



# CORPORATE ENGAGEMENT PROJECT

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## Issue Paper

### Defining and Measuring Successful Relations with Communities: Developing Indicators of Impact

*This paper is one of a series of Issue Papers based on preliminary findings from the site visits and consultations carried out by the Corporate Engagement Project (CEP). CEP is a collaborative learning project involving multinational corporations that operate in areas of socio-political tensions or conflict.*

*Based on visits to companies' field site operations, CEP identifies and analyzes the challenges for corporations that recur across a wide range of different companies and contexts. From the patterns that emerge, CEP develops practical management tools to managers for supporting stable and productive relations in the societies where corporations work.*

*The Project is based on two fundamental premises:*

*1. Inevitably, corporations become a part of any context in which they operate. Companies' day-to-day activities have impacts on the societies where they work. These impacts can be either positive or negative, but, in a context of social or political tension, never neutral.*

*2. Most companies channel their interactions with local communities through community relations programs, often related to the objective of conflict management. However, daily operational interactions with communities such as compensation policies, hiring policies or stakeholder consultation are equally, if not more, important in establishing the terms by which communities view the impact of the corporation on their lives.*

***This paper is a working document, not a final product of the Project.** Rather, its purpose is to elicit further thinking, experience, ideas and suggestions. Additional site visits and consultations are being carried out to encourage further engagement, challenge, and refinement of the ideas presented here.*

*More information on CEP can be found at [www.cdainc.com](http://www.cdainc.com).*

**July 2003**



## DEFINING AND MEASURING SUCCESSFUL RELATIONS WITH COMMUNITIES: DEVELOPING INDICATORS OF IMPACT

Many companies increasingly recognize the importance of developing positive relationships with the communities in which they work. They strive to improve these relationships both through their day-to-day operations, and through explicit community development projects such as building hospitals or schools. These companies would like to measure their performance with respect to community relations, to find a way to know if they are making progress, or succeeding. Put simply, companies want clear, commonly agreed-upon indicators to measure the impact of their efforts to foster positive relationships with communities.

Companies frequently find it difficult to measure their success, for two main reasons:

- 1) *Companies lack a clear idea of what successful relations with local communities look like.* It is difficult to figure out how to measure success if success has not been defined. Companies often lack clearly defined benchmarks against which they can hold themselves accountable, and towards which they can strive.

As a consequence, most companies are remarkably un-strategic when it comes to relations with communities or other local stakeholders. They assume that “any good community project will have a positive impact on our relationship” which, as we have seen through CEP, is not true. (Refer to the Issue Paper on Social Investment Projects.)

- 2) *Companies often measure the wrong thing.* They often unilaterally define indicators about things that the company controls (such as the number of clinics that have been rehabilitated). But these indicators frequently do not say anything about how the community perceives the company.

### Defining Successful Community Relations

Companies and communities often have different expectations and definitions of “successful relationships.”

CEP has seen that for companies, definitions of success are *at least* that communities do not perceive the company negatively or disrupt operations, or, at best, that communities perceive the company positively so that the company establishes a positive legacy. This can translate into company objectives ranging from “no work stoppage,” to “developing an enlightened middle class,” to “helping the community achieve their dreams.” Ultimately, all of these objectives come back to mitigating the level of risk faced by the company, so its operations can proceed smoothly.

For communities, perceptions of “successful relations with companies” vary widely across contexts. Some communities talk about success as having companies build hospitals and schools,



some talk about the importance of having trusting and respectful relationships, and others talk about the absence of violence.

Companies rarely acknowledge these different definitions of success, simply because most companies do not consult with communities about their definition of success. Rarely do the people and groups who will be most affected by the company's actions, and whose perceptions the company most wants to positively influence—communities, youth groups, politicians, etc.—participate in setting benchmarks. This is often because companies assume that when they engage with communities in discussions about their future, these communities will express costly and unrealistic expectations the company cannot fulfill. Companies therefore assume it to be safer not to engage in these discussions at all, and to keep “Pandora's box” closed. Other companies simply assume they know what the community wants.

Although success for the company does not have to be the same as success for the community, it is important for both expectations to be explicit so that company and community objectives can be aligned.

### **Developing Indicators of Successful Community Relations**

Once companies have a clear idea of how they and communities understand success, companies need to identify indicators that measure progress in relation to that goal. A company can only be successful in its community relations if the community feels successful as well. In other words, success for the community leads to success for the company. Therefore, indicators should identify and measure *community perceptions of the company* since these are the basis for their positive, or negative, actions either to support the company or, alternatively, to disrupt corporate operations.

In reality, we have seen that company staff typically unilaterally develops indicators of success. Usually the indicators are: (a) quantifiable and not qualifiable; (b) focused on output and not on impact; (c) static rather than responsive to changes over time; and (d) focused solely on avoiding the negative.

Companies can develop indicators to monitor their progress on community relations. Indicators of successful community relations are signs that the community perceives the company positively. These indicators are not goals or final objectives. Rather, they are *signs* that indicate the company's progress on meeting its goal.

As well, companies also need to monitor so-called “influencing factors”—things that influence the community's perception of the company. These may or may not be in the company's control. This can include pollution levels or staff behavior in communities. For example, companies see the fact that their staff has learned to drive slowly through local villages as a positive indicator that their community relations are improving. But this indicator, driving behavior, only provides information about company staff behavior. It *does not* reveal anything about community perceptions of the company: that is, it does not tell you whether, as a result of this change in behavior, communities perceive the company more positively. Similarly, if the company reduces pollution levels, this is a likely precondition for communities to perceive the company positively,



but not necessarily, if, for example, the community developed a more negative perception of the company because of the process through which the pollution levels were lowered.

These influencing factors are important to measure, but companies must not lose sight of why they are monitoring these factors. Monitoring progress on only these influencing factors is not sufficient for monitoring successful community relations. Companies need to go one step further, and also directly monitor community perceptions about changes in these factors.

For example, one company worked in an area plagued by insurgents. The company considered its project to be under risk of attack. Since “it is difficult to influence an enemy you do not know” they assumed there was little they could do to find out if their operation was at risk. However, further discussions revealed that the insurgents would need the support of local villagers to stage an attack. Although the company was not able to measure the exact risk of being attacked, it realized that the good, or bad, feelings of local villagers towards the company were good indicators of whether or not the insurgents would find fertile ground among local villagers to stage their attack. Hence, company officials focused on measuring influencing factors to make an assessment about the risk of an actual attack.

### **Options for Developing Indicators**

CEP has gathered evidence that suggests the following recommendations for developing indicators, based on experience of pitfalls and positive lessons.

- *Define and agree upon what success means for the company and for the community.*

In order to define success, companies need to consult with communities. If companies aim, ultimately, to reduce the risk to their operations, they need to understand what communities define as “successful relations with the company” so that they can work towards those goals. Otherwise, companies may define success one way, objectively reach that level of success, but still face significant obstacles from communities, if they have misdefined “success.” For example, if a company defines success as “building new roads and clinics for local communities” but what communities see as success is “obtaining sustainable employment opportunities for our youth,” then communities will not have more positive perceptions of the company after new road construction, and may still put pressure on the company to act differently.

- *Involve the stakeholders in developing indicators.*

As companies ask communities how they define success, companies should also ask communities, “How will we (the company) know if we are making progress towards success? How will we know if your perceptions of us are positive, or changing for the better? What has changed in the community since we arrived?” These are questions that provide concrete answers against which companies can measure their behavior and impacts. Often, the process by which both the company and the community determine these indicators provides important evidence itself.



Without consultation with communities companies may make incorrect assumptions about what matters to communities. For example, companies may identify the fact that a decrease in reported security incidents is an indicator of improving community relations (and decreased risk to the company). But it may be that communities are reporting fewer security incidents because they do not trust the company to handle them properly—which in fact could indicate a deterioration in the community’s perception of the company. Discussions with the community may yield suggestions for more accurate indicators of increased security; for example, more people are willing to walk around after dark.

- *Be aware of the difference between influencing factors and indicators.*

There is a danger in thinking that measuring influencing factors is enough. Safety departments in companies are generally more aware of the values and limitations of monitoring influencing factors. For example, they will insist that staff drive slowly (an influencing factor that can be measured easily) since it will decrease the risk for accidents (impact). Likewise, when it relates to community behavior, companies can track actions such as holding regular information evenings and transparent communication with communities via bulletin boards, which do not measure the actual impact on community relations directly, but point towards positive impacts.

- *Indicators should be dynamic, not static.*

Indicators should verify trends and changes in community perception of the company. They should measure how the relationship between the company and the community develops over time. This can be measured in a variety of ways, including through the type and volume of feedback received via suggestion boxes, or through information received from local elders in periodic informal sessions. Both of these provide qualitative indicators about how local stakeholders perceive the dynamic between the company and them. Note that these are indicators about the evolution of the process and not about output of company initiatives.

As well, indicators should be periodically reevaluated. Often, companies develop indicators at the start of a project for example based on a Social Impact Assessment. “Success” is achieved when a list of predetermined recommendations are implemented, such as reducing dust levels. However, what communities perceived as success initially may not be the same 5 or 10 years later. (As well, SIA indicators often fail to measure the actual relationship between the company and local stakeholders, instead focusing on influencing factors.)

- *Indicators should measure quality, not just quantity.*

CEP has found that many companies currently develop indicators that measure how many resources they put into certain initiatives, or emphasize numeric objectives. The *number* of visits to communities does not say anything about the *quality* of these visits. The number of public hearings organized or soccer fields built does not say anything about the success of the company’s relationship with local stakeholders themselves. It would be more useful to measure the numbers of people coming to these public meetings, whether those numbers are growing, if people come to more than one, if it’s always the same people or are different groups in the



community attending etc. Similarly, are soccer fields being used, by whom, for what purpose, etc.

Companies often complain about the difficulty of measuring “soft” criteria such as trust or a “sense of security.” But companies can look at quantitative indicators over time and evidence of changes in local perceptions either positively or negatively. For example, in measuring local perceptions of security, companies can look at the number of:

- reported security incidents
- people in the streets at night
- street stalls
- people moving in to an area
- new construction activities

Measured over time, these are all indicators that point to a changing local perception of security and provide ways to make previously “soft” and “immeasurable” indicators measurable.

- *Indicators should identify positive trends, not just on avoiding negative events.*

Companies usually define success as mitigating their risks, or as avoiding the negative rather than building the positive. For example, they focus on preventing violence or kidnapping, lowering dust levels, and avoiding sabotage or work stoppage due to community unrest. Hence, they are focused on achieving “success” for the company without first addressing the aims of local communities. An exclusive focus on stopping the negative, rather than building the positive, has been shown to have several negative effects:

- a) By defining the community only in negative terms, over time it starts to influence the corporate mindset and it becomes a “reality”. It influences company behavior, for example by compelling staff to decrease exposure to this “risk” by avoiding meetings and informal events, further distancing the company from its local working environment.
- b) It may trigger a negative response from the communities who are aware that they are seen as a risk and who feel insulted. Thus, potentially increasing risk to the company.
- c) Seeing communities as a risk factor or speaking about them in negative terms otherwise directly undermines any attempt to develop constructive relations with communities around shared interest and long-term development.

Companies should identify indicators that confirm positives, as well as indicators that avoid negatives. Communities can be seen as protectors of, rather than simply risks to, corporate assets. Companies can look for indications of positive trends in communities, such as when communities are able to control the extremist voices in the community, or when communities are able to handle grievances through traditional conflict resolution methods. These can either be because companies have not undermined these systems through their presence, or even have helped foster these systems. Focusing on the positive impacts also widens the perspective of how company staff views communities.



## One Caution about Indicators

*Meeting indicators should not supercede keeping in mind what these indicators intend to achieve.* Managers must keep in mind that indicators point to trends; they are not indicative of results in and of themselves. If companies start to overemphasize indicators, detached from what they point to, staff may start to manage around achieving these indicators. For example, if “avoid negative press” is an indicator, in some contexts this provides incentive for managers to make “arrangements” with journalists not to write any negative stories about the company (rather than operating in such a way that negative stories are not warranted).

### **The Risk of Deriving Indicators from a Social Impact Analysis.**

Many companies conduct a Social Impact Assessment (SIA) prior to commencing operations. They then use this SIA to derive indicators of successful community relations. Based on the extensive baseline survey conducted during the SIA prior to beginning operations, companies determine the expected impact that corporate operations will have on society. They then propose a series of recommendations in a “social mitigation procedure” to mitigate these impacts, and develop corresponding indicators that will illustrate success. For example, watering a road will mitigate the impact of increased dust levels, speed bumps will reduce the speed of driving, building a staff compound will reduce the risk of extensive prostitution in the village and so on.

There are two risks when social indicators are developed this way and similar to the ways in which environmental indicators are developed during Environmental Impact Assessments (EIA's).

1. This feeds into the notion that an SIA follows a linear process, meaning that the arrival of a company leads to a predictable, definite social outcome that can be managed and controlled by following carefully structured procedures. Instead, the degree of social impact depends on a dynamic process, not a linear process that can be predicted. Most SIA's only consider the company's impact when they arrive and fail to make the explicit link between how day-to-day decisions, behavior of company staff, and the manner in which core activities are implemented over time have considerable social impacts. These interactions are unpredictable and cannot be caught in a baseline survey. For example, the ways in which the company deals with grievances, complaints, or success make a significant difference in how well or badly a company is perceived.

2. The social mitigation procedure is seen to include “all the actions required to address the impact mitigation objective.” The risk is that managers read this as a list of recommendations that simply can be checked off. Managers assume that if they follow the list, they will automatically obtaining a social license to operate from communities. This is NOT automatic!! Not all elements will necessarily have been captured, and appropriate responses will vary.