

# Doing More

HERE ARE SEVERAL WAYS YOUR COMPANY CAN BECOME A BETTER CORPORATE CITIZEN.

By Jodi Chavez

**T**oday's challenging economic climate has forced many organizations to reduce spending, release workers, and raise fees to consumers. The result is that businesses of all shapes and sizes are being painted in an unfavorable light, inviting criticism from the public and politicians alike.

But the picture being painted—that of a business culture that abandons the public in pursuit of profits—isn't an accurate one. The most effective counter to this depiction is the rise of corporate responsibility initiatives.

The Committee Encouraging Corporate Philanthropy (CECP), an international forum of business leaders focused on measuring and encouraging corporate philanthropy, recently released its *Giving in Numbers* report for 2011. In the report, the CECP noted that one out of every two businesses had actually increased the amount of funds contributed to charity or community organizations since the onset of the recession in 2007. As a matter of fact, a quarter of companies reported increasing their giving by more than

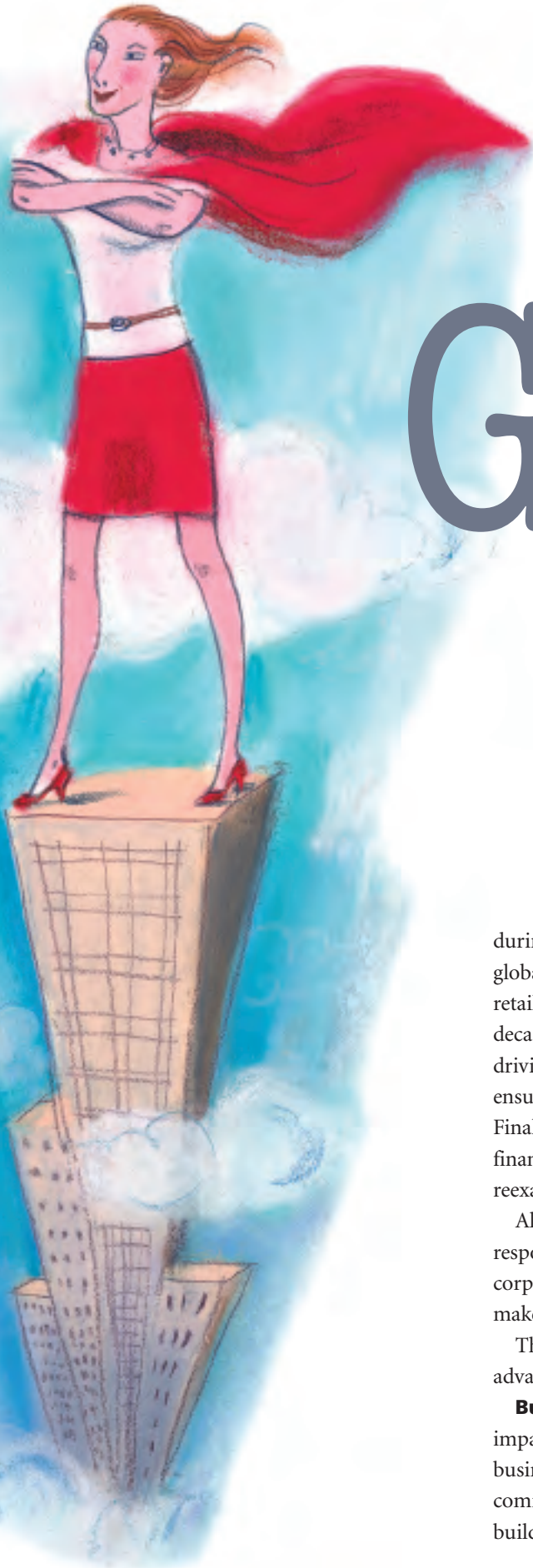
25%. Furthermore, the CECP tracked aggregate total contributions for 110 high-performing companies in 2007–2010 and found that aggregate total giving rose by 23%.

Clearly, many successful businesses are actually augmenting their contributions to society and taking the challenge of good corporate citizenship seriously. But why? Of course, the ability to “do more good” for more people carries intrinsic value and tremendous appeal. Yet there are other significant business benefits that arise out of doing more good.

Here we'll explore some of these benefits, and I'll offer practical ways you can begin to make a difference in your company and, ultimately, society.

## The Business Case for Being Charitable

The rise of corporate responsibility and citizenship has been two decades in the making. As detailed in “Responsibility: The New Business Imperative,” published in the May 2002 issue of *The Academy of Management Executive*,



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during the 1990s: “Numerous exposés of labor practices in global supply chains pressured multinational brands and retailers to adopt corporate codes of conduct. Later in the decade, pressure—and expectations—increased further, driving firms not only to introduce codes but also to ensure compliance with these codes by their suppliers.” Finally, the fall of businesses like Enron and the recent financial collapse and mortgage crisis forced businesses to reexamine their “anything goes” approach to profitability.

All these are crucial steps in the evolution of corporate responsibility. But today the most important driver of corporate responsibility is the belief that good citizenship makes good business sense.

There are several ways it can give you a competitive advantage.

**Building a reputation:** Companies large and small impact the neighborhoods, cities, and countries they do business in. By aligning your goals with the goals of the community in which you operate, you’re more likely to build a mutually beneficial relationship with potential

stakeholders, including employees, customers, investors, suppliers, and business partners.

**Setting your company apart:** Like an innovative product or a new service offering, a strong record of corporate responsibility is a competitive advantage that you can leverage against others in your industry.

**Attracting investment:** Businesses with strong records of corporate responsibility generate more interest from investors when compared with apathetic competitors. In a study titled “Institutional and Social Investors Find Common Ground,” originally published in the *Journal of Investing* and later cited in the comprehensive article “The Business Case for Corporate Social Responsibility” in the *International Journal of Management Review*, author Timothy Smith lays out why this is the case. “Many institutional investors ‘avoid’ companies or industries that violate their organizational mission, values, or principles... [They also] seek companies with good records on employee relations, environmental stewardship, community involvement, and corporate governance.”

**Reducing costs and risks:** Companies that make a concerted effort to contribute to and advance society are more likely to avoid potential penalties or exposure to legal fines and government intervention. This is especially important in a climate of increased regulation and scrutiny. A strong record of corporate citizenship can also help you avoid harm to your reputation and sales that may arise without notice.

**Attracting better talent:** Great people want to work for great companies. By demonstrating your strong commitment to teamwork, responsibility, community, etc., you can attract employees who share those same values. Furthermore, now may be the opportune time to start reevaluating your corporate responsibility profile so you can connect with future leaders. Research indicates that the Millennial generation, currently entering the workforce in record numbers, is particularly civic minded. Members of this generation want more from their job than just a paycheck—they want an opportunity to make a difference. Why not give it to them and give yourself an edge in the process?

**Increasing motivation and retention:** In addition to attracting new talent, a demonstrated commitment to corporate responsibility can enhance engagement across your current workforce. It can also help you identify leaders who want to spearhead these important initiatives. This can help you reduce the expenses inherent in high turnover, including recruiting, training, and onboarding, and eliminate productivity gaps that occur when an

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employee leaves your company.

**Fostering innovation:** By looking beyond the walls of your buildings and understanding the wider impact of your business, you can open your eyes to new opportunities and new avenues for growth. A primary example of this is Xerox, which has shown a continued commitment to sustainability and citizenship in designing “waste free” products and investing in “waste free” facilities. This commitment has led to the development of new products that appeal to corporations, fuel profitability, and set Xerox apart in the marketplace. Toyota is another example of a company that recognized the impact of its business—vehicle emissions—and built a profitable solution to the problem in the form of the popular Prius hybrid. Though other auto manufacturers have followed suit, the development of the Prius and its status as the first commercially viable hybrid gave Toyota a competitive advantage and a leg up on the competition. No matter what product or service you offer, a new perspective gleaned from a commitment to corporate responsibility can help you do the same.

## Putting Responsibility into Action

Today, corporate responsibility encompasses many forms, including education about social issues and advancement of different cultures (social responsibility), ensuring the health of the environment (sustainability), and donating funds or time to charitable causes (philanthropy). Corporate responsibility is also concerned with the health and safety of the workforce and providing good working conditions for employees.

With corporate responsibility taking on so many facets, it may be difficult to determine how your company can begin making an impact. The International Institute for Sustainable Development (IISD) recently published *Corporate Social Responsibility: An Implementation Guide for Business* to help companies adapt and facilitate corporate

social responsibility. Here is their recommended framework for implementation.

### **Conduct a corporate social responsibility (CSR) assessment:**

Gather and examine relevant information about your products, services, decision-making processes, and activities to determine your current CSR activity. An effective assessment should give you an accurate understanding of your values and ethics, the CSR issues that are affecting your business now or in the future, key stakeholders, and your leadership's ability to deliver a more effective CSR approach.

**Develop a CSR strategy:** Using your assessment as a starting point, begin to determine your objectives. Develop a realistic strategy that can help you reach your goals. The IISD recommends these five steps to developing an effective strategy:

- ◆ Build support with the CEO, senior management, and employees.
- ◆ Research what others (including competitors) are doing.
- ◆ Prepare a matrix of proposed CSR actions.
- ◆ Develop options for proceeding and the business case for them.
- ◆ Decide on direction, approach, boundaries, and focus areas.

**Develop commitments:** Create a task force to review your objectives and finalize your strategy. The task force should solicit input from key stakeholders—the CEO, department heads, top management, etc.—to gauge their interest and ensure future participation. Using this feedback, prepare a preliminary draft of your CSR commitment, and review this again with those employees who will be affected or who can help effect change. At this point, you can revise and publish your commitments for your internal audience, customers, investors, and potential employees.

**Implement CSR commitments:** This is the phase where your planning begins to give way to reality. Though each company should approach this critical step in accordance with its unique values and culture, the IISD offers these universal best practices:

- ◆ Prepare a CSR business plan.
- ◆ Set measurable targets, and identify performance measures.
- ◆ Engage employees and others to whom CSR commitments apply.
- ◆ Design and conduct CSR training.
- ◆ Establish mechanisms for addressing resistance.
- ◆ Create internal and external communications plans.

- ◆ Make commitments public.

**Document progress:** It's imperative that you're able to communicate the impact of your efforts to internal and external stakeholders. Reporting tools provide insight into the costs of your initiatives as well as the hard and soft benefits derived from your corporate responsibility program.

Reporting on responsibility initiatives has actually given rise to an entirely new financial model called social accounting. Social accounting is the process of measuring, monitoring, and reporting to stakeholders the social and environmental effects of an organization's actions. Social accounting is conducted by accountants who employ the same tools and knowledge used in traditional financial reporting. Though many larger organizations utilize social accounting, all businesses can benefit from being able to demonstrate the true value of their actions.

In fact, robust social accounting and responsibility reporting is fast becoming the standard for businesses, not the exception. KPMG conducted an *International Survey of Corporate Responsibility Reporting 2011* to review trends of 3,400 companies worldwide, including the top 250 global companies (the G250). The survey indicated that corporate responsibility reporting is undertaken by 95% of the G250 and 64% of the 100 largest companies across the 34 countries surveyed.

"[Corporate responsibility] has moved from being a moral imperative to a critical business imperative. The time has now come to enhance [corporate responsibility] reporting information systems to bring them up to the level that is equal to financial reporting, including a comparable quality of governance controls and management," said Wim Bartels, global head of KPMG's Sustainability Assurance.

**Evaluate and improve:** Using the reports and metrics generated, continue to refine your corporate responsibility initiatives. This is critical. Evaluate your performance objectively, identify opportunities for improvement, and engage key stakeholders to plot a course for the future.

The reality of today's economic, political, and social climate necessitates that business leaders rise above their bottom lines and look to make an impact outside their organization. Doing so presents an opportunity to elevate others while elevating your organization. **SF**

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