BIZCOMMUNITY

How some corporations can have positive impact in communities

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What is the role of corporations in addressing grand challenges? Grand challenges are complex, pressing social and ecological problems involving diverse actors. They defy straightforward solutions.

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Corporations contribute to such problems by, for instance, exacerbating climate change or social inequality. But they could also contribute significant resources to developing solutions to grand challenges. This is especially if these are linked to their core corporate strategies, rather than branding or discretionary contributions to philanthropic projects.

There is significant research on support by corporates for social and ecological projects. There has, however, been less research on why and how profit-driven corporations invest in potential solutions to multifaceted and complex social and ecological challenges as part of their core strategy.

To better understand why and how corporations might do this, we studied resilience building efforts in five communities in South Africa. These are supported by four corporations. We also included in our study three auxiliary company case studies. This helped us to explain better why some companies engage in such efforts and others don't.

The four corporations have systematically contributed to the ability of five communities to enhance and maintain their members' livelihoods in the face of gradual and sudden social-ecological changes. These include climate change, biodiversity loss, resource depletion, declining food security or growing social inequalities.

In doing so, these corporations addressed a number of interconnected grand challenges facing the five communities. These efforts were strategic because they involved significant investments by the companies in projects that sought to address core business risks. The investments weren't driven primarily by regulatory compliance, reputation, or philanthropic objectives.

Place-specific resources at risk

We discovered that the investments were motivated for by managers based on their assessments that strategically important corporate resources were at risk due to social-ecological changes in the four communities.

For example, managers in a retail company in our sample raised concerns about growing water risks for some of the company's important fresh produce suppliers. These suppliers were located in a particular catchment that faced a growing threat of drought in the context of growing demand. The retail company had a long-term relationship with these suppliers and could not easily shift to other suppliers. The managers thus explored what might be done about these risks. In doing this, they worked with a range of local, national, and even international organisations.

In another case, managers in an insurance company became concerned about increased insured losses in a particular district due to fires and floods. Redlining the area or raising premiums was not a desirable strategic option. So some other response needed to be found.

Points of leverage

Having identified and assessed these risks, the corporate managers identified points of leverage that were amenable to intervention. This was important because the complex nature of the social-ecological challenges needed a tangible, focused intervention. Even so, these points of leverage could generally not be influenced by the corporation itself. Managers therefore identified key actors they could collaborate with.

In the case of the insurance company, managers identified climate change as the root cause of the increased incidence and severity of fires and floods. The company obviously had no direct way of addressing this root cause. The managers thus focused on what they called "proximate risk drivers". These are the diverse, local factors that translated extreme weather events into loss of life or assets. For example, how well a municipality's drainage system is maintained is a key factor influencing whether an intense downpour leads to flooding. As emphasised by one of the researchers working with the company, "It's not about the rains, it's about the drains!"

Many of these proximate risk drivers are within the jurisdiction of local government. The company therefore partnered with the municipality. They jointly work on reducing local risks associated with fires and floods. The company contributed funds to this partnership. More importantly, it also contributed firm-specific resources, including the expertise, data, and models to appraise fire and flood risks in the landscape.

In the case of the retail company, managers and their NGO partners identified the spread of alien invasive vegetation as an important contributor to water risks in the catchment. The alien vegetation consumed much more water than the indigenous vegetation. There were diverse initiatives to fight this spread, but they struggled because of a lack of coordination among role-players. The company therefore paid for an intermediary person, whose task was to enhance coordination and improve trust among these role-players. Interviewees highlighted the important impact of this intermediary person.

System viability

Our findings have practical implications because they show under what conditions corporations are motivated to make

significant contributions to community resilience. They also talk to the kind of choices managers face in designing such interventions. On the one hand, this suggests that at least some corporations have strategic incentives to address grand challenges. On the other, our analysis also cautions against too much optimism. These strategic incentives are not necessarily prominent across many corporations.

Our study also makes a number of theoretical contributions. One of these is to challenge the predominant emphasis of strategic management theory on competitive advantage as the overriding or even only strategic priority for corporate managers. We show that in the context of climate change and social inequality, managers give increasing attention to *system viability* as a strategic concern. This expands the scope of their attention to broader social-ecological context. It also forces them to work with diverse role-players, and in some cases even competitors, to address shared risks and challenges.

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