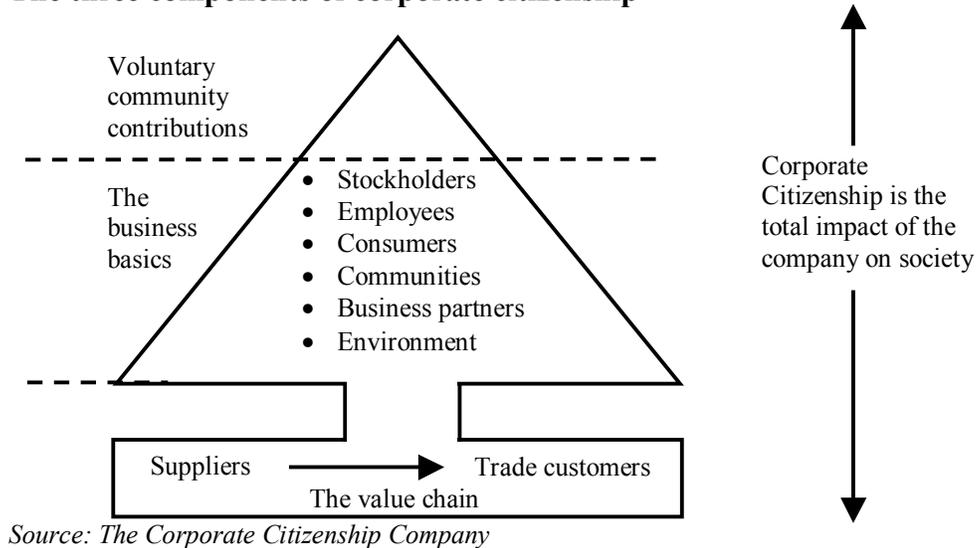
The total impact of a company on society can be divided into three broad, permeable areas illustrated below. The first is the value chain, which provides resources for the company. This chain includes suppliers, trade customers and consumers with which the business deals and through which the company extends its influence and visibility.

The business basics are at the core of the scheme. Within its immediate reach, companies create jobs, produce and provide good and services, and pay taxes. They also work with various stakeholders, including stockholders, business partners, the government and wider society, which directly affect the actions of the company. These business activities comprise the most important contribution of business to society.

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Voluntary community contributions, the third and final component of corporate citizenship, are the value-added, seen here as the cap that completes the scheme. In their voluntary community contributions, companies can deploy four resources: cash; in-kind goods and equipment; the time and skills of their employees; and changes in business policy to promote community benefit. The philanthropic activities of the company add to and complement the company's socially conscious work (such as recycling) included in its basic business activities.

The three components of corporate citizenship



The contribution of employee time and skills is a multi-faceted aspect of corporate community involvement. Beyond volunteerism, employees also undertake roles such as managing the company's local philanthropy, fundraising, training young people on site and working full-time for community organizations.

Section III: The Practice of International Companies

Among the Fortune 500 list of global companies, roughly 40 percent are of United States origin, 34 percent from Europe and 25 percent from Asia and Australasia. The 12 case studies presented are balanced to represent these regions and show how widespread employee community involvement is within these international companies.

Companies in the United States have the longest history of ECI and some of the most diverse practices. They often have several different types of programs running concurrently. Traditional volunteering is well established, with some companies organizing worldwide programs and volunteering days. But there are other sorts of employee engagements such as fundraising and providing technical assistance to the community. Multinational United States-based companies have led the way in spreading these programs around the world.

European companies also engage employees in the community, with an emphasis on involving them in company-led community programs, and, to a lesser extent, promoting personal volunteering. Asian and Australian companies provide examples of several types of

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involvement and they, like their United States and European counterparts, are increasingly making employee involvement a feature of their international corporate culture.

International companies of differing national origins and all types of business are increasingly seeing that ECI is a vital part of their commitment to social responsibility. It helps the company build a common corporate culture among employees from diverse cultures.

Furthermore, international companies cannot develop worldwide community programs without involving employees in a variety of capacities. Professional community affairs and foundation staff are, almost without exception, based at company headquarters in the home country and, of course, they cannot implement community programs in dozens of countries around the world. As giving programs become global, companies have to delegate the work to local managers and employees. After all, the managers and employees on the ground know the local conditions much better.

Section IV: The Regional Reviews

The regional reviews demonstrate that the employee involvement programs of international companies are active in most of the major regions of the world. They range from the initiatives of individual employees, as in a deprived community in Kazakhstan, to the fully developed, multi-faceted programs implemented in South Africa and Brazil.

Most important, the regional reviews begin to show how locally-owned and managed companies also promote employee community involvement as part of their commitment to society. Some large companies in Brazil have extensive nationwide programs. Others, in Georgia for example, are local initiatives undertaken by very small companies. There is ample evidence of local business people and their staffs responding to local needs by getting directly involved with community groups and problems.

There is little “employee volunteering” as traditionally understood in the United States among locally-owned companies, not least because there are few nonprofits and traditional volunteering opportunities in developing and post-communist countries. There is also a danger of misunderstanding what is actually happening in many countries because of differing uses of terminology. For example, “volunteering” is a rare concept in many societies around the world. In addition, many companies—particularly the small companies and people-based service companies—use the term “in-kind” to cover both gifts of products/equipment and the time and effort of employees.

For the local companies reviewed in this study, the engagement of employees in the community has overwhelmingly philanthropic motives, and there is virtually no measurement of the value of the employee contribution and its impact. Furthermore, in this climate, the idea that ECI can help strengthen the business by developing the individual employee or enhancing the morale of the whole workforce is barely considered.

Nevertheless it is very clear that in many post-communist and developing countries, ECI is not only a real contribution to the common good, it sets an example for active citizenship and social responsibility both for the company and the individual employee.

Section V: Measuring the Impact of Employee Voluntarism

There are many reasons why employee contributions are of special value to the community. Most notably, they leverage many additional resources and bring private sector problem-solving skills to bear on community issues. ECI can benefit the business as well, but few companies explore this aspect of their contributions.

The monitoring and measuring of the value and impact of ECI is barely established as a practice, and there is a lack of ‘hard’ data on what it achieves. This situation will have to change, and quickly, if the practice is to grow and the contribution that employees make is to be properly understood, valued and honored.

Founded in September 1986 at The Graduate School of the City University of New York, the Center for the Study of Philanthropy focuses attention on giving, voluntarism, and nonprofit entrepreneurship by individual donors, foundations, and corporations in the United States and around the world.

The focus of the Center's work is to broaden the pool of scholars engaged in the study of giving and voluntarism, to increase the opportunities for collaboration with practitioners in the field, and to enhance public awareness of philanthropic trends through a varied format of seminars, symposia, conferences, courses, research projects, awards, and publications.



Center for the Study of Philanthropy

The Corporate Citizenship Company is a consulting firm that formed in February 1997. Its mission is to help companies succeed by being active corporate citizens, so meeting the aspirations of their diverse stakeholders and the wider society of which they are part.

Working with a wide range of "Blue Chip" international companies, The Corporate Citizenship Company provides world-class knowledge in the management of corporate citizenship across the business at the local, national and international levels. Its capabilities include issues research, measurement and benchmarking strategies, and social reporting.

In addition it has worked with large groups of companies such as the London Benchmarking Group (LBG) and others, to better define and measure community involvement generally and employee community engagement in particular.



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