Let's talk about 'S', baby

Towards a model for community investment 2.0

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Introduction

In 2022, companies across Australia and New Zealand invested more than a billion dollars in structured corporate giving. When accounting for in-kind support, community partnerships, pro bono support and volunteering, the total investment is even higher.

Yet the truth is, despite the best of intentions (and some genuine individual success stories), many, if not most companies can articulate neither the impact they had on the communities in which they invested, nor the value they themselves received from these activities.

The business community has a word for spending significant amounts of money on something without a sense of either the impact or value created: they call it "waste".

As professionals who have spent more than 18 years helping some of the largest brands on Earth build large-scale, brand-aligned community investment (CI) platforms that create measurable social impact and material value for the business, this breaks our heart.

And it makes us thirsty for change.

Nearly two decades ago, when we first started writing, researching and working in this space, we were a team motivated and unified by a passionate desire to ensure corporate community investment not only created better social outcomes, but also returned more value to the firm so that it attracted greater, and more sustainable investment. That desire still motivates us.

But it has also been buffed by an additional factor – a factor that creates both more urgency, and greater potential upside for society and business alike. We are now in the middle of one of the most profound transformations in the history of modern capitalism; an agenda that, at its heart and its most ambitious, aims to usher in a new era of business that cares about more than only returning dollars to the bottom line. The movement goes by many names: "Environmental, Social, Governance (ESG)", "sustainability", "inclusive capitalism", "stakeholder capitalism" and a litany of other transient monikers.

In some ways, it represents the culmination of many related precursor trends that have gone before (like "shared value", "corporate social responsibility (CSR)" and "corporate citizenship"). But its market ubiquity and the pace of change it is driving are new and welcome. While the "E" and "G" parts of the movement progress apace, the "S" component has been more fragmented – often focused mainly on (inarguably very important, but also narrow) supply chain issues like modern slavery, or internal issues like health and safety or diversity, equity and inclusion.

We have a unique and time-sensitive opportunity to elevate strategic corporate community investment to be the beating heart of the "S" in ESG, and in doing so:

(i) Increase its social impact and drive better outcomes in critical issue areas

(ii) Grow its business value and elevate it to become a core driver of strategy

(iii) Accelerate the overall ESG and sustainability transformation agenda

At least, we can make corporate community investment more deliberate, impactful and valuable. At best, we can turn it into a living, breathing manifestation of organisational purpose and aspiration – a symbol of what more sustainable, future-oriented businesses look like.

In this paper, we synthesise our years of global experience and research into a simple model to help practitioners at all levels better conceptualise and execute their community investment, and present case studies and stories to inspire along the way. We welcome the chance to continue the conversation with others who are excited about this journey.

Strategic community investment is an act of alignment

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Too often, these activities are done in ways which fail to drive a measurable social impact, and create little to no measurable value for the business.

Most large companies have some sort of community investment function. Though various labels are used (such as CSR, corporate citizenship, corporate giving, community engagement, etc), it is identifiable by the common activities – normally some combination of:

- Sponsoring of community partners and not-for-profits (NFPs)
- Volunteering
- Matched giving
- Pro bono/low bono
- Proprietary CI platforms

Our argument is not that these activities are *prima facie* unfit for purpose.

Our argument is that, too often, these activities are undertaken in ways that fail to drive a measurable social impact and create little to no measurable value for the business. We have seen this phenomenon repeat across every sector, in every geography in which we have worked.

There are, of course many excellent examples of impactful corporate CI activities – perhaps they even come from your business. But in our experience, they are the exception, not the rule.

We argue that this failure to deliver value and impact is most often the result of a lack of alignment.

We suggest that corporate community investment has five “layers”, stretching from the level of “paradigm” (core beliefs and worldview that inform people’s approach) all the way through to “execution” and “leverage” (how the CI function is run, operationally).

In our experience, maximising the social impact and business value of community investment is a matter of finding alignment between each of these layers.

These layers are explained in detail on the following pages.

By “alignment”, we mean ensuring the decisions, plans and activities in each of the layers are done in a coherent manner, where each layer supports and reinforces the others.

As a very simple example of alignment between just two layers: it would be **unaligned** if, at the strategic aspiration level, a company decided their desired business value was an increase in staff engagement and retention, and their desired social impact was an improvement in youth mental health; but then at the portfolio layer they had no charity partners who engaged their staff or created impact in the youth mental health space. It would be **aligned** at these layers if partners in their portfolio did deliver on those strategic aspirations.

The five 'layers' of community investment

Layer	Description	How this layer manifests in the business	The big question
1 Paradigm	**Core beliefs and worldview about community investment**	An organisations' core beliefs, worldview and assumptions (paradigm) can be elusive. This is especially the case because typically leaders are neither trained in, nor in the habit of, speaking about beliefs, and are more inclined to speak about plans, priorities and problems. Often a paradigm most clearly manifests in the way leaders *talk* about community investment, and in the *structures* they build to deliver it (e.g., How elevated is the most senior CI leader?).	What do we believe about CI?
2 Strategic aspiration	**The business value and social impact a business aspires to create through its CI activities**	In an ideal case, a business' strategic aspiration manifests as a clear, compelling and engaging written articulation of desired business value and social impact, accompanied by a set of aligned outcome measures. That is, an aspiration that business can align around. More commonly, the aspiration manifests merely as a set of highly tactical, often retrospective input measures (such as money spent, or participants involved) applied to the portfolio.	What do we want to achieve?
3 Portfolio	**The full suite of CI activities across the business**	The portfolio refers to all the activities across the business that are considered part of community investment – this generally includes community sponsorships and partnerships, philanthropic donations and matched giving, proprietary programs, community volunteering and pro bono work. In particular, portfolio manifests in the way activities and partnerships are built and designed.	What are we going to do?
4 Execution	**The way community investment is operationalised and delivered**	Execution refers to the way CI activities are run, operationally. This includes processes for selecting and procuring partners and suppliers, how evaluation and measurement frameworks are built and implemented, how reporting operates and how activities designed at the portfolio level are managed day-to-day.	How are we going to do it?
5 Leverage	**Activities to fully realise and amplify the business value of community investments**	Leverage refers to all the activities an organisation engages in to amplify the value it recoups from community investment. This can include integrating community activities in brand campaigns and activations, linking the community portfolio with product and customer strategies or using community activities to engage and influence key stakeholders.	How do we maximise the value of CI activities?

Paradigm

> What are your core beliefs and assumptions about community investment and the role it plays in business?

Senior business leaders are used to talking about the mechanics of business. We are comfortable in discussions about plans, strategies, competitor analyses, market maps and returns. But we are far less comfortable as leaders talking about our beliefs.

This is problematic because our beliefs have deep and pervasive influence on all those things. As Ginni Rometty, former CEO of IBM, said when customers asked about her strategy, "Ask me what I believe first, that's a far more enduring answer."

The same is true in community investment. Too often, the potential of community investment is blunted by a set of limiting beliefs. Because we're not used to discussing our beliefs openly, they are often unspoken, and manifest in the language people use, how they elevate (or don't elevate) community investment in the business, how they structure their CI team and investment, and ultimately the plans and activities they execute. These can be seen as "artefacts" of their beliefs.

Some of these limiting beliefs are commonly recurring across businesses.

For example, one common belief is that the monetary "investment" part of "community investment" is just a cost. In this worldview, community investment is seen primarily as an expenditure line in financial reports; a basic customer or staff expectation that should be discharged as cheaply as possible to "tick the box".

This belief becomes apparent when there is minimal resource dedication to the strategy and execution of community investment; the topic is rarely discussed by the C-Suite; community investment doesn't feature in enterprise strategic planning; or investment decisions are driven by historical legacy.

> "Clients would often say to me - what's your strategy?, and I would say, ask me what I believe first, that's a far more enduring answer.
>
> **Ginni Rometty**
> First female CEO of IBM

Another common belief is that the purpose of community investment is "to make people feel good". This belief would be visible if an organisation deferred merely to personal choice and preference when allocating community investment, such as only investing in causes that the CEO is personally interested in (commonly referred to as "chairman's choice") or that staff have voted for.

It's rare these days (though not unheard of) to hear such beliefs explicitly articulated by senior leaders. The beliefs are revealed by the decisions organisations make relating to community investment.

Unspoken or not, these beliefs dull the power of community investment and hold it back from being an important strategic asset to businesses. And they perpetuate an unhelpful self-fulfilling prophecy: community investment is non-strategic and of little value, so CI leaders are not empowered to think and invest strategically, so community investment is not executed strategically and therefore it creates little strategic value… at which point leaders say, "I told you so" and the cycle continues.

If organisations want to realise the full potential of community investment, we must embrace a paradigm grounded in the firmly held and evidence-based belief that community investment can drive genuinely strategic and transformational value, and that businesses can (and should) make meaningful, measurable social impact.

In a **limiting** paradigm, CI is seen as…

- Purely a cost to the business
- A social-license requirement to be discharged as cheaply as possible to "tick the box"
- A seasonal luxury when the business has cash to splash or needs a quick public relations fix
- Something that merely looks or feels good
- A task delegated wholly to a middle manager or junior person to look after

In an **enabling** paradigm, CI is seen as…

- A driver of genuine strategic business value
- An opportunity to make a measurable social impact
- A regular and worthy topic of discussion by senior people
- A feature of strategic planning
- A core expression of the business' purpose, mission and/or values
- An important part of the ESG agenda

Strategic functions require strategic leaders

The data and technology revolution saw the elevation of IT managers to the role of Chief Technology Officer (CTO), and the war for talent and shift to a knowledge economy ushered in the age of the Chief Human Resources Officer (CHRO) and Chief People Officer (CPO). Equally, the strategic elevation of community investment must be accompanied by strategic business leadership – in a role that is both treated, and recognised, as senior. We are agnostic as to the precise structural treatment of this position; whether it lives as a core part of the emerging Chief Sustainability Officer role, or elsewhere, is a matter for each business.

The most important thing is that to shift the beliefs of your organisation about the power and role of community investment, CI leaders – whatever their title and seniority – need to take an energetic leadership role. They must hold a deep-seated belief that community investment can create real, tangible value for the organisation.

The hard truth is that a change in the behaviour of those responsible for community investment at all levels is likely to come before a wholesale change in organisational recognition. We, as CI professionals, need to commit to "going first", asking higher order questions like, "What are our beliefs and assumptions about the potential of community investment?" and "How do we influence the core beliefs of our most senior leaders?", and most of all to dismantling the limiting beliefs that inhibit the potential value community investment can create.

2

Strategic aspiration

Strategic aspiration

> If you don’t know where you’re going, how will you get there?

Strategic community investment requires a well-defined strategic aspiration – a clear articulation of the business value and social impact you intend your CI activities to create.

A clear and compelling strategic aspiration is vital because it drives the cohesion, authenticity and sustainability of your CI portfolio. It also provides the “goalposts” by which future success will be judged. After all, it’s basically impossible to hit a target you can’t see.

A good strategic aspiration encompasses both business value and social impact.

Failure to define a strategic aspiration sets up CI portfolios to fail

Organisations that do not set clear strategic aspirations experience precisely the problems you would expect. Usually, they build CI portfolios full of activities that have little to do with the business. Often, these activities have been chosen by committee, are aligned to personal passions of senior leaders, contain legacy investments that no longer make business sense, or have only light thematic alignment to the company's work.[1]

This approach has two main problems.

First, if there is little, if any, sense of how activities drive value to the business, and no way to measure the value that is generated, these community investments tend to be short-term. They are seen as a line items on a balance sheet that can be cut when budgets are tight, or shifted when preferences or key personnel change. It is difficult to invest in ways that address long-term social, economic and environmental challenges.

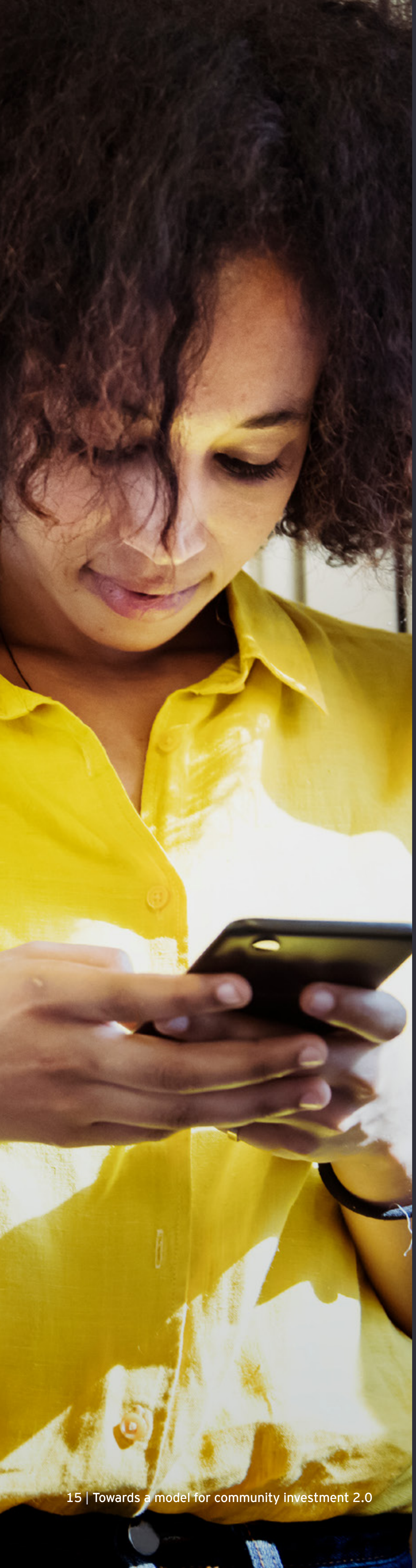
These short-term investments tend to be perceived as "splash and dash" by communities and, as such, are met with scepticism. They are perceived (often rightly) as inauthentic reputation grabs, rather than genuine commitments to improve long-term community outcomes.

Secondly, because there is little alignment to the business' purpose and position, these CI portfolios tend to be highly generic. While they may focus on worthy causes, it is difficult to link those causes to the business that supports them. This makes the organisation's position less memorable and less authentic. It becomes harder to tell cohesive and compelling stories about why and how the business is investing in the space.[2]

Some characterise this as a problem of portfolio design, rather than of strategic aspiration. That is true insofar as that is where the problem often manifests, but the issue originates here. In our experience, the issue of the proliferation of non-strategically aligned, "chairman's choice" or "by committee" philanthropic partners is normally a downstream result of an earlier failure to articulate a strategic aspiration. That is, in the absence of an aspiration that provides the goalposts, "anything goes" at the portfolio and execution levels.

Perhaps this is why, in 2023, more than one in four CSR professionals indicated that they required more "alignment of business and social goals" in order to meet their organisations' expectations.

> "In the absence of an aspiration that provides the goalposts, anything goes at the portfolio and execution levels.



Case study

When strategic aspiration fails to link to business purpose and position

In 2010, a large global consumer beverage company invested $20 million into a revolutionary social media-driven giving platform. The platform allowed individuals to post community improvement initiatives – across six causes that included education, arts and culture, and the planet – on the platform and to vote on others' ideas. The organisation then awarded grants to the best ideas.

From an engagement perspective, the initiative was a huge success. More consumers submitted ideas to the platform than auditioned for American Idol, and more than 80 million votes were cast. In the first year after launch, the project generated more than 3.24 billion social media impressions.

However, in that same period, the organisation actually lost market share to its competitors. The brand engagement did not drive customer acquisition or even retention. A Harvard Business Review analysis of the project found that "[the project] failed because it had no relevance to the brand's operations or heritage. Giving large sums of money to unspecified social causes might have reflected genuine corporate sentiment but had no real relevance to [the organisation's] longstanding brand identity."

Similarly, internal analysis from the company itself found the program lacked key elements of the brand's personality.

Put another way, the social impact aspiration was not aligned to the business' purpose or position. As such, the business' significant investment in the community was perceived as less authentic or connected to the business as a whole.

Powerful strategic aspirations are bold, specific and connected

Not all strategic aspirations are created equal. When we ask organisations to articulate their strategic aspirations we are often met with simple, one- or two-word answers that are either broad descriptions of business outcomes (such as "brand value" or "employee engagement") or high-level descriptions of social issue areas (such as "youth" or "mental health").

These are themes and topics, not aspirations. They are an important start to locate the conversations, but they do not define a desired future state or an ambition.

Powerful strategic aspirations paint a compelling picture of the future that inspires and rallies people. They drive decisions and push teams to innovate and find better solutions. They are clear and specific enough that they provide guidance about what types of activities do and (just as importantly) do not belong in a given CI portfolio.

Moreover, they are clearly connected to the needs, strategy, purpose and position of their organisation. This means that community investment is not something that sits "to the side" but is integrated into the business. Put simply, community investments make sense to stakeholders when considered in the organisation's broader context.

Without a strategic aspiration for their community investment, companies tend to:

- Pursue worthy causes in a sporadic manner, but without a meaningful link to the purpose, vision or strategy of the business
- Deliver short-term, generic or disjointed community activities
- Fail to generate measurable business value
- Struggle to say "no" to certain causes

With a bold, specific and deliberate strategic aspiration, companies tend to deliver community investment that:

- Increases buy-in from senior leaders
- Maximises value for the business through a combination of enhanced reputation, elevated stakeholder relationships, staff buy-in and increased customer engagement
- Facilitates a long-term and strategic approach to the design of their CI portfolios
- Makes a clearer and more defined impact

Case study

Getting agreement on the strategic aspiration with an Asia-Pacific construction firm

A large listed company, with interests across Asia-Pacific, engaged an EY team to help bring coherence to its CI efforts. Senior members of the business were frustrated that CI spend was not creating value. The community partnerships manager was frustrated that they were failing to meet the expectations of their leaders.

This is a common story we hear from many clients.

Based on initial conversations, a hypothesis was developed that traced the source of the issue to a lack of agreed articulation of the strategic aspiration for community activities. A workshop including both the C-Suite and the community team was scheduled and participants were asked to share their desired CI objectives and what they wanted to achieve from the organisation's community activities.

Unsurprisingly, human resources articulated objectives based on engaging their people. The Chief Financial Officer articulated objectives based on helping deliver revenue by better engaging customers. The head of corporate affairs articulated objectives based on better engaging regulatory stakeholders. The Chief Marketing Officer articulated objectives based on enhanced reputation. The CEO liked the sound of all of those.

None of these objectives had been communicated to the CI manager, and therefore were not used as design principles for CI activities.

This is a classic example of a lack of alignment. You can't hit a target you can't see.

Based on the outcomes of this workshop, a series of strategic aspirations were developed for achieving the business value that firm wanted to extract from CI activities. Competitor, market and materiality data was then used to identify issues in the sweet spot of alignment to the business and white space where the firm could make a differentiated impact.

This provided the necessary impetus to approach community investment in a new way. The firm is now much more capable of engaging its people, customers and stakeholders in CI activities, because the activities have been designed to enable it from the ground-up.

Portfolio

CI portfolios should be more than the sum of their parts.

We once heard a senior CI leader in a workshop describe portfolio design as, "something that is normally not done at all, rather than something done poorly". This squares with our experience. Normally, an organisation's CI portfolio is simply a retrospective description of all the activities in which they engaged over a given period; as opposed to a deliberate construction of interlinked and overlapping activities, unified by a common framework, that is a product of the strategic aspiration.

In a strategic portfolio, activities are deliberately and carefully selected to drive the articulated strategic aspiration for social impact and business value.

As noted earlier, many activities that make up a CI portfolio are common across companies, such as:

- Community sponsorships and partnerships, generally cash donations to NFPs
- Matched giving for staff and/or customers
- Staff participation in volunteering opportunities, either of their own choice and enabled by a "volunteering leave" entitlement, or in structured opportunities created by the company
- Pro bono (or 'low bono') service delivery
- Giveaways or discounted access to products

> "Transformational leaders sacrifice the security of the status quo.

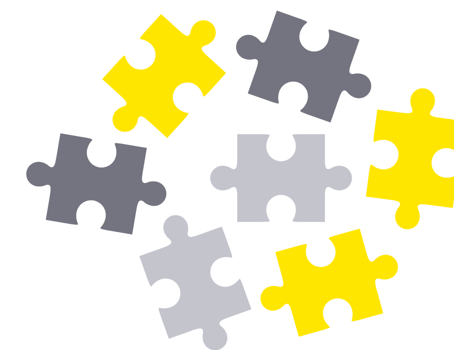
There is nothing *prima facie* wrong with any of these activities. Indeed, many are present in some of the most powerful strategic CI portfolios we have seen. *But* the way in which these activities are selected, designed and organised (and, later, executed, measured and leveraged) makes all the difference between a portfolio that is strategic and valuable, versus one that is not.

The three types of CI portfolio

In our work, we observe three types of CI portfolio, each representing a level of strategic maturity in an organisation's approach.

The first is the **piecemeal portfolio**. There are no clear links or unifying themes, and no coherent frameworks underpinning the selection of individual activities. The result is a portfolio that is just a disparate set of "things a company does" loosely assembled under the banner of community.

The issues with the piecemeal portfolio include: challenges with internal and external storytelling (because there is no clear narrative); challenges with finding a reason to say "no" to asks for money, investment or sponsorship; challenges with measuring impact or value at the all-of-company level (because there is no unifying framework); and excessive amounts of time being spent managing partners or suppliers (because there are often a lot of them).

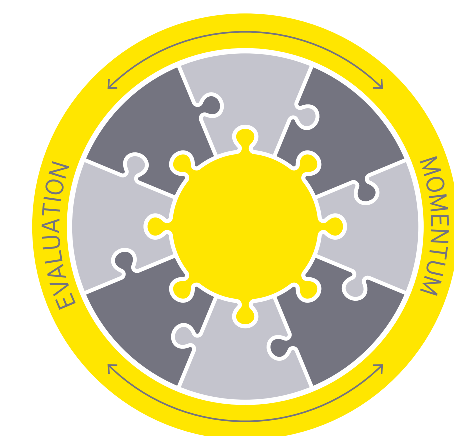


The second is the **patchwork portfolio**. This describes a portfolio where there are thematic links between some or all activities, but they are still largely run as separate and discrete undertakings. They are "stitched together" (hence the patchwork metaphor), insofar as all activities are often unified by a set of chosen social issues and perhaps even a CI-specific brand in lock up with the business, but that is largely where the interlinkages end.

The challenges that remain under a patchwork approach include: a unifying theme to investments does not extend to a unified theory of change, making it hard to tell powerful company-wide stories of impact; the value of having more integrated linkages of CI activities with other parts of the firm is left on the table; and the additional scale and impact that comes from more closely aligning community investments is unrealised.

The third is the **platform portfolio**. This describes a portfolio where each activity links with others, builds on them and embeds them within the business, creating an effect of being "more than the sum of their parts". We sometimes refer to this as an "economy of impact" (like an economy of scale).

Crucially, platforms share important features that underpin their value: they have a unified brand, generally in lock up with the enterprise brand; they have a unified theory of change, which articulates how the business will have an impact and enables all-of-portfolio level reporting and storytelling; they are executed in a coherent way, creating management efficiencies, reducing duplication and driving down cost.



Volume does not necessarily equal value

In archery, ten arrows around the outside of a target are worth less than one in the middle. The same is true in community investment. But most organisations' portfolios suggest that one of their underlying beliefs is "more is better".

The truth is, in certain situations, volume can be a *problem*, rather than benefit.

Every additional partnership represents administration and management time in partner selection, procurement, partner management and reporting. Depending on how many community partners are involved and how aligned they are, it can also lead to significant dilution of social impact, lack of flexibility and difficulties in telling coherent all-of-company stories.

As a general rule, organisations are better off doing a smaller number of things, in a coherent way and unified under a common platform, than a larger number of disparate activities. And the more reporting moves away from input (how much money we gave away; how many volunteer hours we spent; how many partners we supported) and towards impact (the change and the value we created), the truer that becomes. We refer to this as a value-first mindset, as opposed to a volume-first mindset.

> "Every time I open a draw, I find a new community partnership I didn't know we had.
>
> **Community Investment Manager**
> Listed financial services firm

A volume-first, piecemeal approach to portfolio tends to:

- Ignite a proliferation of community partners in diverse and potentially unrelated areas
- Create problems at reporting and story-telling time
- Increase the likelihood for companies to focus on inputs and activities rather than outcomes and impact
- Increase costs, decrease efficiencies, and inflate management and administrative overheads

A value-first, platform approach to portfolio tends to:

- Create economies of scale, economies of impact and greater efficiency in delivery
- Focus organisations on doing a smaller number of things, better
- Make reporting, storytelling and leverage far easier
- Increase the likelihood that organisations will make a measurable impact
- Reduce administration and complexity

Case study

A platform approach to take financial education from "doing good" to "enterprise-wide value"

An EY team worked with a financial services client whose strategic aspiration was to improve the financial capability of young people (social impact aspiration) in a way that built its brand, engaged its people and positioned itself with key sector stakeholders (business value aspiration).

The platform this company built started by simply delivering educational workshops and resources to young people in schools (one part of social impact; some brand aspects of business value).

However, to create a true platform approach, this activity was augmented with opportunities for retail staff to participate in delivery, giving them a chance to volunteer in schools to see the impact of the program firsthand (staff engagement).

The platform was then augmented with a research activity, bringing in a research partner to turn the results of CI impact evaluations into learnings relating to best practice in youth financial capability. The research findings were used to underpin stakeholder engagement activities, culminating in round tables hosted by the business with key public sector officials and even submissions that influenced the direction of the national curriculum (public sector engagement). This drove further value from the initial activity and created more links across the business.

The results of an independent evaluation showed the firm was having measurable and material impacts on youth financial capability (social impact).

The single CI platform helped deliver value to a diverse set of stakeholders across the business, evidenced by a more than 300% increase in investment in the platform across its more than 15-year lifespan (including being a key pillar during the tenure of three separate CEOs). It remains one of the most sustainable, long-term community impact commitments in Australia.

Execution

The value of a strategy is in its execution

A great strategy might put you in pole position, but it's execution that wins you the race. That's why strategic CI professionals bring appropriate rigour, discipline, and processes to the way that the activities in their portfolio are delivered and managed.[4]

In CI, effective execution typically entails processes for selecting, engaging and managing community partners and suppliers, delivering proprietary programs efficiently and at high quality, and measuring and reporting on impact.

This is often made more complex as organisations outsource execution of large parts of their portfolio to diverse suppliers (typically not-for-profits), each with different processes, standards and approaches. Such approaches feed the problems of patchwork portfolios discussed previously, with CI practitioners spending significant time wrangling suppliers to tell cohesive stories about the impact they have created.

> I spend half my time writing cheques to different organisations.

Community Investment Manager
Listed financial services firm

> A brilliant strategy ... can put you on the competitive map, but only solid execution can keep you there.

HBR
"The secrets to successful strategy execution"

To combat this, we are seeing an increase in organisations investing significant time in improving the way they select and manage service providers: implementing tools like shared reporting frameworks and more rigorous partner selection criteria; and actively investing in the reciprocal sharing of skills with partner organisations, supporting stretched teams to deliver more effectively. Indeed, our team has developed a proprietary "program health model" that gives organisations access to a balanced scorecard that helps them more easily manage their portfolios against the most important key performance indicators relating to impact, efficiency, quality and sustainability.

These sorts of investments create a virtuous cycle, improving processes and capability, which improves outcomes, which attracts more funding, allows more scale and drives further investment in improvements and innovation. But they are just the beginning.

Case study

Using financial levers to drive sector-wide change

In 2015, the Australian Council of Superannuation Investors (ACSI) notified ASX200 companies that it would begin voting against the re-election of the Chair or Chair of the Nominations Committee for companies with no women on their boards who had not addressed this issue within a year. This strategy aimed to drive progress towards ACSI's ASX200 30% policy, which sought to increase female representation on corporate boards.

In 2019, ACSI expanded this approach to include ASX200 companies with one or fewer women directors and ASX300 companies with no gender diversity at a board level. ACSI also expanded the list of roles it would vote against in organisations without gender representation.[5]

When ACSI first announced its strategy, women comprised less than 20% of board directors, and half of the ASX200 had one or zero women on their boards. By 2019, women comprised 30% of ASX200 board directors. In 2022 nearly 36% of directors on ASX200 boards were women, as were almost 45% of new director appointments.[6] Only four ASX200 boards comprised no women at all.

While not an example of community investment per se, this case study reveals the power that financial levers can have to support sector-wide improvements that progress social outcomes. Organisations with extensive CI portfolios wield this same power when they execute well. They can influence the behaviours, policies and approaches of their not-for-profit partners in a way that supports improved execution and outcomes across all members of a CI portfolio.

A necessary execution shift: from measuring inputs to impact

As organisations move towards more strategic forms of community investment, one of the greatest changes is the shift from measuring inputs (what you gave) to impact (what change was created). We are far from the first to identify this now oft-discussed shift. It has been neatly summarised by the London Benchmarking Group, now called Business for Societal Impact (B4SI), with the popular motto **"let's be known for what we achieve, not for what we give"**.[7]

Despite the nodding of heads this phrase always attracts in rooms of CI professionals, the on-the-ground reality is that the shift is painfully slow. In no other part of an organisation would the success of a business unit be judged only by "how much was spent" or "how many activities were run" – yet in the community investment space, these are often still the only metrics that are reported.

Even worse, many organisations spend the majority of their CI reporting efforts finding ways to artificially inflate those numbers, with the sole aim being to put the biggest number possible in an annual report.

> In no other part of an organisation would the success of a business unit be judged only by how much was spent or how many activities were run – yet in the community investment space, these are often the only metrics that are measured.

This sort of "give-flation" traps organisations into a reputational arms race, publishing increasingly large corporate giving numbers that, at the same time, are increasingly meaningless and hollow to employees, communities and other stakeholders (and that demonstrate a solipsistic focus on the organisation itself rather than on the communities it serves).

One reason for this is that when organisations don't measure impact, they are left with nothing other than a numbers story to tell.

Conversely, when organisations measure impact, they can tell stories that are emotionally resonant, focused on program beneficiaries, and sharable across multiple stakeholder groups. They also demonstrate a commitment to driving social value, as organisations have done the hard work to understand the change they have created.

Just as importantly, measuring impacts is critical for accountability – both internally and with your delivery partners. It ensures that CI resources are spent where they are having the most impact and prompts meaningful reflection and consideration when those resources do not have the impact as intended.

In addition, impact measurement generates meaningful data that drives iteration and improvement. This increases social impact over time.

CI leaders who successfully make the shift to measure impact:

- Have a well-validated, clearly articulated theory of change or logic model that describes the impact investments will create and how it will be generated
- Always set aside budget for measurement and evaluation, and do so upfront during planning
- Partner with the right groups of people to aid with technical aspects, such as methodology design, instrument creation, data collection and analysis
- Work with CI partners to embed consistent and robust measurement across the activities in their portfolio

Managing suppliers: invest in community outcomes, not (solely) in community organisations

The shift from measuring inputs to impacts often drives a secondary shift – changes in how community or service delivery partners are selected and managed.

When organisations measure inputs only, often the selection criteria for their CI partners are reduced to two simple questions: (1) Do you operate in the right social impact area? and (2) Are you a not-for-profit?

Because outcomes and impacts are deprioritised, factors that predict a partner's ability to drive outcomes – like their capability, approach or evidence of impact – are also deprioritised. Almost any community partner is on the table.

Organisations maximise the value and impact of their community investments when their selection criteria focuses on the supplier's ability to create impact, scale programs, quality assure outputs, or rapidly pivot programs in response to changing priorities and needs.

In short, they make partner effectiveness and suitability the primary criterion, not its legal structure.

We recognise that moving focus onto effectiveness and quality of delivery in the community requires a shift in practice for many corporates and community organisations. This will likely create challenges in the short term as organisations on both sides of corporate-community relationships upskill in the processes, methodologies and disciplines that will drive operational excellence. But in the longer-term, we are hopeful that raising standards of execution will work as a demand-side tool for innovation, encourage cross-sharing of skills between the corporate and community worlds, and most importantly, drive greater impact in target communities. As such, while this may appear intimidating or risky, we argue that it is a necessary step that benefits all involved.

Lower quality
CI execution tends to:

- Require too much time being spent on partner administration and management, at the expense of activities that accelerate impact and value
- Be overly focused on spend and inputs, at the expense of outcomes and impact
- Be weighed down by selection criteria that are not impact-oriented
- Create downstream issues in measurement and storytelling

Higher quality
CI execution tends to:

- Make impact and outcomes the primary organising principle for execution
- Prioritise activities that accelerate and enhance impact
- Consistently deliver stories of impact that are emotionally engaging and resonant
- Be underpinned by frameworks and tools that enable data collection, measurement and reporting

Case study

Shifting from inputs to impact to increase program scale and effectiveness

An Australian company was running a large-scale signature program in the community. While the program was well received by beneficiaries and stakeholders, the company was measuring only activity and reach, and therefore struggled to express the change it had created.

Not only did this limitation impact the company's ability to tell compelling stories of change, but it also reduced confidence that the program – which represented a sizeable investment – was working as intended.

An EY team worked with the organisation to build out a detailed and academically validated program theory of change and evaluation methodology. Measurement and evaluation were embedded into day-to-day program delivery and complemented by robust third-party evaluation. The organisation committed to producing regular public-facing impact reports on the program's effectiveness.

The shift to measuring inputs to impact drove both immediate and long-term impacts.

Based on the evaluation data, the organisation was able to confirm that the program was driving significant positive outcomes for program beneficiaries. This validation drove internal willingness to invest in the program, with the organisation doubling its investment in the space.

Measurement also set the company up to gain international recognition for the program. The organisation was invited to present its frameworks, service delivery model and evaluation findings at international conferences. Based on this recognition, the company partnered with academics to share "lessons from Australia, for the world", establishing its position as an international leader in the space.

The commitment to measurement and evaluation supported program growth and increased impact, while also providing strong returns for the organisation.

Leverage

From value-in-theory to value-in-practice

It is not controversial to suggest that effective community investment can drive positive outcomes for business. One study found that 80% of executives globally predicted that socially responsible organisations would have stronger financial performance than those that didn't.[8] The Business Roundtable – a collection of more than 180 CEOs of the largest companies in the world – even released a statement signed by all of its CEO members stating that "Major employers are investing in their workers and communities because they know it is the only way to be successful over the long term".[9]

But while there is common belief that community investment can drive value for businesses, in practice there is often uncertainty or disbelief that a specific community investment has delivered value.[10]

There continues to be businesses who deeply believe that a CI portfolio is delivering value but they still struggle to point to precisely what value has been realised.

This is often a failure of leverage.

Leverage describes all the activities a company undertakes to realise, amplify or maximise the value of its community investments. In many organisations, this begins and ends with reporting. That is, the primary leverage activity a company engages to amplify the value of community activities is to include them in annual reporting (either the sustainability report or an integrated report).

> "While there is near universal belief that community investment *can* drive value for businesses, in practice there is often uncertainty (or at worst, disbelief), that any one specific community investment *has* delivered value.

Businesses currently struggle to realise the business value of their community investments. A recent survey of managers attending Harvard Business School's CSR executive education program found that 41% believed their business' community investments would drive increased costs; and only 13% believed it would increase revenue.

But reporting should only be the tip of the leverage iceberg. The potential value of your CI activities cannot be fully realised without deliberate action and planning that extends far beyond reporting.

As we have argued throughout this paper, we suggest effective leverage requires alignment; the leverage activities most likely to drive business outcomes depends on your strategic aspiration. For example, if the business value in your strategic aspiration is:

- **Enhanced brand and reputation**, then leverage may involve storytelling and promotion of CI activities through marketing, campaigns, social media or direct networks
- **Increased employee engagement**, then leverage may involve aligning internal processes to facilitate meaningful corporate volunteering that is aligned to the passions, skills and development needs of your team and integrated with your community investment
- **Better and deeper relationships with key stakeholders**, such as regulators, then leverage may involve developing bespoke stakeholder engagement strategies and collaboration to align your community activities to their priorities

In the absence of such goal-oriented planning, organisations should not expect to realise true value.

Failing to plan is planning to fail

One of the most common pitfalls that organisations face when attempting to leverage their community investments is that leverage activities occur as an afterthought. Organisations invest in different community projects, and only after executing them consider what they will do to realise business value from those investments.

Because the activities are already complete, such leverage typically only involves sharing with relevant stakeholders (employees, customers, community organisations, regulators) what was done and what was achieved, or including results and stories in a marketing campaign. By necessity, engagement is one-way, static and one-off. It neither meaningfully informs the design nor selection of specific activities and, as such, the value that can be realised from such activities is limited.

Conversely, strategic community investment involves considering how CI activities will be leveraged at the outset. Platform portfolios are constructed to support the telling of cohesive impact stories; measurement and evaluation captures data aligned to the specific stories an organisation wants to tell; relevant stakeholders are engaged before, during and after program delivery to build meaningful relationships and two-way dialogues; and brand-building strategies (such as consistent messaging and acknowledgement of contributions) are integrated into activity design.

> “The business value of strategic CI activities should be realised deliberately, rather than incidentally.

A deliberate approach to leverage allows organisations to realise far greater business value from their community investments. This in turn drives greater and more sustainable community investment, and greater executive buy-in and energy.

An important leverage shift: Be the hero, not the sidekick.

Often, the business case for community investment centres around enhancing an organisation's brand, reputation or social standing. Despite this, many CI partnerships are structured in ways that minimise brand recognition of the businesses that fund them.

When part of the strategic aspiration for the business centres around building brand and reputation, strategic practitioners deliver activities that build their company's brand and position in the marketplace and give their own staff and stakeholders a sense of ownership over and connection to the difference they make. They own the impact that their dollars create and build relationships directly with community and consumers through CI activities.

Executing this aspect of a strategic approach to community investment can require rethinking some ubiquitous features of corporate CI portfolios. For example, almost all large companies with a CI portfolio form relationships with charities and make (often sizable) cash contributions to those charity partners.

The work gets conducted under the charity's brand and auspices, and often the business at best is acknowledged as a contributor or funder (and often, only as one of several). This is not necessarily the most powerful approach.

Under these traditional philanthropic structures, the change that is created is attributed to the charity, and the donor in some cases can be seen merely as "cheque writers" or enablers. This leaves significant amounts of reputational value on the table. It can also expose the organisation to significant risk.

To avoid this issue, and to support closer alignment with business strategy, proprietary CI programs are on the rise. Companies are investing in communities through their own platforms and engaging partners to help design and deliver their signature branded programs. This allows them to benefit from partners' credibility and subject matter knowledge, without compromising the reputational value that the investment returns to the business.

> “
> We've told the same numbers story year after year and it's not compelling anymore, it's not getting any airtime. We need to have more stories that we can really shout about.
>
> **Community Investment Manager**
> Listed financial services firm

This form of leverage highlights again the importance of alignment. For example, it is often only possible to execute a proprietary, strategic CI program if, at the execution stage, permission exists to partner with the right sort of supplier – and if, at the paradigm level, senior leaders are willing to invest the time, energy and resources required to create such a program.

Case study

A corporate giving structure that limited opportunities for leverage

A large North American retail bank became the founding sponsor of an emerging non-profit. The charity enjoyed spectacular growth off the back of its excellent program and the resources contributed by this donor. But, at the end of the partnership agreement when negotiations opened for renewal, the non-profit forced the company into a bidding war with its competitors.

The problem was not partnering with a non-profit per se. Rather, it was the structure of the partnership, which positioned the company merely as sponsor of a program owned, operated and delivered by someone else.

In the community, the program's successes were attributed to the non-profit. The founding donor not only failed to receive credit for the impact of its contributions, it also became a replaceable sidekick in the partnership.

In CI portfolios that are not as valuable as they could be, leverage tends to:

- Position the organisation as cheque-writer, not a change-maker
- Be considered late in the process, typically after activities or partners have been designed or procured, and sometimes even after activities have been completed
- Be one-dimensional, often focusing only on reporting or telling brand stories
- Be put through the lens of the "sidekick", focused on communicating the way the company has supported someone else's activities (often with little attributable impact)
- Expose the organisation to risk by virtue of its over-reliance on third parties

In CI portfolios that are very strategically valuable, leverage tends to:

- Position the organisation as a change-maker, not a cheque-writer
- Be planned for from the outset, with consideration to leverage given at every step of the process
- Be bespoke and closely informed by the nature of the strategic aspiration
- Be built on close partnerships with a diverse array of organisations
- Be highly integrated with other parts of the firm
- Enable the telling of powerful and emotionally engaging stories of impact, attributable to the business

Call to action

We have a fundamental belief in companies' ability to deliver community investment that makes a meaningful social impact and returns tremendous value back to the business. We believe it because we have seen it. It has been an immense privilege to work with some of the world's largest and most innovative companies to help them design and implement their approach to the community.

At the same time, we believe now is the time for a searching conversation about what needs to change to make that reality more commonplace.

We cannot remember a time when there has been more vociferous and passionate conversation about the role of business in society. A confluence of factors – the climate crisis, significant ongoing economic and political uncertainty, an emerging generation who are particularly intolerant of the status quo, the mainstreaming of disruptive AI, and growing dissent about the gap between the winners and losers of liberal capitalism has created a setting where genuine debate about the future of enterprise is not just being dismissed as an anti-establishment, anti-capitalist rant. It's being taken seriously in the boardrooms of the biggest companies in the world.

But it falls on us in the community investment profession, united by a desire to want to see organisations make sustainable, impactful investments in the areas and issues we care about, to seize this moment. We must be blessed with dissatisfaction about our current approaches and commit to the hard work of doing better.

We offer three different places where the like-minded could get started, depending on where you find yourself in your strategic CI journey:

1. **Start at the top**. Launch an end-to-end CI strategy process to develop a strategy in alignment with the model in this paper. Assemble the necessary internal stakeholders and start with the question "What do we believe community investment can mean to this business?" Be defined not by the legacy of what you did last year, but the vision for what you want to achieve in the future. Work from paradigm all the way through to select the right issues, agree the right strategic aspiration, and design and execute a portfolio that delivers on your purpose. We'd be more than happy to help facilitate this process with you and your team.

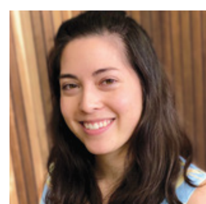
2. **Start at the status quo**. Undertake a review and benchmarking of the maturity of your current portfolio, programs and approach, using the layers of this model as the foundation. The evidence you gather about how your current approach resonates (or doesn't) with staff, customers, senior leaders, the community and critical stakeholders will be invaluable in surfacing areas where you and your business can create more impact or value. And it might just help form the business case for more top-to-tail strategy redevelopment and transition planning down the track. We'd also be more than happy to help facilitate this process with you and your team.

3. **Start at a program**. Sometimes action precedes clarity. In our experience, most CI portfolios over-index in charity sponsorships and under-index in proprietary, branded, corporate-owned social impact programs where they are able to tell stories of their own, measured impact authentically and credibly. It is possible to start here and build a program to fit within your current impact areas – a program that acts as an archetype of best practice and can be used as a foundation to help other business stakeholders see the value of these activities being done well.

We are deeply passionate about making tangible, measurable impact in this area, and we hope you have found this paper useful. We wish you all the very best in your journey.

If you would like to discuss how to best build a program to fit within your organisation, please reach out to your EY adviser.

Contact the authors



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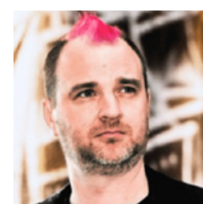

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