



CORPORATE SOCIAL RESPONSIBILITY: A STRATEGIC INITIATIVE THAT IS GOOD FOR BUSINESS AND GOOD FOR EVERYONE

U.S. companies overwhelmingly support corporate social responsibility programs. Similar programs were popular in the 60's and 70's, but fell out of favor in the "make the numbers" 80's and nineties. However, in this post-Enron world, consumers and businesses alike are paying close attention to how we relate to our fellow citizens of the country and the planet.

What is Corporate Social Responsibility ("CSR")?

CSR, (also known as "Corporate Responsibility" and "Social Responsibility"), is receiving more attention and support from the public, CEO's, employees, and the press than ever before. CSR is not limited to going green, sustainability, or the environment; it encompasses a wide range of programs. It is the *strategic* creation and maintenance of socially impactful programs, products, or services that improves competitive context, enriches employees, provides a positive contribution to the community and enhances an organization's public profile. It may include promoting charitable giving among its employees (e.g. United Way campaigns), the encouragement or more active support of employee volunteerism, the donation or grant of money OR non cash resources, matching gifts, or the establishment of its own non profit entity or foundation. It may benefit the local, national or international community.

It is the right thing to do and it is good for business

Did you know that corporate social responsibility programs also further traditional business goals like profitability? According to one study¹, there is a causal link between CSR and profitability. The authors contend that a). "charitable contributions enhance the future revenue growth", and b). "In industries... sensitive to consumer perception, corporate giving is associated with subsequent sales growth." Customers prefer to buy from companies who are engaged in good works.

¹ Lev, Baruch Itamar, Petrovits, Christine and Radhakrishnan , Suresh, "Is Doing Good Good for You? Yes, Charitable Contributions Enhance Revenue Growth" (July 2006)

It is a strategic initiative

Unlike “cause marketing”, CSR, when linked to a company’s core business strategy, is an opportunity to improve the competitive context in which it operates and create both economic and social value.²

It is for all types and sizes of business

You probably associate CSR with Fortune 100 companies: Starbuck’s “fair trade” coffee, Gap’s participation in “Product Red”, or General Electric’s pledge to spend \$1.5 billion on cleaner technologies by 2010 as part of its GE Ecoimagination initiative.

Many people are familiar with the CSR efforts of the larger local companies: Cincinnati Bell, besides corporate giving, has many community support programs such as their partnership with Cincinnati schools. Kroger participates in various programs that support local schools, hunger relief agencies, and youth programs. The Scripps Howard Foundation provides scholarships and internships for journalism students and supports a host of non-profit organizations.

But you don’t have to be as big as those organizations to see the value in CSR programs. Take a look at some of the recent stars in Cincinnati emerging businesses:

Pure Romance, (2007 Revenue of \$80M, 2005-2007 Revenue growth 60%) based in Milford, Ohio created the Patty Brisben Foundation. It supports women’s health issues at the community and research level. They not only donate one percent of overall sales to the American Heart Association and breast cancer research, but they are involving all their consultants across the country in this effort.

The Sheakley Group of Companies, (2007 revenue of \$78M. 2005-2007 revenue growth 11%) stresses its community involvement: “Sheakley cares about the community we work and live in. We are involved in several local community organizations in the Cincinnati area, helping our community, and those who live in it, to thrive. “ Sheakley contributes to the arts, Kids Helping Kids, and Catholic Inner City Schools, among others.”³

Paycor, (2007 revenue of \$47M revenue and growth of 91%) says: “we believe serving the community in which we work is an essential piece of our business. Volunteering and sponsoring events is one way we can show our good corporate citizenship.” They partner with Leukemia and Lymphoma Society’s, volunteer at schools with their “Accounting for Kids” program, among other things.⁴

Finally, Neyer Construction, Inc. (2007 of revenue of \$9.5M and 246% growth) believes in giving back: Neyer employees helped Habitat for Humanity build houses and

² Michael E. Porter and Mark R. Kramer, The Competitive Advantage of Corporate Philanthropy, Harvard Business Review, December, 2002

³ Sheakley website

⁴ Paycor website

churches in the Cincinnati area, provided construction services for the Lighthouse Community School in Cincinnati, and gives to the arts.⁵

It can and should be a useful vehicle for all sizes and types of companies, regardless of industry. For example, physician groups can establish their own charitable entities that allow them to engage in research and treat the underserved for the benefit of the community. As the Cincinnati Eye Institute Foundation's Executive Director, Don Holmes put it: "We wanted to give back in our community in ways that transcend delivery of quality eye care. We created CEIF to educate, fund research and served the underserved with/about quality eye care."

Benefits of CSR

There are many reasons why a company would want to have a CSR program.

1. It is the right thing to do: Corporations that have developed CSR programs have made a real difference in the community: For example, it has been reported that diarrheal diseases in developing countries kills more than 2 million people, mostly children. The World Health Organization, estimates that 88% of the sickness is due to bad water, sanitation and hygiene. Coca-Cola Co. has partnered with Procter & Gamble, CARE, UNICEF and others to create the Global Water Challenge to "deliver clean water and sanitation and hygiene education," according to information on GlobalWaterChallenge.org.
2. It creates a strategic advantage: "[S]trategy ...is about choosing a unique position—doing things differently from competitors...These principles apply to a company's relationship to society as readily as to its relationship to its customers and rivals."⁶ Toyota created the hybrid vehicle Prius and enhanced its competitive advantage and helped the environment at the same time. An organization may wish to begin a CSR program when it is both important to the organization's long term interests and it serves a community need. CSR must be undertaken as a strategic initiative, not just writing a check. It needs to address social or environmental issues that clearly impact the company's bottom line, the programs should utilize the company's core competencies and assets, and the program's goals should be measurable, objectively justifiable and consistent with the organization's business. If the organization's program is closely aligned with its mission, products, services, and strengths, organizations create a strategic advantage.
3. If done strategically, it is good for business: As noted above, CSR and profitability are causally linked. Not only does it enhance revenue growth, but it also enhances reputation, customer loyalty and brand awareness.⁷ "Consumers

⁵ Neyer Construction website

⁶ Porter and Kramer, Strategy & Society, Harvard Business Review, December 2006, p. 11

⁷ Edelman goodpurpose™ study conducted in 2007

prefer brands that help make a difference. 57% of consumers are comfortable with the idea that brands can support good causes and make money at the same time, and 78% like to buy brands that make a donation to worthy causes.” Recently, Hank McKinnell, former CEO of Pfizer, noted that that companies need to be “part of the solution” to many issues in their industry, and that engaging in CSR builds respect and public trust for your company, which in turn helps your business. Pfizer gives money away, participates in public awareness campaigns, allows its employees to volunteer in foreign countries, and trains doctors in third world countries.⁸ In CSR, there is both a business opportunity and a way to remain competitive.

4. It is good public relations: It is an opportunity to make the public aware of your organization’s good works and the connections between their concerns and your products or services. It creates trust in your community.
5. It’s good for employee relations, recruitment and retention: Today’s employees value CSR in the workplace. Having a CSR program attracts a higher caliber of employee. It creates a corporate culture that emphasizes morality and good works and this translates into satisfied employees and a more productive work environment. Regardless of the form your organization’s CSR takes, the real support, “putting its money where its mouth is”, promotes the values of honesty, integrity, trustworthiness, and respect within the organization. which in turn boosts productivity and fosters teamwork.

How can you bring CSR to your company?

Your organization’s CSR plan need not include the establishment of a separate legal entity—it can be just a program. You first need to bring together a group of people who can work to uncover and articulate a shared common vision, concern or goal that is related to your business. This is done in the context of clarifying the organization’s goals, purposes and activities. Do some basic research to learn about what organizations are actively working with this issue, or that have similar programs. Then, decide what form your program will take: employee volunteerism, cash or non-cash donations, a separate non-profit entity or organization, for example.

It is vital that you measure results and outcomes and benchmark against giving data to assess the effectiveness of your initiative. A consultant can help you develop and assess your corporate social responsibility strategy, including assessing current initiatives, identifying gaps, strengths, opportunities, integrating CSR strategy with company’s core business objectives and core competencies, benchmarking good practices and industry leaders, developing CSR executive education for company managers, and assessing CSR communication, reporting, and measurement.

CSR is a strategic initiative that creates a competitive advantage, is a beneficial employee recruitment and retention tool, it is a powerful public relations instrument, but more importantly, it is the right thing to do. Businesses are realizing, as the New York Times

⁸ “CSR and big Pharma”, www.chiefexecutive.net, 6/13/06

recently put it: “there is a fourth way...profit and growth are not opposites to being socially responsible. ...[They] need not be ‘fair trade’ food...[it] can and should be part of the values of that organization and unique to their culture and vision.”

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