



Local Impact Sustainability Strategy

Securing the corporate license to operate using a Local Impact Sustainability Strategy

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Executive Summary

As a company grows, so too does the potential impact of its activities on the culture, health, safety and environment on the communities in which it exists. In addition, as a company's ability to profit becomes more dependent on the quality of its local stakeholder relationships, so too escalates the value and importance of a corporate Local Impact Sustainability Strategy.

There have been changes in the ability of communities to gather and share information, a proliferation of new standards, rules and regulations along with increasingly radical activities of non-governmental organizations. These events have made Local Impact Sustainability Strategies more important than ever.

This asher*innovation*™ outlines a strategic approach to local impact management called the Local Impact Sustainability Strategy (LISS). In addition to explaining LISS, including definitions, elements of influence and aspects, this asher*innovation*™ provides a practical system for measuring LISS efficacy and a methodology for improving LISS performance.

The corporate license to operate is at risk
- and as goes the license to operate goes
corporate profitability and sustainability.



Introduction

For generations, corporations have been managing relationships with their community stakeholders through corporate donations and philanthropy. However, as the nature and degree of influence of community relationships change, so must the strategy employed to manage those relationships. For most corporations, making donations alone is simply no longer enough; especially in a time when profit and corporate survival is on the line. Corporations need a more robust approach. That is where a LISS comes in – to effectively manage these evolving relationships.

It should be noted that a LISS is a segment of a corporation's overall corporate sustainability strategy.

Before we delve into the depths of the LISS and how it can be used to protect profitability and the corporate license to operate, we will review the fundamentals of local impact.



The Fundamentals of Local Impact

Local impact is the impression a corporation makes on a community or group of communities as a result of its activities. That impression can be positive and support sustainable corporate growth – or it can be a detractor, eroding corporate profitability and sustainability. The corporation’s activities that make an impression extend from three basic Elements of Influence: the corporations People, corporate Actions and corporate Assets.

It is worth noting that the Elements of Influence described in this asher*innovation*™ are only those over which the corporation has direct control – referred to as the corporation’s direct sphere of influence. There are other Elements of Influence, such as media or market conditions, which corporations cannot control since they are peripheral to the corporations direct sphere of influence. However, a corporation’s People, Actions and Assets can nevertheless influence elements outside of the corporation’s direct sphere of control – validating further the value and important of the LISS.

People



Employees and their actions, such as personal and professional conduct, volunteering, fundraising and advocacy can have the most profound impact on local communities. Employees often live and work in the communities affected by the activities of the corporations for whom they work. They are therefore both key stakeholders and brand ambassadors.

Actions



Corporate Actions – or even just perceived corporate actions – such as local sourcing of people or supply chains, reinvestment in the community, paying adequate taxes or royalties and even donations play a dominant role in the scale of a corporation’s local impact. These are often considered the ‘soft’ end of the local impact spectrum, but can easily interrupt or even shut down a corporation’s activities.

Assets



Corporate Assets are those impacts resulting from the existence and operation of hard assets in a community. These are the elements and infrastructure that people can see, such as a power plant, a manufacturing facility or transportation systems, and the resulting inputs and outputs such as increased traffic congestion or emission of greenhouse gases and toxic effluents.



Figure 1: Approaches to LISS



Philanthropic Approach:
Contributions that aid in the preservation and protection of social value, such as donations and sponsorships.



Commercial Approach:
Contributions that create social and economic value in the community that would not exist without the support of the corporation.



Strategic Approach:
Contributions that simultaneously support the priorities of the corporation and the community, such as increased corporate profit or a new hospital.

Local Impact Sustainability Strategy (LISS)

A LISS is a practical approach to managing corporate Elements of Influence (People, Actions and Assets) in local communities.

A LISS is sometimes referred to as, and confused with, Community Relations or Community Investment, among other similar programs. Such programs infrequently capture the breadth of the LISS and instead focus mainly on the People element.

Objective

The objective of a LISS is to support the corporation's license to operate, increase awareness and positive perception of the brand, increase employee engagement, awareness and commitment and create lasting and favourable impacts.

To achieve this objective, the LISS must adopt an approach that is Philanthropic, Commercial and Strategic (see Figure 1 at left) while addressing the three elements of influence, namely People, Actions and Assets.

Benefits

A LISS delivers a number of highly desirable and necessary benefits for the corporation and the community.

Some corporate benefits include:

- ✓ More secure corporate license to operate
- ✓ Increased and more predictable profit
- ✓ Improved reputation and overall community relations
- ✓ A welcome into new communities and markets
- ✓ Avoidance of non-governmental organization actions
- ✓ Ability to secure and retain the right employees

Some community benefits include:

- ✓ Improved health and safety
- ✓ Preservation and protection of the local environment
- ✓ Increased economic activity
- ✓ More local and more secure employment
- ✓ Enhanced educational opportunities
- ✓ Reliable partnerships for local initiatives



Assessing LISS Effectiveness

asherline™ Methodology

A corporation can assess the status and effectiveness of its LISS by employing the asherline™ methodology. The asherline™ is a proprietary tool developed by asherleaf to measure various aspects of sustainability performance, including environmental, social, governance and economic issues.

For the purposes of the LISS, the asherline™ can be used to measure corporate LISS performance relative to peers or peer groups or past corporate performance. It should be noted that this is not an indication of the status of a corporate license to operate. However, it can provide valuable insight into the license to operate. For an analysis of either the LISS or the status of a corporate license to operate, the asherleaf team is available.

Figure 2: Sample asherline™ methodology

Notes:

This sample asherline™ methodology uses the corporate Action Element of Influence to demonstrate how the asherline™ is assembled.

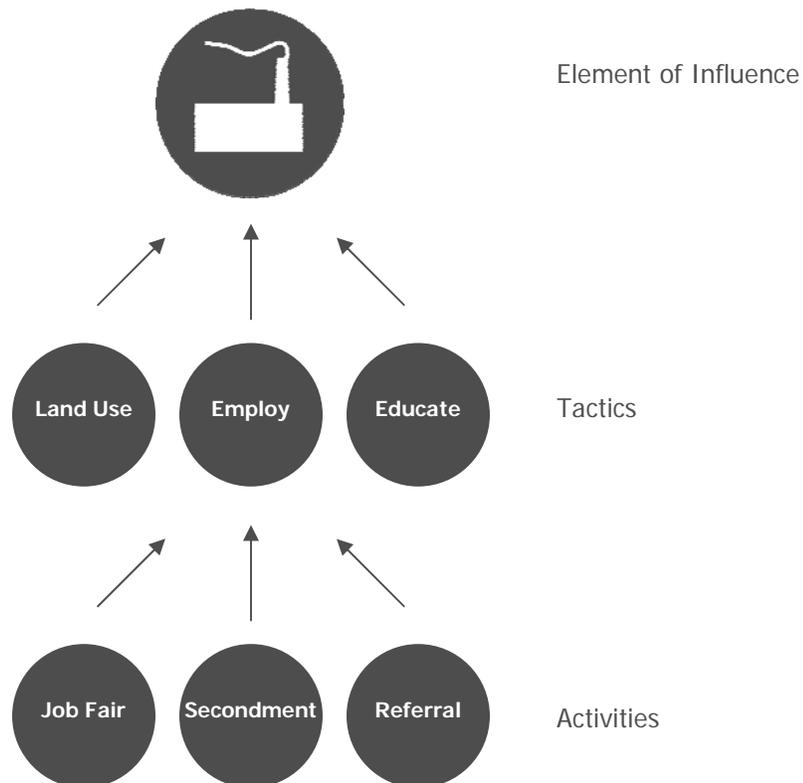
The Tactics and Activities noted here are samples of the comprehensive list that is employed to assemble to overall asherline™ score for the LISS.

Sample asherline™ methodology:
There are three levels to the asherline™ methodology:

- Elements of Influence
- Tactics
- Activities

The Activities contribute a value to the Tactics and subsequently to the Element of Influence. Each level is balanced and normalized to ensure no over- or under-representations are exposed.

Scores are assembled and plotted in a table and tri-axial plot (See LISS asherline™ Example, Table 1 and Figure 3 on Page 6).

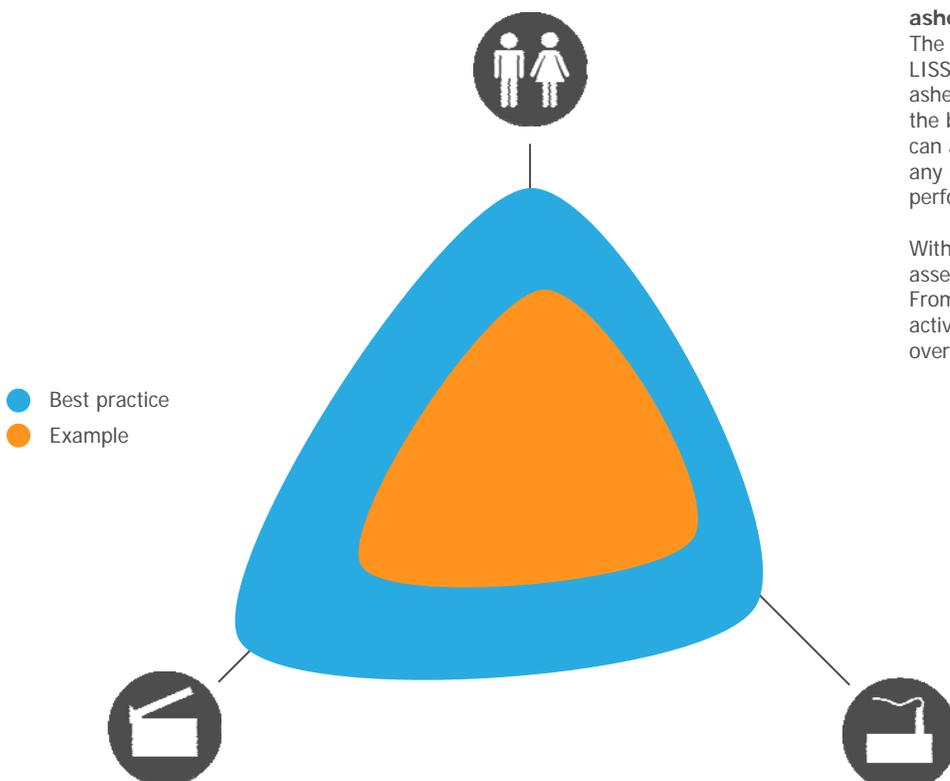


LISS asherline™ Example

This asherline™ example displays the scoring and plot of performance relative to corporate best practice in LISS (Table 1 and Figure 3 below). This example is an abridged and simplified asherline™ methodology (weightings and normalizations are not included). Note also that corporate best practice scores have been assembled from a compilation of global leaders in LISS.

Table 1: Example asherline™ Scoring

Elements of Influence	Tactics	Level of Effort (Score 0 – 5, where 5 is desirable)			
		Best Practice Score	Best Practice Total	Example Score	Example Total
People	Volunteering	4	13	4	9
	Fundraising	3		3	
	Community Service	3		1	
	Advocacy	3		1	
Actions	Donations	4	13	3	7
	Sponsorships	4		3	
	Local sourcing	2		0	
	Reinvestment	3		1	
Assets	Local employment	2	9	2	6
	Land use	3		1	
	Education	2		1	
	Emissions	2		2	



asherline™ plot:

The asherline™ plot visually depicts corporate LISS performance. In this example, the asherline™ displays performance relative to the best practice example. However, the plot can also be used to compare performance to any baseline, such as past corporate LISS performance.

With this data in hand, a corporation can assess in which areas it may be deficient. From there the corporation can devise activities to improve its asherline™ and overall LISS Performance.



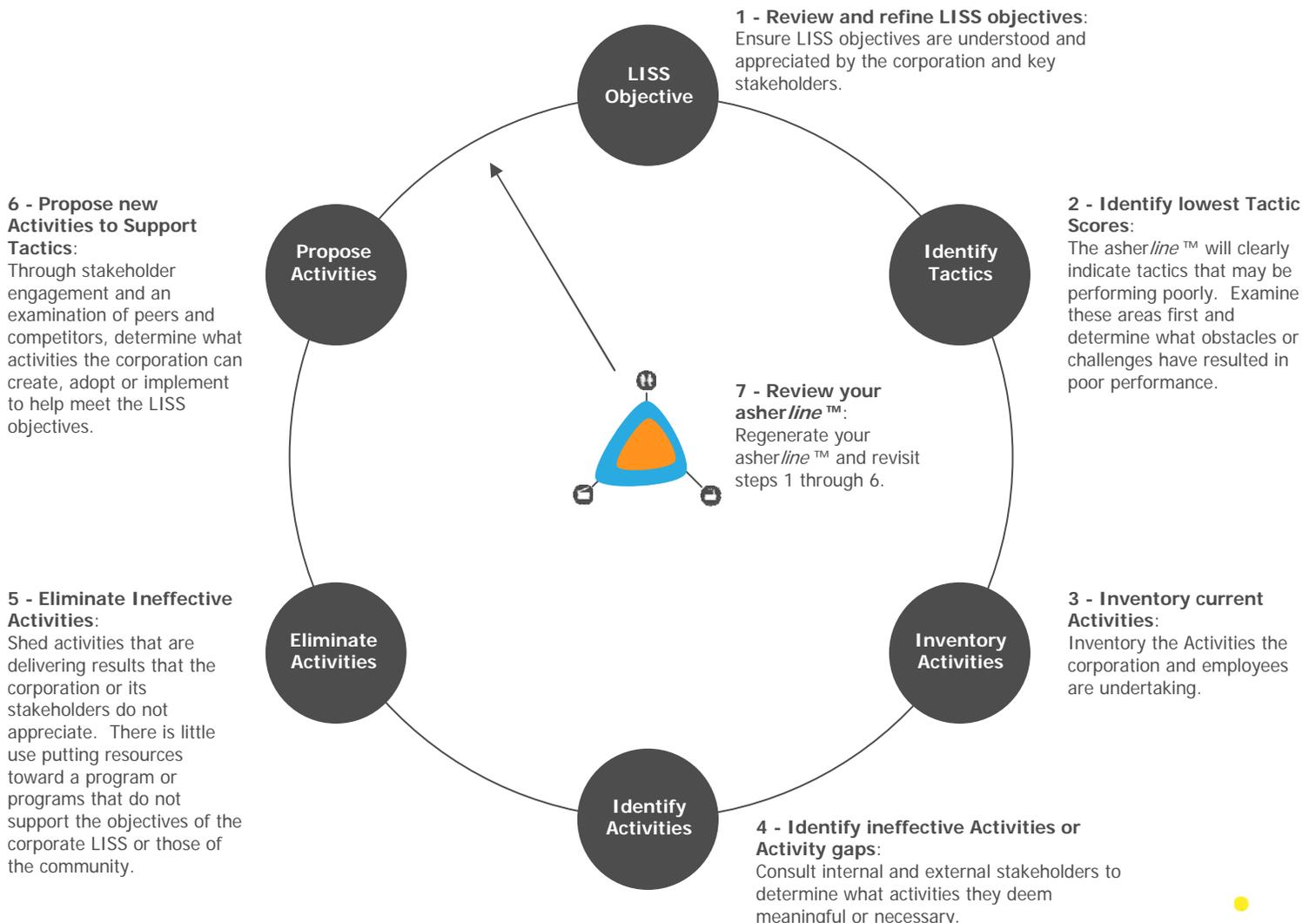
Managing LISS

To improve LISS performance, a corporation should examine the Tactics and Activities of each Element of Influence. This will provide a roadmap to areas of greatest opportunity for improvement. It should be noted that while best practice is often recommended, it might not be necessary to achieve it to ensure corporate sustainability.

Assuming a corporation desires best practice, improvements or monitoring of the LISS, it can take a number of actions. To improve and monitor relative and absolute performance, it can use the process noted in Figure 4 below.

Once a corporation has conducted the process, it should regularly review its asherline™ to note changes in performance, then revisit the process.

Figure 4: LISS Improvement Process



Summary

The corporate license to operate is at risk. And as goes the license to operate goes corporate profitability and sustainability. So any corporation dependent on the interests of local communities and stakeholders should work to manage its local impacts strategically.

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About asherleaf consulting inc.

asherleaf is a leading sustainability advisory firm based in Toronto, Canada. We focus on identifying and solving environmental, social, governance and economic problems.

But then we go further.

We help you increase profitability, reduce cost, improve reputation and sharpen governance by enhancing your ability to make better decisions – faster.

We specialize in innovative ideas and great relationships with our clients.

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