

IN FOCUS: PRIVATE SECTOR-LED REGENERATION

Business as usual?

With public sector funds pulled the government is pitching the private sector as the future of regeneration. But is it doing enough to ensure private coffers will flow and are businesses willing to make the leap towards greater responsibility?

Clare Goff reports

Victorian philanthropy had its flaws, as Hilda Brailsford, one of the oldest residents of Ironville, a village in Derbyshire set up and run by the local iron company, remembers. The Butterley Company may have provided housing, a school and other community facilities for their workers and their families and won acclaim for its planning, but Brailsford has no misty-eyed nostalgia for the low pay and poor housing her family suffered.

But the model company village approach – particularly the likes of Port Sunlight in Merseyside and Bournville in Birmingham – still shine as examples of, albeit paternalistic, private sector involvement in local economies and social issues. One hundred year or so years later, as government shifts policy to entice the private sector into greater levels of involvement in their local communities, and Ed Miliband calls for ‘good businesses’ to be taxed separately to ‘bad business’, are we at the dawn of a new era of corporate social responsibility?

Since it came into power the coalition government has been focused on shifting greater responsibility for the economy onto the shoulders of the private sector. Private sector job creation is at the heart of its faltering economic recovery and private businesses are driving the agenda at the new local enterprise partnerships (LEPs). Through neighbourhood plans, enterprise zones, and the community infrastructure levy, the role of businesses in shaping the areas in which they operate is set to rise.

For many companies involved in regeneration the new emphasis on localism and private sector responsibility offers them a chance to show off what they have been doing for many years.

Business engagement with communities has long been a part of their day-to-day business. Mike Spicer, senior policy adviser at the British Chambers of Commerce, says the civic-minded local businesses it represents throughout Britain have been ‘doing Big Society for hundred of years’, often below the radar.

Unlike the Victorian philanthropists’ top-down interventions, however, today’s businesses are often focused on building partnerships with local communities.

Developers and property companies in particular have had much to gain from close working relationships with the communities in which they operate. British Land, a property investor and developer, recently launched a Community Charter which enshrines its duties and responsibilities towards the local areas in which it operates, responsibilities it has upheld for many years.

Its involvement with the local community to guide its work at Regents Place in London’s West End won the company awards for sustainable community-building and is the company’s ‘best example of genuine community partnership’, according to Adrian Penfold, head of planning and corporate responsibility. Since the late 1980s, when British Land initially sought to invest in the area, it has collaborated with the local council, transport authorities and the community and, based on their feedback, overseen the construction of a theatre, affordable housing, new pedestrian routes and other elements of community life. Penfold says that its work has always gone forward with the will of the community and that, far from an add-on, this level of partnership is ‘what we do’. The company’s





Community Charter, published this July, includes a commitment to build relationships with communities from the moment it acquires properties, to support the training, employment and education of local people, and to aim to buy services from local suppliers.

As the localism agenda rolls out, developers will be well-placed to get more heavily involved in shaping local areas through neighbourhood plans. Toby Blume, chief executive of Urban Forum, sees a lot of potential for progressive developers to work more closely with communities to help shape development, through neighbourhood plans for example.

Technology companies are also finding ways in which their skills and expertise can help transform local areas through a partnership-based approach. Rutland Telecom was the result

of a two technology savvy entrepreneurs getting together with their local community to solve the problem of poor broadband in their area. Having listened to the widespread dissatisfaction with broadband levels in his local village, and with knowledge of how to access BT's broadband infrastructure, David Lewis called a meeting in the local village hall to drum up support for his solution. Finance for the start-up capital was provided by local people, who now own equity shares in Rutland Telecom, which is the fastest internet provider in the region.

Broadband provision has also become a key focus for local enterprise partnerships and offers a 'nice alignment of interest' between business and community needs, according to Spicer. IBM has for some years worked with cities to help improve access to technology and create more connected systems. Most ►



recently its Smarter Cities Challenge programme offered strategic consultancy to 24 cities around the world, including Glasgow, where IBM worked alongside the council to analyse ways to reduce fuel poverty through better integrated systems.

For cities, the programme offers the chance to get technological support they would not otherwise be able to afford, while it gives IBM the opportunity to develop its understanding and get involved with high-level city agendas. As cities attempt to deal with the deep challenges of sustainability, the insights of the private sector need to be part of the picture, says Mark Wakefield, corporate and social responsibility programmes manager at IBM. 'Collaboration is critical success factor. It's not about private, public and third sector but about sharing our strengths and expertise and making specific contributions. We are all inter-connected.'

BEYOND PHILANTHROPY

Inter-connectedness is at the heart of a new approach to corporate social responsibility, tagged CSR 2.0. Wayne Visser, author of a new book *The Age of Responsibility*, says the first phase of CSR has failed, citing Enron's position at the top of the

social responsibility charts just weeks before the scandal that led to its collapse.

While CSR 1.0 was about add-ons to core business, with sparkling case studies, CSR 'departments' and 'activities', the new phase will see responsibility far more deeply embedded within companies. Visser wants the 'old CSR' to be allowed to die gracefully and to give way to a new era which will be defined by five criteria – connectedness, scalability, responsiveness, duality and circularity (see box, p10).

The philanthropic approach, defined by charitable programmes, comes in for criticism and is at stage two of his five stages of CSR. 'It creates traps of dependency and has a masking effect,' Visser says. 'It's about giving something away rather than really changing the core business.'

He is encouraging companies to move towards stage five of his CSR pyramid. Here, responsibility is embedded within the business model itself and companies are focused on customers and regulators rather than shareholders. The core business becomes identifying and tackling the root causes of unsustainability and creating products and services to address those causes. ▶

Robert Ashton asks: is the fiddler really a rogue?



There are people who believe that to work with a corporate is to dance with the devil. The Salvation Army for example declined the offer of free advertising in the final issue of *News of the World*. Barnardo's on the other hand were happy to accept a donation of more than £900,000 from the profits generated by that final edition.

I suspect their founder would have approved, because he put his service users first. Faced with the horror of London's cholera ridden East End he knew that for every child he helped, there were two more on the street equally in need.

At a very personal level, when we are faced with the stark choice between death and compromise, most will recognise that survival at least keeps you in the game. You can fight for principles later. David Arben knows that. He was a child violinist who chose to entertain his concentration camp guards in order to survive. He was then able to spend the next 50 years campaigning to make sure we never see another holocaust.

And so to Big Society and the challenges we all face in the struggle to maintain services and support to our most vulnerable citizens. It's clear that things have to change. Government can no longer afford to pay the third sector to deal conveniently and discretely with our social ills. Everyone has to play a role. We have to rediscover our sense of community and reconnect with the people who live around us.

Barnardo challenged the widely held view in Victorian Britain that the poverty, squalor and disease of London's East End was the result of laziness. Arben recognised he could do more by surviving than by refusing to entertain his captors. So why are so many folk happy to throw corporate generosity back in the faces of those striving to make CSR worthwhile? Do we need to see a return to Victorian levels of poverty first?

It would seem obvious to encourage our largest employers to provide the most opportunities for people leaving worklessness. Yet Tesco are criticised for providing 3,000 supervised work experience placements around the UK. I've seen some appalling examples of work experience provided by charities; jobs created to keep the service user occupied and income flowing into the organisation.

Yet public opinion suggests that shredding waste paper one sheet at a time is more useful work experience and worthwhile than building a track record with an organisation that employs nearly half a million people in the UK. It appears as much a paradox as the fact that the people who protest about new Tesco store openings are often among the first to shop there when it's built.

You see for too long now the corporate world has considered the shareholder more influential than the customer. Building shareholder value has been deemed more important than building customer loyalty. When those shareholders are investment funds, they lack any sense of humanity. It's profit and growth at any cost.

But things are different now. We're not going to see significant economic growth for years. Shareholders are more concerned about efficiency than expansion. And the social media explosion means that public opinion and consumer behaviour are influenced more by user customer experience than by advertising. CSR and social enterprise are destined to marry and in time, it will become an equal partnership. The corporate groom will be well resourced and adaptable. The third sector bride compassionate and able to steer her husband's endeavours to where they can truly blend social impact with commercial strength.

Just as Wayne Visser, in his book *The Age of Responsibility*, describes a future where CSR becomes effective and has real, lasting social impact. He calls this 'CSR 2.0'. Can you not see how social enterprise 2.0 is desperately needed? It will only be born out of a union of corporate might and third sector intimacy with social need.

It's time to listen to the music and stop accusing the fiddler of being a rogue.

◆ Robert Ashton is a social entrepreneur and bestselling business author.



Above: Todd Kirtley, IBM general manager, addresses local business and government leaders at the IBM Smarter Cities Forum in Phoenix, Arizona to discuss how technology could advance the future of cities

CSR 2.0 the five principles

1. **Connectedness:** in order to succeed in the CSR revolution, business has to break the hegemony of shareholders. It is as if companies are mere serfs in the kingdom of shareholder-value capitalism. The only way to take the power back is to move from subservience to connectedness. Business has to start to institutionalise multi-stakeholder relationships. **Example:** the emergence of various multi-stakeholder initiatives in the 90s, like the Forest Stewardship Council and AccountAbility 1,000.
 2. **Scalability:** the sustainability problems we face, be they climate change or poverty, are at such a massive scale, and are so urgent, that any CSR solutions that cannot match that scale and urgency are red herrings at best and evil diversions at worst. How long have we been tinkering away with ethical consumerism (organic, fairtrade and the like), with hardly any impact on the world's major corporations or supply chains? **Example:** the decision by Wal-Mart's former CEO, Lee Scott, that all its cotton will be organic and all fish MSC-certified.
 3. **Responsiveness:** business has a long track-record of responsiveness to community needs, but on their own terms, when giving is easy and cheque-writing does nothing to upset their commercial applectart. The severity of global problems we face demands companies go much further. CSR 2.0 requires uncomfortable, transformative responsiveness, which questions whether the industry, or the business model itself, is part of the solution or problem. **Examples:** the Prince of Wales' Corporate Leaders Group on Climate Change has been lobbying for bolder UK, EU and international legislation on climate change, accepting that carbon emission reductions of 50-85% will be needed by 2050.
 4. **Duality:** much of the debate on CSR has dwelt in a polarised world of 'either/or'. Either your company is responsible or it is not. Either you support GMOs or you don't. This fails to recognise that most CSR issues manifest as dilemmas, rather than easy choices. In a complex, interconnected CSR 2.0 world, companies will have to become far more sophisticated in understanding local contexts and the appropriate local solutions they demand, without forsaking universal principles. **Example:** both premium branded and cheap generic drugs have a place in the solution to global health issues.
 5. **Circularity:** the old CSR failed because our global economic system is based on a fundamentally flawed design. It's faulty at its core, conceived as it is as an abstract system without limits. We need an economy where there is no 'away' and in which everything is engineered to constantly recycle. **Example:** CSR 2.0 circularity would create buildings that produce more energy than they consume and purify their own waste water; or factories that produce drinking water as effluent
- ◆ Source: *The Evolution and Revolution of Corporate Social Responsibility* by Wayne Visser



Having travelled through 50 countries to see how far the new wave of CSR is being embedded, Visser is disappointed with progress so far, with most companies still stuck in the philanthropic phase. But he believes that on sustainability issues at least progress will occur, particularly as incentives increase.

Recent announcements show that big business is making moves towards deeper levels of responsibility, particularly around sustainability issues. The big supermarkets, including Sainsburys and Tesco, have recently launched long-ranging sustainability drives. PriceWaterhouseCoopers is creating a hub for social enterprise in an old fire station building next to its London offices, and social investment is rising up the agenda.

And while bigger companies struggle to catch up and rewrite their structures for a new era, for a new generation of start-ups interconnectedness is at the core of their organisational principles.

Indy Johar, founder of architectural practice Zero Zero, has said the term social enterprise will eventually disappear as an organisation's purpose becomes inseparable from its social values. Zero Zero recently partnered with Westminster Council to launch Hub Westminster (pictured above), a social innovation incubator aimed at making 'today's "business as unusual" the everyday of tomorrow'. In the US a number of states have legalised a new corporate structure for social

enterprise called a benefit corporation. B Corps, as they are known, have social goals and commitments written into the company's bylaws, allowing for example social and environmental goals to trump the maximisation of shareholder profit.

POLICY FOR GREATER RESPONSIBILITY

We may be on the edge of a new era of corporate responsibility, when social aims are placed at the heart of business, but in the meantime, local areas need a desperate injection of funds and investment. But, while the current social and environmental crises are forcing all businesses to look again at their duty of responsibility, economic woes are also leading them to look more carefully at their bottom line.

Local communities in the UK are dealing with the fall-out from austerity measures and hoping that the new focus on private-sector-led regeneration will bear fruit. It's too early to judge how new policies will change the local economic development landscape in the long term, but early evidence points to some major problems.

Private sector contractors at the heart of the Work Programme are failing to create the long-term partnerships with social enterprise and local voluntary sector organisations to help the long-term jobless back into work, according to recent reports by Acevo and London Voluntary Services



Council. In many cases the third sector organisations are being shouldered with risk by their private sector partners; evidence based on the roll-out of the programme in London suggests that voluntary and community sector involvement in supporting jobless back to work may worsen.

Local enterprise partnerships, however, are settling into their new roles in communities, according to Mike Spicer of the British Chambers of Commerce, which runs the LEP Network. 'There have been a number of ways in which LEPs have taken on that responsibility, from designating enterprise zones to being strategic influencers,' he says.

As businesses are learning to work with city partners, so local authorities are learning to be more responsive to private sector investment. But while many LEPs have laid out great plans for development and growth in their local areas they have little resources to make them happen. Few transactions have yet taken place and anecdotal evidence suggests that some LEPs are lacking the knowledge and deal-making experience to make those plans turn into reality on the ground.

The role the RDAs played in smoothing the investment process is missing at the very time when it is needed, according to Neil McInroy, chief executive of the Centre for Local Economic Strategies.

'Government believes business knows best but mechanisms are needed to make investments happen. It's not enough to just

set up an enterprise zone. Investors need someone to broker the deal and LEPs aren't in a position to be able to do that.'

These two early examples of the ways in which the private sector is increasing its involvement at a local level show that without adequate incentives, regulation and guidance from the public sector their achievements will be at best limited and at worst destructive. Giving false hope that an area will revive is worse than leaving it alone to decline, McInroy says.

Michael Ward, former chief executive of the British Urban Regeneration Association and London Development Agency and now a private consultant, is pessimistic about the private sector playing a bigger role in regeneration. He says regeneration has been hijacked by the property sector for the last 15-20 years, with the renewal of communities turned into 'property development with a philanthropic label'.

'It's become an adjunct to commercially viable property development.' Without public money flowing back into areas nothing of any significance will happen, he says.

The private sector is being touted by government as the saviour of our national and local economies. Its input, deepening influence and increased concern for social and environmental aims, are, in the main, welcome. But can 'business as usual' change rapidly enough to truly make the necessary impact, and, as communities teeter on the edge, can business alone do enough to bring them back?