

## Engage Business Tele-Learning Series – January 10, 2006

### Call # 4: Case Study: Engaging Businesses in Local Efforts to Reduce Poverty: Summary of Conversation with John Weiser

John, we'd like to pick up on where we left off in September, and drill down on two things that we think are critical for any local collaboration interested in effectively engaging businesses.

The first is understanding how to prepare the “business case” for such a partnership. Almost every community group in this work will sooner or later come up with ideas about how businesses can improve their performance and generate greater income and assets for low-income communities. And almost every community reports that they are not always sure how to prepare on the “business case” for their idea and effectively engage targeted businesses.

You describe a six step process for developing these kind of partnerships and it seems that steps two to five in fact are all important parts of building that case. A colleague of mine read these steps and called them “the homework behind business-community partnerships. We want to go through these steps in a bit more detail today including some of the aides or tools you provide to make them a bit easier.

The second area on which we'd like to focus is on understanding the capacities our collaborations need to develop these kinds of partnerships. Building business-community partnerships is demanding and it requires specific skills, resources, networks and even language that may not always be sufficiently abundant in the groups and networks. We want to understand this just a little bit more and get your sense of how important it is that groups such as those involved in Vibrant Communities build them.

John, before we begin, can you remind us once again why you were motivated to produce this resource?

- *Communities often are driven by the idea that businesses “should” be involved in creating income and assets for low income residents; this is true, but larger scale, durable results if they also pay attention on how to create partnerships in which businesses can do that AND improve their business performance.*
- *Community groups often engage businesses in a very organic, often effective, process and do many thing in the process well: their efforts and results might be improved with a more methodical approach that incorporates some key concepts and ideas, such as contained in this report.*

Lets start with doing the big task of “doing the homework” and the six step process you describe.

John, the six step process you describe is very straightforward and begins with the job of determine what kind of goals a group has in mind to improving income or assets for low income residents or neighborhoods.

Lets assume that a group is fairly clear on the first step – the kind of CED or poverty reduction outcomes they want (say, for example, improving access to home ownership for immigrants, or creating opportunities for employment in a distressed neighborhood). The next step is to determine if there is a solution that can help a business be profitable and concurrently help achieve a CED goal.

How do you do that?

*This is something we touched upon last time. The task is to conduct an economic and business analysis of the goods and services provided in the market. The group must develop an analysis both of which business activities (sales, investments, hiring, location of facilities, etc.) are profitable, and which business activities create significant CED benefits.*

*One way to do this is to look at the core operations of the targeted businesses – things from finance, human resources to where they locate their facilities. We developed a diagram that outlines the operations of the business – and how they might be linked to income and assets for low-income communities and residents on page 25 of the report.*

We did explore this framework briefly last time and it nicely frames thinking about how a business can adjust some part of the operations in a way that can create benefits for marginalized communities. But, as you note in the report, many businesses do not operate in this way and the job of a community group interested in win-win partnerships to understand why.

*Right. Once the grantee has determined that core business operations can in fact help to attain its CED goals, the next step is to determine why business operations aren't already achieving these goals. Specifically, what are the barriers that are holding companies back from managing their operations in a way that help to create income and assets for low income individuals.*

I imagine that what those barriers are varies a great deal – from market to market, sector to sector, company to company.

*Well, there could be a lot of them. We found that there were at least five major categories:*

#### *Information*

- *Misperceptions about risk.*
- *Lack of adequate information or inadequate means of getting existing information to all market parties.*

#### *Production costs and pricing*

- *High costs for serving market segment due to its size*
- *High levels of industry concentration or outright monopolies*

- *Ability of businesses to externalize social costs of their activities.*

#### *Consumption Preferences*

- *Lack of market mechanisms to integrate preferences of firm stakeholders*
- *Low business interest in market segment because of low purchasing power*

#### *Organizational Culture*

- *Cultural biases and prejudices*

#### *Market Environment*

- *Poor business operating conditions (political instability, lack of infrastructure, poor factors of production).*

John, this idea of understanding the barriers that prevent businesses from adjusting practices that not only improve their performance, but also generate income and assets seems critical. In our first case study in this series with Garry Loewen, he found that the barrier preventing employers from hiring unemployed to fill jobs in the growing high tech sector was that the workforce development system itself was fragmented and employers themselves were not sending not clear signals to – helping with the design of programs – to allow it to meet their needs. In our second case study in the series, Jennifer Swanberg reported that many companies employing hourly workers simply did not have information on the real cost of large scale turnover and therefore did not understand the costs-savings that might be realized with better workplace practices.

This kind of analysis – of market operations and barriers to win-win-partnerships - sounds like a lot of work. Can you give us a sense of how large or small a job this might be?

*First, we need to have a sense of what capacities an organization needs to have. On your staff, on your Board, or serving in a voluntary capacity, you need to have people who understand the business world. Assuming that you have that, if you do 20 or 30 interviews and start to compare and contrast views of issues and barriers, you should have a good idea of the market opportunities and barriers. We're not talking about doing a Ph.D.-level analysis of the regional economy – we're simply chatting with people involved in these processes on a day-to-day basis and trying to figure out what it would take to make something different happen.*

John, what would you say to a group that feels it has a good idea for a win-win partnership, but does not have the time, energy or patience for this kind of analysis?

*I have seen groups make this process work without doing the initial analysis. It is because they have a lot of experience. In terms of time, barriers exist because there are a lot of things holding them in place. Doing 20 to 30 interviews will probably take a quarter of the time that it will take to get partners to the table. In regards to the analysis, to do this really well, you need to either have the necessary experience or else go through the process.*

So, our analysis of the market should tell us what changes are required BOTH to create income and assets for low-income persons or neighborhoods AND improve the economic position of the company.

Your group found that community groups can try to remove these barriers by operating at one or more of “levels” of the market: you found three - the firm level, the market operations level, and the market environment. You have even developed a nice picture – of three circles in sequence – to describe this, something our listeners have access to. Can you explain this in more detail for us?

- *The firm level is focused on individual businesses. This includes all aspects of how individual businesses are organized, managed and operated, including business strategy, management and leadership, organization and production, compensation and HR systems, and information infrastructure.*
- *The market operations level is focused on interactions between businesses and consumers, or businesses and businesses, such as the costs of acquiring customers and completing transactions, supply and demand information, the production costs of serving a particular group of customers, etc.*
- *The market environment encompasses the web of institutions, regulations, laws and social expectations that support and surround the market, and provide the context.*

Why is it important for a local group to be conscious of the possibility of operating at one or more of these levels?

*You almost always have to do something at the level of intervening with individual businesses. I encourage people to step back and take a systems view, to look at market operations and the market environment, because that is where an outside group can have the most leverage. Intervening in the market takes more time and energy, and it has a higher failure rate, but it also has a greater impact than working with businesses one by one. Working with individual firms is more immediate and controllable, but the return is not as great.*

It pretty clear that a community needs to determine which lever promises to create the biggest positive change on a case-by-case basis.

*As a rule of thumb, its usually important to do some work at the firm level – providing new information to businesses and encouraging business leadership to support required changes. In markets where there is low alignment – where the gap between the market and poverty reduction goals is wide – changing market mechanisms and environments are more important.*

OK. Lets finally move to step number five.

Let's pretend that we have done all our homework. We have a CED strategy we'd like to see employed, we've done an economic analysis and identified a particular set of levers for change for a particular initiative. What are our options for moving those levers?

*Again, that will depend on each case. There are myriad of ways to move levers, but we found that they can be grouped into five major strategies:*

- *Create awareness, interest and leadership within the business sector. For example, the Vibrant Communities group in Victoria is seeking to improve workplace benefits and conditions for underemployed regional residents by developing and sharing information on workplace practices. They have partnered with the Better Business Bureau to share these stories through electronic newsletters, periodic awards, and profile in the local media.*
- *Develop new information, products and networks. Several VC groups are creating social purchasing portals – web-based institutions that link businesses interested in procuring goods and services – hiring employees, supplies, catering – to groups that provide those services, but do so while trying to pursue a social goal at the same time (for example, training agencies for the unemployed, community-owned catering enterprises, or from businesses in struggling neighborhoods, etc.).*
- *Address organizational and culture barriers with management tools and change strategies.*
- *Create new market mechanisms. An example from Vibrant Communities is the group in Niagara, which brokered a deal with several local hotel chains and the regional municipality to provide transportation and training to long term unemployed residents for jobs the employers could until recently only fill by importing workers from outside the region.*
- *Organize for collective action and public policy. For example, the several Vibrant Communities that are working on getting their municipalities to pass a living wage ordinance that would require subcontractors to the city to pay a certain wage to their employees.*

Does a group use only one strategy to move an idea forward?

*Not necessarily. In order to move a lever, you often need multiple strategies. See, for instance, the example of the Neighborhood Reinvestment Corporation and Insurance Alliance found on page 34 of the report.*

John, these steps and some of the aides you and your team developed provide a community group with a very methodical way to determine whether there is a case for a win-win partnership with business and guides them in their efforts to develop a strategy to move the possible partnership forward. A quick question before we finish off this section.

John, last time we chatted, you noted that while a “business case” and decent strategy for a win-win partnership were important, there were “factors of success” to consider as well. Let me go over those quickly again:

- Identify and motivate business decision-makers.
- Develop organizational competencies to bridge business and community.
- Mobilize business networks and build effective partnerships.
- Engage stakeholders and influence public policy to support CI.
- Build scalable solutions.

We encourage people to go over these findings once again (page 42 of the report). In the meantime, we want to focus on one finding that seems to go to the heart of the matter: the organizational competencies a group requires to bridge business and community.

What are the competencies or capabilities a group or network should have to do this type of homework and develop good working relationships with businesses and the private sector?

*Our research found that having the following capabilities to be very important:*

- *Experience and reputation in the industry the group is trying to influence.*
- *Full time staff with experience in industry dedicated to the CI project.*
- *Industry decision-makings involved in designing the CI.*
- *A partnership with key player in industry.*
- *Ability to mobilize business networks to communicate and champion its innovation.*

Does this mean something as simple as having key business people on staff and/or volunteering a considerable amount of time?

*It is essential to have people from the industry you are trying to influence either on staff, as volunteers, or as members of an advisory group. This gives you a real leg up in selling that business on your product.*

You noted that you have worked with groups in the past using this framework. For our groups out there, who might be planning to use this framework in their efforts to work more strategically with business in their poverty reduction efforts, do you have any general advice for them?

*There are two things that I would say. First, we tried in the report to give references and ways to connect with people – everyone in the report is interested in serving as a resource. Their contact information is listed at the end, so reach out, call, e-mail people who have been involved in something similar. Secondly, as you are doing now, try to develop a community of practice. Find people in Canada doing similar things and be in contact with them.*

## Question Period

Question: Are all of the case studies U.S.-based?

*Answer: There are some international case studies, but this is primarily a U.S.-based initiative. Early on, there was some discussion of making the project more international, but the Ford Foundation felt that it would be hard enough to do these things in a U.S. environment early on. In Year 4 we got some international participation, but primarily European. There is some information available on more southern areas, on Asia, and these references will be passed on to Tamarack.*

Question: Do you know of any cases where a number of organizations are working together to effect change in the market environment? Is that level of collaboration happening?

*Answer: Yes. Corporate Voices for Working Families is a coalition of about 50 businesses led by Donna Klein, who is the former head of Human Resources for Marriott. This group addresses the lack of U.S. policy supports for low-wage workers. There have also been a number of coalitions against predatory lending, including a major one by the Social Investment Forum that got legislation passed in a number of states.*

Question: Would you comment on the potential of trying to reshape the sector or the market in which corporations operate? For instance, cooperatives or non-profits in sectors like personal care, which provide services but also change the situation for workers in that sector in the hopes of changing the context of employment practices?

*Answer: I am not an expert on co-ops; I would refer you to Deborah Olsen, a labor lawyer in Detroit who has done a lot of work in this area. This sort of thing has been tried in a number of industries. I know of some cases where it has been successful, some cases in janitorial work, and also some cases where it has not succeeded, for instance Cooperative Home Care Associates in New York. This group was unsuccessful not because it was a poorly planned initiative but because they ran into the same thing as the rest of the industry, the fact that government reimbursement policies for home health are so poor that it grinds down provider wages.*

Question: Is it effective to target an individual business?

*Answer: If I had limited staff and time and wanted to do something that would have an effect, I would target a large employer in the region who is having some issues and is somewhat open to doing things differently. I would talk about the ways that my plan would benefit them and the benefits to the community. It is less productive to target a small business, which usually won't have as much flexibility, or a business that is doing great, because it's harder to get them interested.*

Question: How long should one expect the process to take, before outcomes become apparent?

*Answer: Three to four years. We started out trying to achieve outcomes in one to two years, and it didn't work. It often takes one year just to get a business interested and to figure out what you're going to do. On the other hand, if you don't get something going in three years, you probably won't ever get it going.*

Question: Is there a role for government? Can government use this approach to engaging business?

*Answer: Yes. Often government has a role in the workforce development arena – funding for training in the U.S. comes through the Department of Labor and Industrial Relations or through the community college system. Manpower had a partnership with the Department of Labor and Industrial Relations through which the One-Stops would refer clients to Manpower for placement services. Another example is the Environmental Protection Agency, which has had a number of partnerships with companies around energy efficiency. The government can partner with a non-profit or be the lead on an initiative.*

