

## **THE CENTRE FOR SOCIAL IMPACT**

### ***A RESEARCH FRAMEWORK***

The CSI is located at the intersection of two major transformations that have been occurring over the past decade. These are

- the growing recognition by many business leaders and others that business has a responsibility for the well being of the communities and wider societies in which it operates and for sustaining the natural environment; and
- the growing trend by leaders in the third sector, especially those seeking innovative solutions to new and old problems, to look to business rather than government for models and support.

This first transformation is captured by terms such as corporate responsibility, corporate citizenship and, perhaps most commonly, corporate social responsibility (CSR). This transformation has many dimensions and is still contested, both empirically and normatively within business and amongst academics. One aspect of CSR is supporting and working with nonprofit organisations. Companies can demonstrate social responsibility by their engagement with certain nonprofits: through the provision of funding or other resources, loans of skilled staff but including joint ventures and partnerships. A related dimension of this transformation, potentially locking it in place, has been the simultaneous emergence of a movement for ethical or socially responsible investment (SRI).

At the forefront of the third sector transformation are initiatives known as social entrepreneurship, social enterprise and social innovation. However, the movement encompasses much more, particularly the application to TSOs of management and governance practices from business and the recruiting of business executives and professionals to TSO boards and senior executive positions. This in turn has renewed the impetus to measure the impact of the third sector generally but particularly TSOs and their programs.

Some TSOs seek to attract support from business, foundations or high wealth individuals by talking not of donations and philanthropy but of social investment in social enterprises. In turn, this discourse leads to the previously noted interest in measuring impact (in this case measuring the social return on investment). With governments mostly unprepared to invest in social innovation, social entrepreneurs turn to a wide array of private sources, leading some researchers to write of a capital market for social investments.

The two transformations intersect at several points. Arguably, the rethinking of the role of business in society began in the 1990s, following successful campaigns by environmental and human rights NGOs that pushed global corporations to re-evaluate the social and environmental responsibilities of business. This in turn had beneficial consequences for TSOs. As noted, many businesses now cooperate with nonprofit

organisations in partnerships to advance the nonprofits mission or in joint ventures to address old and new social and environmental problems in creative ways. Frequently, in these partnerships, business looks for an identifiable return to the business, often in reputation and staff morale.

By contrast, a second point of intersection is the increasing competition offered by for-profit enterprises to TSOs in the provision of services that hitherto have been the exclusive domain of the third sector or a mix of the third sector and government. For market theorists and regulators, this raises issues of competitive neutrality. Many TSOs have tax advantages. On the other hand they cannot raise equity capital and are viewed with suspicion by lenders. Some jurisdictions have sought to address the capital equity problem by legislating for specialist organisational forms and permitting forms of hybrid equity. Some commentators see the emergence of business /nonprofit hybrids as a vital social innovation.

A third point of intersection is as yet more potential than actual. It is between SRI funds, companies and the third sector. Since most of the funds available for investment in companies are held as pension funds and are owned by millions of ordinary working people, the decision to place funds in socially responsible corporations lies in the final analysis with the same millions who support the third sector through their membership, and donations of time and money. Corporate support for and engagement with the third sector is likely to grow as more pension monies are invested in socially responsible funds. This connection between increased SRI and corporate support for the third sector has yet to fully understood and developed.

### **Implications for the CSI**

In its teaching program the CSI seeks to ensure that some of the brightest young business graduates understand these two intersecting transformations and that up and coming nonprofit leaders are introduced to the best applications of business practice to the third sector. In these ways the growing intersection of the two transformations is advanced.

The role of the CSI's research program is to understand these transformations, their drivers and their implications but also to evaluate them. It will mean describing good practice but also identifying damaging or unsustainable arrangements. It will necessitate charting a path through the terminological undergrowth, wherein terms are applied and reapplied enthusiastically, without regard for prior usage or organisational form.

The CSI research agenda has two objects:

1. understand the transformational forces at work within the third sector and articulate these, the better to help TSOs and their leaders play a central role in Australian life in the 21<sup>st</sup> century; and
2. understand what is driving the engagement of business with society, especially TSOs, the better to help business leaders achieve the full potential of this engagement.

The following illustrate some of the research topics that might be pursued within this framework.

- Modes of TSOs and businesses engagement, such as through corporate volunteering and workplace giving, or more profoundly, partnerships and joint ventures: what works, when and why?
- The introduction of corporate approaches to governance and the recruiting of business executives and professionals onto boards and senior management positions. In this, capturing and analysing the experience of people with senior business and professional experience who joined third sector boards will be insightful.
- The impact on the wider third sector of various business inspired innovations encompassed by social entrepreneurship, social enterprise, social innovations, and social investment.
- Are there insights to be gained from bringing together the various methodologies designed to measure the social impact of businesses, the impact of the third sector, the impact of individual TSOs and of the social programs of TSOs?
- The application of new forms of resource management and governance in the third sector; at the efforts of thousands of third sector organisations to review and renew themselves.
- What sort of modifications are required if management control and performance assessment technologies devised for for-profit entities are to be applied to entities organised around very different sets of values?
- Will social innovation require very different ways of thinking about and encouraging innovation to those developed for commercial markets?
- Are we seeing the emergence of new, genuinely hybrid forms of nonprofit/business enterprise?

Needless to say, all research projects within this framework will be assisted by comparing like developments in similar countries to Australia.

The research framework outlined above is focussed on the intersection of the third sector with the business sector. This focus is the core of the CSI's research agenda. Nonetheless, the third sector also interacts with, and is indeed significantly dependent on the public sector and the household sector. These interactions cannot be ignored, but will be approached through the lens of the CSI's primary focus on the business/third sector intersection.

Significant changes in both the third sector and in business have been driven by massive changes in the public sector. Starting in the 1970s, government itself underwent a dramatic transformation. Politicians and bureaucrats slowly came to believe that community wellbeing was most likely to be achieved by encouraging competitive markets for the provision of goods and services. They acknowledged that the for-profit enterprise was the organisational form most suited for markets, and embarked on privatisation and outsourcing, reserving for government the role of regulator and safety-net provider. They adopted much of the language and the practices of business. In Australia these changes were captured

by terms such as the new public management, managerialism and economic rationalism. These changes massively boosted the public standing of business and plunged sections of the third sector into turmoil. At this present juncture some suggest that the appeal of this model of governance is waning, to be replaced by relational or networked or partnership models of governance.

The inevitable interdependency of government and the third sector suggests further fields of research:

- Do government policies support or inhibit the transformation of the third sector, its greater interaction with business and the growth of social enterprise and social investment?
- How will moves toward more relational and networked forms of governance impact on government and third sector relations.
- Under the neo-liberal model of governance, governments encouraged business enterprise by creating a single national act and regulator. Is a similar simplification and rationalisation of the variety of regulatory arrangements covering the third sector desirable or possible?

The past two decades have seen increases in household support for the third sector. Volunteering increased in the late 1990s but not much since, while financial support has increased dramatically. This has been accompanied by a significant increase in the scope and sophistication of fundraising. This in turn has focussed attention on the effectiveness but also the transparency of TSOs. Part of the drive to reconfigure philanthropy in the language of investment has been driven by the quest not only for information on particular TSOs but for information that is comparable with similar TSOs. A desire to increase the transparency of TSOs is one of the drivers for regulatory reform of the sector.

Research projects that the CSI might pursue in this area could include:

- The effect of the greater interaction with business on public appreciation of, and support for the third sector.
- How widespread is the desire for comparable information on TSOs, and on which TSOs?
- What are the information requirements of the various stakeholders of different groups of TSOs.

### **Building a foundation for research**

The conceptual framework for research outlined above focuses on the transformations and the intersections of the third sector and of business as they seek to reform themselves. It goes without saying that any research designed to illuminate this framework has to rely on a bedrock or foundation of data about the extent and the changes within the third sector and about extent of business embrace of CSR. Yet in Australia such data is fragmented and piecemeal.

Successful pursuance of the research agenda outlined above will rely on two foundation research projects.

The *first foundation project* will map the dimensions of the third sector and placing these in a cross national comparative and an historical context. Australia lags behind comparable countries in seeking to map and to understand its third sector. One consequence is that it is little understood by policy makers and by third sector leaders and the general public. In the absence of comprehensive data, concepts and numbers are thrown around with little precision and no understanding. Comprehensive data is unavailable, except for volunteering. However, various sources of illuminating parts of the third sector and associated phenomena are available, but these are not systematically collated and reviewed. What is needed is a long term project that will:

- collect and review and publicise the various segments of third sector data;
- work with government agencies such as the Australian Bureau of Statistics to improve data collection;
- collect, analyse and publicise similar data from comparable countries;
- undertake targeted research projects designed to improve basic data and methodologies.

The *second foundation project* will critically examine what is commonly referred to as CSR at a conceptual and empirical level. There is generally consensus that from the perspective of maximising positive social impact, CSR needs to be 'deep', 'genuine' or 'embedded' into the way an organisation conducts its business and sees its vision. Nevertheless, this project will explore the extent to which even such best practice CSR may be constrained and limited by the existing institutional and corporate structures particularly the incentive systems to which they give rise. The project will therefore need to be explicitly multi-disciplinary drawing on a wide range of literature, perspectives and empirical data. It may involve undertaking some small-scale empirical work such as case studies but it will largely rely on existing sources of data including:

- Australian and international surveys of CSR practice;
- CSR/Sustainability/Corporate Citizenship reports published by companies;
- Rankings of CSR performance undertaken by Australian and international agencies (e.g. CRI, Accountability);
- Australian and international case studies.