



# Local Government Guide to Fostering Corporate Responsibility

---

Helen Scott

Centre for  
Urban Research



**Global Compact**  
Cities Programme



Centre for  
Urban Research

## Local Government Guide to **Fostering Corporate Responsibility**

November 2016

Published by:  
Centre for Urban Research (CUR)  
RMIT University | City campus  
Building 15, Level 4  
124 La Trobe Street  
Melbourne VIC 3000

[www.cur.org.au](http://www.cur.org.au)  
[@RMIT\\_CUR](https://twitter.com/RMIT_CUR)  
[facebook.com/rmitcur](https://facebook.com/rmitcur)

UN Global Compact - Cities Programme  
International Secretariat  
RMIT University  
124 La Trobe Street  
Melbourne VIC 3000

[www.citiesprogramme.org](http://www.citiesprogramme.org)  
[@UNGC\\_Cities](https://twitter.com/UNGC_Cities)  
[facebook.com/citiesprogramme](https://facebook.com/citiesprogramme)

Cover image: South Melbourne Town Hall by Donaldytong via  
Wikimedia Commons/CC BY-SA 3.0

Layout and design:  
Chanel Bearder

# Local Government Guide to Fostering Corporate Responsibility

Helen Scott

## About the Author

Helen Scott is a Research Associate and PhD Candidate at the School of Global Urban and Social Studies and UN Global Compact Cities Programme at RMIT University, Melbourne.

Helen's research interests focus on how best to engage individuals and groups of people, to modify behaviour towards a more sustainable approach to living and working.

Her focus to date has involved the approach of working through local government mechanisms within cities, but she is also interested in the mechanisms to facilitate involvement of the private sector in urban sustainably outcomes.

She is particularly interested in urban areas in the Asia Pacific area, and the nexus of sustainability and resilience.

## Acknowledgements

This guide was produced with the support and contribution of the Global Compact Cities Programme, Centre for Urban Research and the School of Accounting at RMIT University, with funding provided by the Global Cities Research Institute.

Special thanks go to Frank Yardley, Professor Ralph Horne, Elizabeth Ryan, Professor Jago Dodson and Professor Craig Deegan for their support and endorsement of the project. Big thanks to Corey Watts for editing.

Final thanks to those who agreed to be interviewed — your contributions have been insightful and invaluable!

# Contents

---

Introduction.....	5
Background to the Guide.....	6
Does ‘Corporate Responsibility’ relate to businesses of all sizes?.....	7
The Role of Government.....	7
Action Areas for Fostering Corporate Responsibility.....	8
Awareness-raising.....	9
Facilitation.....	10
Partnering.....	12
Soft Law.....	14
Financing.....	14
Planning.....	16
Mandating.....	16
Guidance for Developing a Corporate Responsibility Strategy.....	17
Stakeholder Engagement.....	18
Step 1: Establishing the context.....	18
Step 2: Strategic orientation.....	22
Step 3: Establish goals and objectives.....	22
Step 4: Mechanism Selection.....	22
Step 5: Implementation.....	22
Step 6: Monitoring and Evaluation.....	23
Step 7: Reporting.....	23
Conclusion.....	24
Endnotes.....	25
References.....	26

# Introduction

---

Local governments work in many ways to improve the vibrancy, amenity and wellbeing of their communities. Expectations of local government are increasing globally, however, with greater community demand for improved environmental protection, local economic activity and social vitality.

At the same time, there is rising public expectation of business to demonstrate greater environmental and social responsibility.

What then is local government's role in supporting business to be more environmentally and socially responsible? Do they have a part to play? Or is promoting corporate responsibility just a role for national government?

This guide suggests that local governments have a significant role to play in helping business to be more socially and environmentally responsible, and that a well-conceived corporate responsibility program for their jurisdictions can lead to better

relationships with their business community, as well as improved efficiencies, environmental and social performance.

The guide outlines:

- A definition of corporate responsibility and government's role in promoting responsible business behaviour;
- A range of mechanisms that can be used by local government to engage the private sector in greater corporate responsibility;
- Examples of these mechanisms implemented in different parts of the world, to inspire and support practitioners; and
- Guidance for developing a local corporate responsibility program.

It is written for local government managers and officers, whether they are working in the area of economic development, community development, environment and/or sustainability.



# Background to the Guide

---

As the world recovers from the global financial crisis, attention has turned to the need for greater socially responsible behaviour from the private sector. This has also, naturally, led to greater scrutiny of the role that governments can play to foster improved corporate responsibility. Additionally, as they work within even more constrained budgets, many government bodies are exploring ways of working with the private sector to improve sustainable development outcomes within their jurisdictions.

While the bulk of attention is on the role of national governments, subnational agencies, including local governments<sup>1</sup>, have a powerful role to play. Local

governments have the advantage of being closer to the local business community than other levels of government. They are often in a position to deploy policy mechanisms and strategies that more directly facilitate environmentally and socially responsible business activity.

This guide identifies many of these mechanisms and strategies, drawing on examples from municipalities in different parts of the world. It aims to provide guidance to local governments that wish to establish a robust corporate responsibility strategy for their jurisdictions.

---

1. A note on terminology. The term 'local government' is used in this guide to represent the level of public administration that is given responsibility for delivering a range of services to a (generally) small geographic area. It is often considered the level of government 'closest to the people', and in the hierarchy of national government systems, is considered the lowest tier of administration. Common names for this tier include: province, council, county, borough, village, municipality, shire, city, township and prefecture. The guide will alternately use the term 'local government' and 'municipality'.

## Does 'Corporate Responsibility' relate to businesses of all sizes?

The terms corporate social responsibility, corporate responsibility, and corporate citizenship are often used interchangeably.

They refer to:

- The integration of environmental and social considerations into core business operations
- Interaction and connection with stakeholders
- Voluntary action beyond minimum regulatory requirements. i

Additionally, corporate responsibility is seen as a way for business to contribute to sustainable

development. ii

In most municipalities, small-to-medium-sized enterprises (SMEs) represent a large portion of the private sector, hence corporate responsibility may seem at first inappropriate. In this context, terms such as 'environmental and social responsibility' are perhaps more relevant. The essence of the concept is the same, however, and for the purposes of this guide is applicable to businesses of all sizes. Nevertheless, SMEs may go about things in a different way from larger firms.

## The Role of Government

Corporate responsibility is a useful framework that enables collaboration between government, civil society, and business, facilitating cooperative solutions to societal problems. The role that government plays will vary across jurisdictions and different political, cultural, economic and environmental contexts. Some governments focus corporate responsibility efforts on social equity or labour standards, while others are more concerned with environmental protection. In some jurisdictions strong regulatory controls ('sticks') on business are accepted, while in others, moral suasion, awareness-raising, and incentive-based programs ('carrots') are more effective.

At the national level, governments have introduced a variety of mechanisms to promote improved corporate responsibility, including: award schemes, capacity building, corporate responsibility roundtables, corporate governance codes, tax exemptions, mandatory corporate responsibility reporting and stock exchange regulations. These schemes help shape the context in which local

government works. National policy environments can either provide support to local government efforts or, where policy drivers are absent or weak, can motivate local government to be proactive.

At the local level, the roles and responsibilities of local government differ significantly between and even within countries, affecting the types of possible action. Local governments may have the ability to enact by-laws and raise taxes, they can be responsible for a diverse range of services including public health, public housing, education, business licensing, waste and pollution management, road maintenance, public and street lighting, parks and recreation services, stormwater and drainage systems and utilities. Alternatively, they may be constrained by state or national legislation, limiting their responsibility and authority. This guide does not prescribe actions for different situations—each local authority knows its context best and can best determine the parameters within which it can take action. The next section outlines possible action areas for local governments' consideration.

# Action Areas for Fostering Corporate Responsibility

A number of mechanisms are regularly used by local government to engage the private sector in socially and environmentally responsible behaviour. This guide classifies the mechanisms into seven

categories (Table 1), described in more detail later in this section. The mechanisms are not mutually exclusive. In fact, they are most effective when they reinforce each other as part of a structured program.

Table 1. Local Government Mechanisms to influence Corporate Responsibility

Categories	Local government mechanisms to influence corporate responsibility	Examples
<b>Awareness raising*</b>	<ul style="list-style-type: none"> <li>Award schemes</li> <li>Information platforms</li> <li>Campaigns</li> <li>Training</li> <li>Toolkits</li> <li>Walking the talk/demonstration</li> </ul>	<ul style="list-style-type: none"> <li>Local green business award</li> <li>Sustainable business web page</li> <li>Small business energy efficiency education campaign</li> <li>Climate awareness training for business</li> <li>Adoption and promotion of good practice by local government</li> </ul>
<b>Facilitation</b>	<ul style="list-style-type: none"> <li>Networking</li> <li>Linking</li> <li>Multi-stakeholder dialogues</li> <li>Collective action efforts</li> </ul>	<ul style="list-style-type: none"> <li>Networks and forums of local governments, as well as local initiatives that create formalised networking and engagement with the local business community on an ongoing basis</li> </ul>
<b>Partnering*</b>	<ul style="list-style-type: none"> <li>Public-private partnerships (PPPs)</li> <li>Environmental protection agreements</li> <li>Voluntary planning agreements</li> <li>Sustainability partnerships</li> </ul>	<ul style="list-style-type: none"> <li>PPPs for urban renewal and development</li> <li>Environmental Upgrade Agreements for buildings</li> </ul>
<b>Soft Law*</b>	<ul style="list-style-type: none"> <li>Codes of conduct</li> <li>Endorsement/adoption of international principles</li> <li>Linking corporate responsibility to public procurement</li> <li>Socially responsible investment.</li> </ul>	<ul style="list-style-type: none"> <li>Local government purchasing</li> <li>Green fleet</li> <li>Divesting funds from unsustainable businesses</li> <li>Adoption of certified environmental management system, such as ISO 14001 or EMAS.</li> </ul>

Categories	Local government mechanisms to influence corporate responsibility	Examples
<b>Financing</b>	<ul style="list-style-type: none"> <li>Targeted grants</li> <li>Differentiated rating and access to special financial products</li> </ul>	<ul style="list-style-type: none"> <li>Small business efficiency grants</li> <li>Differentiated rates for preferred business activities</li> <li>Special loan repayment terms for business environmental improvement activities</li> </ul>
<b>Planning</b>	<ul style="list-style-type: none"> <li>Planning schemes</li> <li>Regulations to set out the operational rules and criteria for development</li> </ul>	<ul style="list-style-type: none"> <li>Zones for different business activity</li> <li>Implementing special planning conditions and overlays</li> </ul>
<b>Mandating*</b>	<ul style="list-style-type: none"> <li>Licensing</li> <li>Enforcement of state or national laws</li> <li>Local by-laws and codes</li> </ul>	<ul style="list-style-type: none"> <li>Enforcing food health standards</li> <li>National Building Codes</li> <li>Pollution licences</li> </ul>

\* These categories were taken directly from the UN Global Compact and Bertelsmann-Stiftung (2010) framework, and modified to suit the local government context.

## Awareness-raising

Awareness-raising is a popular instrument for many local governments. It is used to increase the private sector's knowledge and understanding of particular environmental and social issues and/or sustainability generally, to make the connection to business activity, to disseminate the idea of corporate responsibility and make the business case for action. Awareness-raising activities can help generate solutions to perceived problems, and provide incentives and resources to drive business change.

Mechanisms for awareness-raising include:

- **Business awards** that showcase sustainable practice. Manly City Council's (Australia) *Sustainable Business Awards*, for example, recognise business excellence in a number of categories: management of waste, water, energy efficiency, fair trade, contribution to

local community and excellence in sustainable business management. <sup>iii</sup>

- **Information platforms**, including both online and printed mechanisms, provide businesses access to relevant knowledge. City of London's (UK) *Business and Sustainability* web page outlines a range of sustainability guidance services for London-based businesses. <sup>iv</sup>
- **Campaigns** are generally issue specific and implemented by local-government for a discrete time. Campaigns can be generated by NGOs, other levels of government or partnerships of these and may operate across many localities. Yarra City Council, in the Greater Melbourne Area, (Australia) working with a local NGO, Cultivating Community, developed the *Food Know How Program*, aimed at cutting food waste. The program raises awareness of food waste issues with local cafes and businesses,

and provided guidance for reducing food waste. The program has grown to include four additional local governments.

- **Toolkits** provide step-by-step guidance and instruction to help businesses address specific social or environmental issues. City of London's *Local Purchasing Toolkit* is part of a suite of information to guide local businesses through their sustainable procurement choices. v
- **Training** can be developed by local government, or it can facilitate training by third-party providers. Just northwest of Melbourne, City of Hume's (Australia) *Business*

*Efficiency Network* regularly promotes training opportunities provided by others, such as industry associations and the state government.

- **'Walking the talk'** involves a local government adopting socially/environmentally responsible practices or performance standards and demonstrating the benefits to their local business community. Examples include flexible work options that encourage women into the workforce, or installing solar panels on council buildings to reduce reliance on fossil fuels.

## Facilitation

Facilitation has emerged as one of the most significant areas of local government engagement with the corporate responsibility agenda. Working closely with business, local government can facilitate connections between firms, and between them and other actors. This can be a resource-intensive process, and reaching businesses, stimulating their interest, and engaging them requires a determined effort to build trust and to understand the needs of local businesses. Nevertheless, facilitating cooperation between businesses and civil society can produce innovative results with benefits shared across sectors.

Mechanisms are less clearly defined and can include:

- **Coordinating local business networks** and forums to enable firms to come together and discuss their needs and issues with the local authority (not limited to sustainability questions), as well as to network. Networks allow councils and business to develop a productive, trusting relationship that can lead to opportunities for sustainability. The City of Kingston, southeast of Melbourne (Australia), convenes

several business networks, and holds regular *Sustainable Business Breakfasts* to bring local businesses together. vi

- **Facilitating alliances** for sustainability generally revolves around particular projects, such as the Dutch City of Leeuwarden's efforts to increase the percentage of biofuel cars in the area (See *City of Leeuwarden Leading Businesses to Bio-Fuels* case study), or the City of Kingston's *Advisory System for Processing, Innovation and Resource Exchange (ASPIRE)* vii project. Stemming from the knowledge and relationships formed through City of Kingston's business networks, the City has formed an alliance with Australia's CSIRO (Commonwealth Scientific and Industrial Research Organisation) and several councils to develop the project, which helps business think creatively about their waste. One business' waste can be a key input for another business – the ASPIRE project helps identify these opportunities, and bring businesses together.
- **In-kind** support includes a wide array of activities: from provision of space and materials



## City of Leeuwarden Leading Businesses to Biogas

Leeuwarden is the capital of Friesland, a northern province of the Netherlands. It has a well-established commitment to growing business and employment opportunities and to transitioning businesses to a more sustainable way of working. Their approach is based on building coalitions with businesses and the different layers of government. The City sees its role as working collaboratively with business, creating new visions together, and inviting business to support that vision. They have a “friends approach” to business partnership - recognising you do more for your friends!

One recent program aimed to increase the number of vehicles in Leeuwarden driving on green gas: biogas. The City worked with their stakeholders on a multi-pronged approach that aimed to create a totally new system to transition the city’s drivers to biogas. Firstly, they worked to increase the number of fuelling stations able to supply green gas. They

then worked collaboratively with car dealers to encourage them to sell more green gas vehicles, thus providing the demand for the fuelling stations. Finally, they brought together the parties who had the means to produce the biogas, namely the farmers and the garbage collectors. Thus, a large coalition of partners was formed, encouraged and facilitated by the efforts of the City of Leeuwarden. Peter Luimstra from Leeuwarden has said: *“you need a lot of parts in the chain that you change; we tried to bring those parts together and said ‘well if you do this, the other party will do this and it will work and the government can support you.’”*

The program has seen a growth in green cars and trucks. When it was launched, there were only a handful of biogas vehicles in the city. Now, there are over 500 – with several businesses improving their environmental impacts through engagement with the initiative.

for businesses proactively engaging in sustainable behaviour, to expert advice and staff time. City of Melbourne and RMIT University have partnered to provide local businesses with students in their final year of the University's Bachelor of Environment and Planning degree. The students assist with particular environmental projects, such as energy audits and implementing behavioural change programs in businesses, as part of the: *CitySwitch*

*RMIT Student program*. The students receive coaching and are matched by the City to local businesses, providing advice and guidance to the business.

- **Networks** (of local governments) assist regional and global business connection. These networks may be international, such as ICLEI - Local Governments for Sustainability, or regional, such as the EU's Sustainable Cities platform.

## Partnering

Local governments also enter into legal agreements, working with particular businesses towards improved local sustainable development outcomes. These partnerships tend to target specific actions and require one-on-one negotiation with each business.

Popular mechanisms include:

- **Public Private Partnerships** (PPPs), where local governments enter into partnership arrangements with business to achieve local sustainable development results, usually related to infrastructure or development projects. Local governments have the opportunity to influence the private sector by including binding environmental and social outcomes in the contract. The Holdfast Bay development of a part of the South Australian foreshore in the early 2000s is held up as an example of a good PPP. The municipality of Holdfast Bay invested considerable time and resources, carefully selecting their private sector partner and working collaboratively with them to develop a sound relationship. The result was a development that provided social and environmental benefits to the community, and economic benefits to the private partner.
- **Environmental protection agreements** are government-business contracts intended to curb pollution or other kind of specific environmentally degrading process. Examples include Pollution Control Agreements, which were popular in Japan <sup>viii</sup>, as well as Environmental Upgrade Agreements (EUAs), which facilitate efficiency improvements in commercial buildings, such as implemented by City of Melbourne and City of Lake Macquarie in Australia. (NB: EUAs are also a financial mechanism).
- **Sustainability partnerships** are formed by local governments joining with business to achieve long-term sustainability outcomes. The *Network for Sustainable Business Development in Northern Denmark* <sup>ix</sup> led by the Cities of Aalborg and Hjørring (Denmark) aims to improve companies' competitiveness by focusing on environmental improvements in the production process. City of Melbourne's project to facilitate a business group joint purchase of renewable energy by some of the largest energy users in the city could be considered a sustainability partnership (See *City of Melbourne, Powering the City* case study). City of Oslo in Norway established a Business for Climate network.



## City of Melbourne Powering the City

City of Melbourne, the capital of the state of Victoria in Australia, has a commitment to lead by example – “locally, nationally, globally” (City of Melbourne). It has demonstrated this commitment in many ways. In 2004, Council built the award-winning Council House 2 (CH2), which was granted the 6 Star Green Star - Design rating and the 6 Star Green Star – As Built rating by the Green Building Council of Australia; the highest green rating possible at the time. City of Melbourne uses the building to educate and inform others of what is possible in a medium size office block. Virtual tours of the building are available online, in-person tours are also available to groups. In its first year of occupancy, its performance was measured and publicly reported.

To advance the City’s Zero Net Emissions by 2020i aspirations, City of Melbourne convened a group of high energy-using businesses within the City and

in neighbouring local government areas to form a group purchasing consortium\*. The Municipal Renewable Energy Project (MREP) aims to secure contracts for the supply of electricity sourced from new renewable energy power plant(s) constructed to meet the consortium’s needs. Facilitating the formation of this group of leading businesses, organising the legal arrangements required, then partnering with the businesses to walk-the-talk for purchasing new renewable energy demonstrates how local governments progress through and engage multiple mechanisms to promote environmentally and socially responsible practices.

\*Consortium members include neighbouring Cities of Yarra, Port Phillip and Moreland, as well as RMIT University, University of Melbourne, Zooz Victoria, Federation Square, Melbourne Convention and Exhibition Centre, Bank Australia, NAB, Citywide, Australia Post and NEXTDC.

Businesses joining this network commit to assisting Oslo reach their goal of halving their greenhouse gas emissions by 2020. They do this in three ways: by reducing emissions from their own operations; by influencing their supply chain's emissions; and by making improvements

in their own products, reducing the emissions of their customers. Businesses report annually, which allows Oslo to track performance, as well as celebrate successes, and motivate continual improvement. To date this network has more than 70 business partners.



## Soft Law

Soft law interventions are defined as 'non-regulatory' interventions. They encompass an alteration of the way local government itself carries out its operations that then affects or rewards the private sector for responsible environmental or social behaviour.

Soft law mechanisms include:

- **Procurement** strategies and practices adopted by local government that require suppliers to meet certain environmental and social criteria. These constitute a very common form of soft law. Preferential purchasing from businesses that meet these standards is intended to catalyse preferred behaviour in private actors. It also rewards businesses that demonstrate exemplary environmental and social credentials (See *City of Oslo, Influencing the procurement supply chain case study*).
- **Codes of conduct** can be implemented for substantial projects, where contractors must conform to particular environmental and social behaviours specified by the contractor. Norway's

City of Oslo, for example, uses codes of conduct for significant projects.

- **Socially Responsible Investment** by local government targets the investment of their funds such as pension or superannuation funds. Local governments can choose to invest in instruments that meet certain environmental or social standards, thus influencing the market through accumulated financial power. For example, several cities have chosen to divest public funds from fossil fuels: City of Oslo (Norway), City of Newcastle (Australia), City of San Francisco (USA), Bristol City Council (UK) and City of Christchurch (New Zealand), to name a few.
- **Adoption of international standards**, such as a certified environmental management system like ISO 14001, demonstrates commitment by the local government. When changes are communicated to the business community, it can also help build the business case for action. (See also *Awareness-raising*.)



## Financing

This mechanism appeals directly to the bottom line for business. It includes direct cash incentives for better business behaviour, including:

- **Grants** to implement environmental improvements, such as energy or water

efficiency measures.

- **Differentiated rating** can be used to apply different charges upon business, based on social or environmental criteria. In South Africa, differentiated rating has been used by local



## City of Oslo

### Influencing the procurement supply chain

Many cities influence the social and environmental behaviour of businesses by including specific, related criteria within their purchasing guidelines. In 2012 Oslo went a step further by looking at social responsibility in its product procurement supply chain. Oslo understood that the majority of products purchased by the City government were manufactured outside of Norway, in countries where ethical standards are weaker, so this was where they needed to focus efforts.

The City of Oslo established a 'framework agreement' to obtain audits of ethical standards in supply chains and invited other public agencies to join the agreement. The results of the ethical audits are available through the City of Oslo's Procurement Portal, enabling other public agency procurers to

see the results, but also enabling suppliers to reach more clients with the same information, reducing the audit burden on them.

Early audits identified issues within the supply chain for some of City of Oslo's key product areas. Corrective action was taken so that the local importers were made aware of International Labour Organisation (ILO) standards, they could monitor their suppliers' performance, and improve standards at manufacturing facilities based in other countries.

With over 60 public agencies now signing the framework agreement, City of Oslo's initiative has the potential for considerable business social responsibility impact.

government to encourage farm businesses to provide social housing for workers, by offering a significant discount in annual rates paid. xi

- **Access to special finance mechanisms**, where local governments provide some security for loan products, helping business to secure either better rates or better repayment terms. Environmental Upgrade Agreements, such as

those used by City of Melbourne, for example, are voluntary agreements between commercial building owners, the municipality, and a financier. The building owner repays the loan (to finance environmental improvements to a commercial building) via their local government rates and the municipality then repays the financier.

## Planning

The land-use planning function of local government is widely recognised as a powerful way municipalities can change corporate practices in many jurisdictions. This mechanism falls somewhere between ‘Soft Law’ and ‘Mandating’ depending on the approach taken and authority of the local government within the planning system.

The particular mechanisms within planning schemes vary greatly between jurisdictions, however, and can include:

- **Policies** that establish the local government intent for a particular area, perhaps in relation to heritage, wildlife conservation or outdoor advertising, guiding particular activities.
- **Zones** that restrict different activities to particular geographic locations, for example, industrial compared with commercial business land use.
- **Special overlays or Conditions** that impose additional criteria on certain areas of land and operating requirements for businesses.

## Mandating

Including this group of mechanisms is contentious because, by definition, once something is mandated it falls outside the boundaries of corporate responsibility (defined as voluntary behaviour).

Because local governments have a role in setting and enforcing mandatory environmental and social requirements for business, however, it is important to consider as part of the suite of mechanisms available.

Mechanisms include:

- **By-laws or local codes, ordinances or regulations** are local level municipal laws that can include direct regulation and licensing of business.
- **Enforcing State/National legislation** in key areas, such as national health and safety standards, food handling requirements or pollution control standards. The required standard is set by a higher-level government but monitored and enforced by local government.

# Guidance for Developing a Corporate Responsibility Strategy

To cost-effectively promote environmentally and socially responsible business practices, local governments need a well-researched, structured and resourced strategy; one that provides direction and a strong business case, including for itself.

While the steps identified below (Fig. 1) are essentially no different from those in other planning

schemata, the questions posed and actions suggested in each step are designed for local government wishing to expressly influence the environmental and social responsibility of businesses in their jurisdiction. Progressing through each step will help a local government to define and shape a corporate responsibility strategy appropriate for its local government's situation.

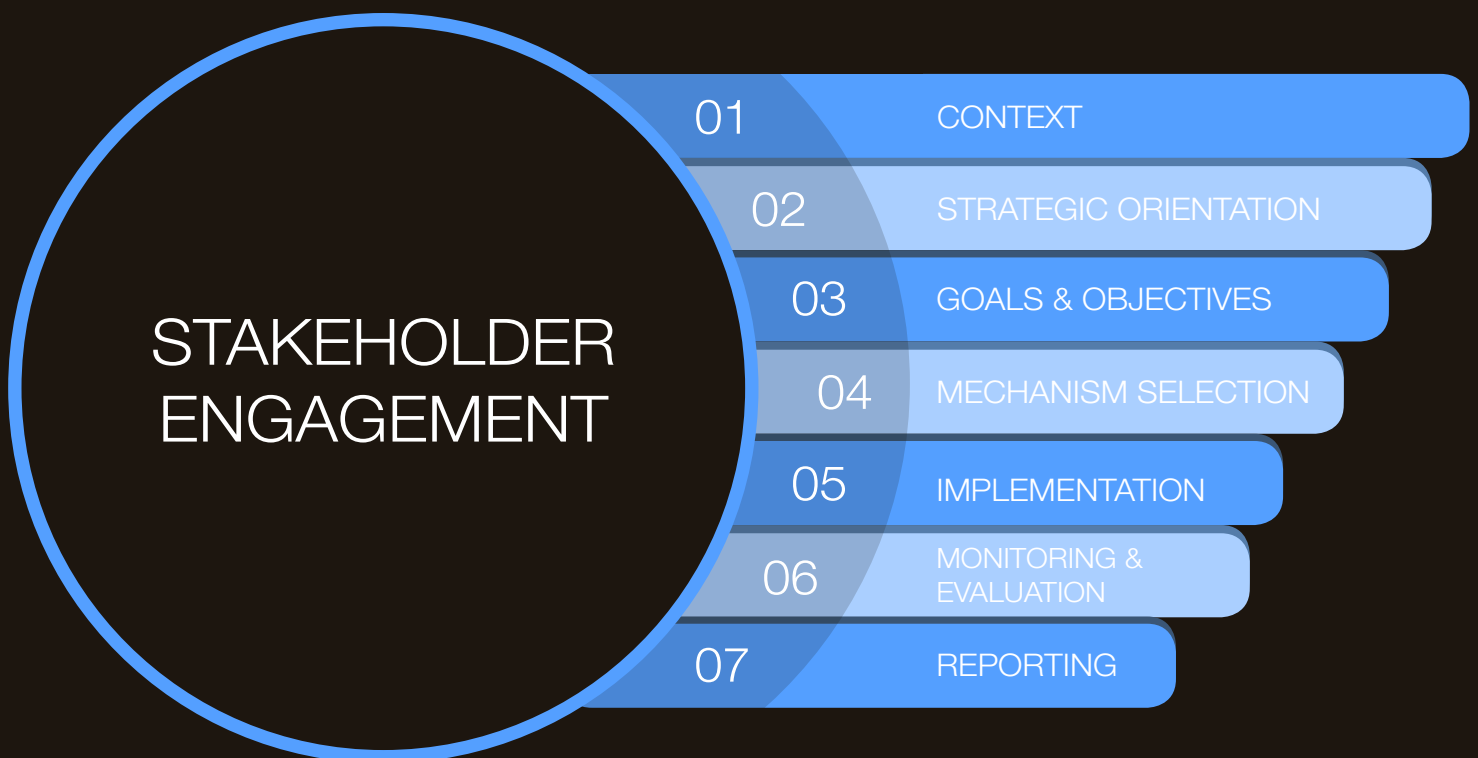


Figure 1. Steps to guide development of a Corporate Responsibility Strategy

## Stakeholder Engagement

Each step presented here should be underpinned by engagement with local residents and the business community. The earlier business is engaged in the process the more opportunity they have to inform and develop a sense of buy-in to the government strategy—important elements of success (See the *City of Greater Geelong: Linking positive business outcomes with sustainability outcomes starts with stakeholders* case study).

### Step 1: Establishing the context

This first step requires local governments to investigate and analyse the international, national, and perhaps regional context within which they operate. Global standards and stakeholder expectations shape corporate responsibility, as do national strategies, political priorities, institutions and cultural norms.

Local governments need to understand these elements and the implications for their jurisdiction to understand where they can add the best value, and for their strategy to succeed. The following analysis framework has been adapted to the local government context from *The CSR Navigator*. xii

**International corporate responsibility**  
Although operating at the local level, local governments need to consider the broader international environment in which they operate. This includes not only topical issues, such as climate change, but also subjects perhaps given less exposure in mainstream media, such as child labour. What matters are more likely to have a direct bearing on local industry, as well as those with an indirect effect? For example, global agreements to curb carbon pollution may directly impact an industry, while child labour questions may not be related directly to a local firm but could impact on business supply chains. What global standards

exist for these issues? How do they apply to the particular locality?

### Corporate responsibility at the national level

*These questions help determine the type of corporate responsibility that may be operating in the country overall.*

- What is the level of maturity of corporate responsibility in the country—from both a government and private sector perspective? For example, are there visible government policies and/or strategies and national capacity around corporate responsibility, an established body of knowledge and experience?
- Are businesses actively involved in corporate responsibility? What issues do companies typically focus on?

### Political Dimension

*These questions point to whether there is national political support for corporate responsibility that the local government can tap into at the local level, or identify possible gaps that local government might fill.*

- Is the political climate in the country conducive to corporate responsibility initiatives at the local level? If there is no leadership nationally, can local government fill the gap?
- Has the national government committed the country to international agreements on corporate responsibility? Is it enacting supportive national laws and programs?
- What is the national government's position on government's role in influencing business?

### Economic Dimension

*Different industries have different corporate responsibility issues. Understanding the predominant industries driving the national economy helps to shed light on particularly relevant issues for*

# City of Greater Geelong

## Linking positive business outcomes with sustainability outcomes starts with stakeholders

City of Geelong (Australia) has a demonstrated, proactive role in positively influencing the social and environmental impacts of local business and industry through a program called Future Proofing Geelong.

Together with their partners, the Local Government focuses on linking positive business outcomes, with positive sustainability outcomes. They have achieved measurable results which will assist Geelong's transition to a low carbon future.

The journey started with many months of intensive stakeholder engagement. This engagement helped all the partners understand what "future proofing" meant for businesses, the local community and organisations, and how it could be made tangible through specific, targeted projects.

Future Proofing Geelong started with seven partners and now involves ten\*, that have signed a Memorandum of Understanding. A stakeholder engagement process was established to undertake the strategic thinking for the program. It included a series of stakeholder groups that met regularly for over a year. These groups included:

- Advisory Group – consisting of the CEO's from the partner organisations.
- Working Group – representatives of the partner organisations, charged with developing projects that had gone through the "future proofing filter"; if the projects could achieve relevant demonstrable outcomes, they were recommended to the Advisory Group for approval.
- Three separate Reference Groups sat below these two groups representing community, small and medium sized enterprises (including commercial buildings), big business and industry. The groups came to a consensus about themes and projects for the program to focus on.

Over more than a year, the stakeholder groups worked to establish the Future Proofing Geelong vision, that "by 2030, Geelong is internationally recognised as one of the world's most sustainable cities", and developed the programs focus themes.

This effort was the founding stone for creating the



Future Proofing Geelong brand, which has become an “umbrella brand”, bringing together different projects from throughout Geelong.

Once the Future Proofing Geelong program moved to delivery, the stakeholder groups became more focussed on projects, so the Advisory Board remains the only stakeholder group which meets to discuss the strategic direction of the program. This extensive engagement process brought

all the partners and their stakeholders together, to establish a common focus; improving the productivity, sustainability and liveability of Geelong.

\*The ten partners include: City of Greater Geelong, Geelong Manufacturing Council, Deakin University, Geelong Chamber of Commerce, Barwon Water, Committee for Geelong, Barwon Health, The Gordon, Barwon South West Waste and Resource Recovery Group, Geelong and Region Trades and Labour Council (Note: EPA Victoria was a founding signatory to Future Proofing Geelong).

*the nation as a whole.*

- What are the predominant industries driving your national economy? What are the main corporate responsibility issues relevant to these industries?

### **Social Dimension**

*Social issues that are uppermost in the mind of the public, issues causing disadvantage or even leading to social unrest may illuminate possible fields of action.*

- Are there equal opportunities for disadvantaged groups?
- Is there social unrest (at a national level)?
- Are there known/established expectations of business from customers?

### Local-level corporate responsibility

Once the broader national and international context has been established, changing focus to the local level will further define the nature of corporate responsibility relevant for each particular local government and its local businesses.

### **Governmental**

- What authority does local government have to act in this area?
- What resources (money, skills and expertise) are available to local government?
- What is the level of local government autonomy?
- How collaborative are neighbouring local governments or those with shared issues?
- Is corruption or even the perception of corruption a problem at the local level?
- What is the typical form of engagement between local government and business in the area?
- Are there established levels of trust between the local government and businesses? If yes, how have these been built? If not, what are the barriers to building trust? How can these be overcome?

### **Economic**

- What are the main business sectors operating in the local government area? Consider number of employees and value to the local economy, as well as the industry sector. For example, are the firms large multinationals or predominantly SMEs?
- What is the level of influence these businesses have over local politics?
- What are the direct and indirect corporate responsibility issues that are relevant to these businesses (consider international standards, local norms and client expectations)?

### **Social**

- Are there local social drivers for corporate responsibility? For example, gender imbalance in employment? Issues of child labour? Dangerous work conditions?
- What social issues are most prevalent in the local government area?
- What is the level of education of the local populace?
- How engaged is the community in local political decisions? Does the local government's culture support this?

### **Environmental**

- Are there local environmental drivers for corporate responsibility? For example, deforestation, pollution or water scarcity?
- What environmental issues are most prevalent in the local government area?
- How engaged is the local community in environmental issues?

## Step 2: Strategic orientation

After gathering and analysing contextual information, the local government needs to be clear about why it wants business to engage in corporate responsibility, and what corporate responsibility looks like at the local level. What is local government's rationale for influencing local business towards corporate responsibility? Engaging and consulting with local businesses and the community will help the local government determine what corporate responsibility means at the local level.

The corporate responsibility agenda of a local government needs to sit comfortably within its overall priorities and strategies for the local region. So, when determining local corporate responsibility priorities, first consider what the municipality's overarching priorities are. For example, is there a focus on increasing economic activity, providing local jobs, reducing carbon emissions, improving labour standards, and/or social inclusion? Each of these priorities can help shape and guide the corporate responsibility strategy. The local government would benefit from clearly identifying and communicating which priority areas it wishes to focus on for its corporate responsibility agenda, for example, reducing greenhouse emissions, improving labour standards through the supply chain etc.

## Step 3: Establish goals and objectives

As with any program of activity, clear goals and objectives for the corporate responsibility strategy are needed at the outset. Establishing measurable goals and objectives well help to focus activity and guide the selection of an appropriate suite of mechanisms. Goals and objectives should be realistic and take account of the local business context. For example, the local government may set a quantitative target for reduced greenhouse gas emissions from the private sector or seek to enhance engagement by local businesses in supply-chain programs. When establishing objectives,

they should be "S-M-A-R-T". That is, specific, measurable, achievable, relevant, and time-bound. These will need to be communicated to the business community and other stakeholders as part of the program activity.

## Step 4: Mechanism selection

Earlier in this Guide we elaborated on seven overarching mechanisms that local government could use to influence corporate responsibility. Once priority areas are identified and goals and objectives defined, the local government can select the most appropriate mechanisms to achieve those goals.

Key questions for the local government to consider at this point are:

- Which businesses are the targets for its corporate responsibility program: large local business or SMEs? A particular industry sector (e.g., manufacturing), geographic area (e.g., a local industrial estate) or the private sector more broadly?
- Rarely is a single policy mechanism sufficient to achieve complex changes in corporate behaviour. Instead, a layered program involving multiple mechanisms is often the best way to achieve goals. How will the different mechanisms work together and support each other to meet the program goals?
- What resources can be directed to the program? Some mechanisms are more resource-intensive than others, and each requires particular skills and knowledge.

## Step 5: Implementation

Implementation requires standard project-planning elements, such as appropriate approvals, materials, timelines, staff and budgets. Implementation will also require carefully crafted communications, which use more "business-centric" language, and communication strategies tailored to the private sector. This is the language of 'incentives', 'process

improvements' and 'measurement'. Engagement with the local business community will help ensure messages are crafted properly and achieve desired results—promoting buy-in to the corporate responsibility program.

### **Step 6: Monitoring and Evaluation**

Flowing from the goals and objectives will be indicators to measure the progress of the project implementation, as well as whether outcomes are being achieved. As part of its planning, the local government needs to consider what data is needed to measure progress, and how it will need to be collected. Will it require businesses to provide data to support greenhouse gas reduction targets for example? If so, what calculation methodology and tools will be used to support businesses? Will proxy indicators be used—such as attendance at training sessions—to monitor improved knowledge around key issues? What are the costs of monitoring—for

the municipality and the firms involved? How will monitoring and evaluation affect business buy-in?

### **Step 7: Reporting**

Reporting back to the community and stakeholders is an important element of a good program, helping to ensure transparency, celebrate achievements and drive continuous improvement. Reports need not conform to the traditional dry, printed format, however. Reporting can take the form of celebration events (such as dinners and award ceremonies) and acknowledgement of work undertaken by businesses, it can be ongoing updates in municipality newsletters and in local media, or it can be a comprehensive report that shows accumulated change in the business sector. Local government should consider at the project outset how it wishes to report back to the community, so that appropriate reporting mechanisms can be built in to communicate progress along the way.



# Conclusion

---

This guide sketches a range of policy strategies and mechanisms potentially available to local government to promote positive change in business behaviour. This is by no means an exhaustive guide and local governments are encouraged to explore the examples cited more deeply and to tap into the experiences of colleagues in other municipalities. Around the world, many municipalities are already demonstrating clear signs of success. Much of

their success they owe to a strategic, formal, and informed approach. They have stories to tell and, in many cases, there is no need for a local government to completely reinvent the wheel. Even so, there are plenty of opportunities to show leadership, to develop better relations with local businesses and other stakeholders, and to make real change for the better.

# Endnotes

---

- i Dahlsrud, A., 2008. How corporate social responsibility is defined: an analysis of 37 definitions. *Corporate Social Responsibility and Environmental Management*, 15(1), 1–13; Freynas, G. J. and Stephens, S. 2015. Political Corporate Social Responsibility: Reviewing Theories and Setting New Agendas. *International Journal of Management Reviews*, 17(4), 483–509; Steurer, R., 2010. The role of governments in corporate social responsibility: characterising public policies on CSR in Europe. *Policy Sciences*, 43(1), 49–72; Zappalà, G., 2003. *Corporate Citizenship and the Role of Government: the Public Policy Case*. Research Paper No. 4 2003–04. Canberra: Commonwealth of Australia. Available at: <http://www.aph.gov.au/binaries/library/pubs/rp/2003-04/04rp04.pdf> [Accessed 14 Apr. 2015].
- ii Albareda, L., Lozano, J. M., Tencati, A., Midttuna, A. and Perrini, F. The changing role of governments in corporate social responsibility: drivers and responses. *Business Ethics: A European Review*, 17(4), 347–363; Commission of the European Communities, 2002. *Corporate Social Responsibility: A business contribution to Sustainable Development*. Brussels: Commission of the European Communities. Available at: [http://trade.ec.europa.eu/doclib/docs/2006/february/tradoc\\_127374.pdf](http://trade.ec.europa.eu/doclib/docs/2006/february/tradoc_127374.pdf) [Accessed 4 Oct. 2015].
- iii Manly Council, 2016. *Sustainable Business Awards*. [online] Available at: <http://www.manly.nsw.gov.au/environment/climate-change-and-sustainability/sustainable-business-awards/> [Accessed 7 Jun. 2015].
- iv Ceccarelli, S., 2016. *Business and sustainability*. [online] Available at: <http://www.cityoflondon.gov.uk/services/environment-and-planning/sustainability/business-and-sustainability/Pages/default.aspx> [Accessed 7 Jun. 2015].
- v City of London. [no date]. *Sustainable procurement for City firms*. [online] Available at: <http://www.cityoflondon.gov.uk/business/supporting-local-communities/Pages/sustainable-procurement-for-city-firms.aspx> [Accessed 7 Jun. 2015].
- vi City of Kingston Business. [no date] *Sustainable Business*. [online] Available at: <http://www.kingston.vic.gov.au/business/Business-Support/Sustainable-Business> [Accessed 7 Jun. 2015].
- vii City of Kingston Business. [no date] *Advisory System for Processing, Innovation & Resource Exchange (ASPIRE)*. [online] Available at: <http://www.kingston.vic.gov.au/business/business-support/sustainable-business/aspire> [Accessed 7 Jun. 2015].
- viii Matsuno, Y. 2007. Pollution control agreements in Japan: conditions for their success. *Environmental Economics and Policy Studies*, 8(2), 103–141.
- ix Sustainablecities.eu. [no date] *The Network for Sustainable Business Development in Northern Denmark (NBE)*. [online] Available at: <http://www.sustainablecities.eu/local-stories/nbe-aalborg/> [Accessed 7 Jun. 2015].
- x UN Global Compact and Bertelsman-Stiftung, 2010. *The Role of Governments in Promoting Corporate Responsibility and Private Sector Engagement in Development*. New York and Gütersloh, Germany: UN Global Compact and Bertelsman-Stiftung. Available at: [https://www.unglobalcompact.org/docs/news\\_events/8.1/UNGC\\_Bertelsmannn.pdf](https://www.unglobalcompact.org/docs/news_events/8.1/UNGC_Bertelsmannn.pdf) [Accessed 9 Apr. 2015].
- xi Sansom, G. and McKinlay, P. (eds.) 2013. *New Century Local Government: Commonwealth Perspectives*, London: Commonwealth Secretariat. Available at: [http://www.keepeek.com/Digital-Asset-Management/oecd/commonwealth/governance/new-century-local-government\\_9781848591493-en#page1](http://www.keepeek.com/Digital-Asset-Management/oecd/commonwealth/governance/new-century-local-government_9781848591493-en#page1) [Accessed 23 Apr. 2015].
- xii Bertelsmann-Stiftung, 2007. *The CSR Navigator*. Gütersloh, Germany: UN Global Compact and Bertelsman-Stiftung Available at: [http://www.bertelsmann-stiftung.de/fileadmin/files/BSt/Publikationen/GrauePublikationen/GP\\_The\\_CSR\\_Navigator.pdf](http://www.bertelsmann-stiftung.de/fileadmin/files/BSt/Publikationen/GrauePublikationen/GP_The_CSR_Navigator.pdf) [Accessed 9 Apr. 2015].

# References

---

- Albareda, L., Lozano, J. M., Tencati, A., Midttuna, A. and Perrini, F. 2008. The changing role of governments in corporate social responsibility: drivers and responses. *Business Ethics: A European Review*, 17(4), 347–363;
- Ascoli, K., and Benzaken, T. 2009. *Public policy and the promotion of corporate social responsibility*, BSR. Available at: <http://www.bsr.org> [Accessed 14 Apr. 2015]
- Bertelsmann-Stiftung, 2007. *The CSR Navigator*. Gütersloh, Germany: UN Global Compact and Bertelsmann-Stiftung Available at: [http://www.bertelsmann-stiftung.de/fileadmin/files/BSt/Publikationen/GrauePublikationen/GP\\_The\\_CSR\\_Navigator.pdf](http://www.bertelsmann-stiftung.de/fileadmin/files/BSt/Publikationen/GrauePublikationen/GP_The_CSR_Navigator.pdf) [Accessed 9 Apr. 2015].
- Ceccarelli, S., 2016. *Business and sustainability*. [online] Available at: <http://www.cityoflondon.gov.uk/services/environment-and-planning/sustainability/business-and-sustainability/Pages/default.aspx> [Accessed 7 Jun. 2015].
- City of Kingston Business. [no date] *Sustainable Business*. [online] Available at: <http://www.kingston.vic.gov.au/business/Business-Support/Sustainable-Business> [Accessed 7 Jun. 2015].
- City of Kingston Business. [no date] *Advisory System for Processing, Innovation & Resource Exchange (ASPIRE)*. [online] Available at: <http://www.kingston.vic.gov.au/business/business-support/sustainable-business/aspire> [Accessed 7 Jun. 2015].
- City of London. [no date]. *Sustainable procurement for City firms*. [online] Available at: <http://www.cityoflondon.gov.uk/business/supporting-local-communities/Pages/sustainable-procurement-for-city-firms.aspx> [Accessed 7 Jun. 2015].
- City of Melbourne, 2013, *Council Plan 2013-17*. [online] Available at: [http://www.melbourne.vic.gov.au/AboutCouncil/PlansandPublications/CouncilPlan/Documents/Council\\_Plan\\_2013\\_17.pdf](http://www.melbourne.vic.gov.au/AboutCouncil/PlansandPublications/CouncilPlan/Documents/Council_Plan_2013_17.pdf) [Accessed 8 Jun. 2015].
- Commission of the European Communities, 2002. *Corporate Social Responsibility: A business contribution to Sustainable Development*. Brussels: Commission of the European Communities. Available at: [http://trade.ec.europa.eu/doclib/docs/2006/february/tradoc\\_127374.pdf](http://trade.ec.europa.eu/doclib/docs/2006/february/tradoc_127374.pdf) [Accessed 4 Oct. 2015].
- Dahlsrud, A., 2008. How corporate social responsibility is defined: an analysis of 37 definitions. *Corporate Social Responsibility and Environmental Management*, 15(1), 1–13.
- European Commission, 2002, *European SMEs and Social and Environmental Responsibility*, Observatory of European SMEs, 2002, No.4, Luxembourg. Available at: <http://www.mi.camcom.it/upload/file/587/293920/FILENAME/smes.pdf> [Accessed 26 Oct. 2015]
- Frynas, G. J. and Stephens, S. 2015. Political Corporate Social Responsibility: Reviewing Theories and Setting New Agendas. *International Journal of Management Reviews*, 17(4), 483–509.
- Leeuwarden, 2011, *Leeuwarden: Plan for smart ways with water and energy: January 2011 – December 2014*.
- Manly Council, 2016. *Sustainable Business Awards*. [online] Available at: <http://www.manly.nsw.gov.au/environment/climate-change-and-sustainability/sustainable-business-awards/> [Accessed 7 Jun. 2015].
- Matsuno, Y. 2007. Pollution control agreements in Japan: conditions for their success. *Environmental Economics and Policy Studies*, 8(2), 103–141.
- Sansom, G. and McKinlay, P. (eds.) 2013. *New Century Local Government: Commonwealth Perspectives*, London: Commonwealth Secretariat. Available at: [http://www.keepeek.com/Digital-Asset-Management/oecd/commonwealth/governance/new-century-local-government\\_9781848591493-en#page1](http://www.keepeek.com/Digital-Asset-Management/oecd/commonwealth/governance/new-century-local-government_9781848591493-en#page1) [Accessed 23 Apr. 2015].
- Steurer, R., 2010. The role of governments in corporate social responsibility: characterising public policies on CSR in Europe. *Policy Sciences*, 43(1), 49–72.
- Sustainablecities.eu. [no date] *The Network for Sustainable Business Development in Northern Denmark (NBE)*. [online] Available at: <http://www.sustainablecities.eu/local-stories/nbe-aalborg/> [Accessed 7 Jun. 2015].
- UN Global Compact and Bertelsmann-Stiftung, 2010. *The Role of Governments in Promoting Corporate Responsibility and Private Sector Engagement in Development*. New York and Gütersloh, Germany: UN Global Compact and Bertelsmann-Stiftung. Available at: [https://www.unglobalcompact.org/docs/news\\_events/8.1/UNGC\\_Bertelsmannn.pdf](https://www.unglobalcompact.org/docs/news_events/8.1/UNGC_Bertelsmannn.pdf) [Accessed 9 Apr. 2015].
- Zappalà, G., 2003. *Corporate Citizenship and the Role of Government: the Public Policy Case*. Research Paper No. 4 2003–04. Canberra: Commonwealth of Australia. Available at: <http://www.aph.gov.au/binaries/library/pubs/rp/2003-04/04rp04.pdf> [Accessed 14 Apr. 2015].



Centre for  
Urban Research

Centre for Urban Research  
Building 15, Level 4  
RMIT University City campus  
124 La Trobe Street  
Melbourne VIC, 3000  
Australia

T: +61 3 9925 0917  
E: [cur@rmit.edu.au](mailto:cur@rmit.edu.au)

[www.cur.org](http://www.cur.org)

 [facebook.com/RMITCUR](https://facebook.com/RMITCUR)

 [@RMIT\\_CUR](https://twitter.com/RMIT_CUR)




**Global Compact**  
Cities Programme

Global Compact Cities Programme  
International Secretariat  
RMIT University City campus  
124 La Trobe Street  
Melbourne VIC, 3000  
Australia

T: +61 3 9925 3407  
E: [communication@citiesprogramme.org](mailto:communication@citiesprogramme.org)

[www.citiesprogramme.org](http://www.citiesprogramme.org)

 [facebook.com/CitiesProgramme](https://facebook.com/CitiesProgramme)

 [@UNGC\\_Cities](https://twitter.com/UNGC_Cities)

 [UN-Global-Compact-Cities-Programme](https://www.linkedin.com/company/UN-Global-Compact-Cities-Programme)