CORPORATE SOCIAL RESPONSIBILITY

Doing the Most Good for Your Company and Your Cause

Best practices
from Hewlett-Packard, Ben & Jerry's,
and other leading companies

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INTRODUCTION

If you are reading this introduction, chances are you work in your company's department for community relations, corporate communications, public affairs, public relations, environmental stewardship, corporate responsibility, or corporate citizenship. But it is just as likely that you are a marketing manager or a product manager, have responsibility for some aspect of corporate philanthropy, or are on staff at a corporate foundation. On the other hand, you may work at an advertising, public relations, or public affairs firm and be looked to for advice by your corporate clients in the area of corporate social initiatives. And you may be the CEO.

If you are like others in any of these roles, we think it's also quite possible that you feel challenged and pulled by the demands and expectations surrounding the buzz for corporate social responsibility. It may be as fundamental as deciding what social issues and causes to support and making recommendations on which ones to reject. It may involve the grace and finesse often required for screening potential community partners and figuring out how much or what to give. It most likely requires rigor in selling your ideas internally, setting appealing yet realistic expectations for outcomes, and then building cross-functional support for implementation plans. You may be concerned with how to integrate a new initiative into current strategies and to handle the extra workload. Or perhaps you are currently on the hot seat to evaluate and report what happened with all that money you gave last time to a cause, or gave as a result of retooling practices implemented to save the planet last year.

If so, we have written this book for you. More than 25 of your colleagues in firms including Ben & Jerry's, IBM, Washington Mutual, Johnson & Johnson, Timberland, Microsoft, The Body Shop, American Express, and Starbucks have taken time to share their stories and their recommendations for how to do the most good for your company as well as for a cause. You'll read about their hard lessons learned and perceived keys to success.

We have a common agenda. We all want a better world and are convinced that communities need corporate support and partnerships to help make that happen. A key to bringing about this support is for corporations to recognize and realize opportunities for bottom-line benefits, including corporate goodwill.

Even though this book has been written primarily for those in for-profit corporations and their communication agencies and foundations, it can also be beneficial to those in nonprofit organizations and public sector agencies seeking corporate support and partners for social initiatives. It offers a unique opportunity for you to gain insight into a corporation's wants and needs and can better prepare you to decide what companies to approach and how to listen before you ask. The final chapter, just for you, presents 10 recommendations that will increase your chances they will say yes. When you recognize and practice the marketing role inherent in this process, your target markets will appreciate it.

Our sincere hope is that this book will leave corporate managers and staff better prepared to choose the most appropriate issues, best partners, and highly leveraged initiatives. We want it to help you engender internal enthusiasm for your recommendations and inspire you to develop blue ribbon initiatives. And, perhaps most important, we imagine it increasing the chances that your final report on what happened is both credible and incredibly good news for your company and the cause.

Corporate Social Responsibility

CHAPTER

1

The Case for Doing at Least Some Good

For many years, community development goals were philanthropic activities that were seen as separate from business objectives, not fundamental to them; doing well and doing good were seen as separate pursuits. But I think that is changing. What many of the organizations that are represented here today are learning is that cutting-edge innovation and competitive advantage can result from weaving social and environmental considerations into business strategy from the beginning. And in that process, we can help develop the next generation of ideas and markets and employees.[1]

—Carly Fiorina, Hewlett-Packard, at the
Business for Social Responsibility
Annual Conference, November 12, 2003

This is a practical book. It is intended to help guide the decision making of corporate managers, executives, and their staff, besieged on a daily basis with requests and proposals for support of social causes. These requests seem to come from everywhere and everyone for everything: from nonprofit organizations, public sector agencies, special interest groups, suppliers, potential investors, stockholders, politicians, even colleagues and board members; for issues ranging from health to public safety to education to community development to protecting animal rights to sustaining the environment. And the pressures to respond *strategically* seem to be building, with increased internal and external expectations to address economic responsibilities as well as social ones—to do good for the corporation as well as the cause. This book is also intended to help guide evaluation of program outcomes, as there are similar increased pressures to prove the business and social value of allocations of scarce resources.

The book distinguishes six major types of corporate social initiatives and offers perspectives from professionals in the field on strengths and weaknesses of each in terms of benefits to the cause and benefits to the company. These initiatives include ones that are marketing related (i.e., cause promotions, cause-related marketing, and corporate social marketing) as well as ones that are outside the typical functions of marketing departments (i.e., employee volunteering and socially responsible business practices). The focus is on assimilating recommended best practices for choosing among the varied potential social issues that could be addressed by a corporation; selecting an initiative that will do the most good for the social issue as well as the corporation; developing and implementing successful program plans; and evaluating program efforts. An underlying assumption of this book is that most for-profit corporations will do some good, for some cause, at least some of the time.

This opening chapter sets the stage with a few definitions to establish a common language for discussions in future chapters. It highlights trends and statistics that support the assumption that corporations have an increased focus on social responsibility; describes the various perceived factors experts identify as fueling these trends; and concludes with current challenges and criticisms facing those attempting to do the most good.

WHAT IS GOOD?

A quick browse of web sites for the Fortune 500 reveals that *good* goes by many names, including corporate social responsibility, corporate citizenship, corporate philanthropy, corporate giving, corporate community involvement, community relations, community affairs, community development, corporate responsibility, global citizenship, and corporate societal marketing.

For purposes of focused discussion and applications for best practices, the authors prefer the use of the term *corporate social responsibility* and offer the following definition:

> *Corporate social responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources*.

A key element of this definition is the word *discretionary*. We are not referring here to business activities that are mandated by law or that are moral or ethical in nature and perhaps therefore expected. Rather, we are referring to a *voluntary* commitment a business makes in choosing and implementing these practices and making these contributions. Such a commitment must be demonstrated in order for a company to be described as socially responsible and will be fulfilled through the adoption of new business practices and/or contributions, either monetary or non-monetary. The term *community well-being* in this definition includes human conditions as well as environmental issues.

Others have offered several distinct definitions of corporate social responsibility (CSR). One from the World Business Council for Sustainable Development reflects the council's focus on economic development in describing CSR as "business' commitment to contribute to sustainable economic development, working with employees, their families, the local community, and society at large to improve their quality of life."[2] The organization Business for Social Responsibility defines CSR as "operating a business in a manner that meets or exceeds the ethical, legal, commercial, and public expectations that society has of business." This definition is somewhat broader as it encompasses business decision making related to "ethical values, legal requirements, as well as respect for people, communities, and the environment."[3]

We also use the term *corporate social initiatives* to describe major efforts under the corporate social responsibility umbrella and offer the following definition:

> *Corporate social initiatives are major activities undertaken by a corporation to support social causes and to fulfill commitments to corporate social responsibility*.

Causes most often supported through these initiatives are those that contribute to community health (i.e., AIDS prevention, early detection for breast cancer, timely immunizations), safety (designated driver programs, crime prevention, use of car safety restraints), education (literacy, computers for schools, special needs education), and employment (job training, hiring practices, plant locations); the environment (recycling, elimination of the use of harmful chemicals, reduced packaging); community and economic development (low-interest housing loans); and other basic human needs and desires (hunger, homelessness, animal rights, voting privileges, antidiscrimination efforts).

Support from corporations may take many forms, including cash contributions, grants, paid advertising, publicity, promotional sponsorships, technical expertise, in-kind contributions (i.e., donations of products such as computer equipment or services such as printing), employee volunteers, and access to distribution channels. Cash contributions may come directly through a corporation or indirectly through a foundation it has established to focus on corporate giving on behalf of the corporation.

Corporations may be sponsoring these initiatives on their own (such as the New York Times Company Foundation support for journalism and journalists) or in partnership with others (as with ConAgra Foods and America's Second Harvest). They may be conceived of and managed by one department within the corporation, or by a team representing multiple business units.

As noted earlier, we have identified six major types of corporate social initiatives, which are the focus of this book, with a chapter dedicated to a detailed review of each initiative. An overview of these initiatives is presented in Chapter 2.

WHAT ARE THE TRENDS?

In the last decade, directional signals point to increased corporate giving, increased corporate reporting on social responsibility initiatives, the establishment of a corporate social norm to do good, and an apparent transition from giving as an obligation to giving as a strategy.

Increased Giving

According to *Giving USA*, charitable giving by for-profit corporations has risen from an estimated $9.6 billion in 1999 to $12.19 billion in 2002.[4]

Cone/Roper's Executive Study in 2000, exploring cause initiatives from the corporate perspective, found that 69 percent of companies planned to increase future commitments to social issues.[5] (For more than 10 years, the well-known Cone/Roper tracking studies have been instrumental in providing ongoing research on attitudes toward corporate involvement in cause initiatives. Their research includes surveys of consumers, employees, and executives. Their benchmark study of consumer attitudes, conducted in 1993, as well as results from subsequent studies, is described later in this chapter.[6])

Increased Reporting

According to KPMG, a U.S. professional services firm, a 2002 survey of the Global Fortune Top 250 companies indicated a continued increase in the number of American companies reporting on corporate responsibility. In 2002, 45 percent of these companies issued environmental, social, or sustainability reports, compared with 35 percent in their 1999 survey.[7]

Major avenues for this reporting include corporate annual reports with special sections on community giving and, increasingly, the publication of a separate annual community giving report. Starbucks, for example, in 2003 published its second annual *Report on Corporate Social Responsibility* and, in an opening letter from the Chairman and CEO, emphasized that this report is a way "to provide transparency on our business practices, measurements of our performance, and benchmarks for future reports." It further explains that Starbucks took additional measures in the second year of reporting "to assure our stakeholders that the information in this report is accurate by engaging an independent third party to verify its contents."[8]

A review of Fortune 500 web sites also indicates that a majority now have special reports on giving, with sections typically labeled "Corporate Social Responsibility," "Corporate Citizenship," "Community Development," "Community Giving," or "Community Involvement." Many of these sections provide lengthy detail on topics like annual giving amounts, philanthropic priorities, major initiatives, employee volunteerism, and sustainable business practices.

Establishment of a Corporate Social Norm to Do Good

Within these annual reports and on these web sites, there are also consistent and similar messages from CEOs, signaling that commitments to corporate social responsibility have entered the mainstream of corporate dialogue as a must-do, as indicated in the following examples:

- American Express: "Good Works = Good Business. . . . Not only is it appropriate for the company to give back to the communities in which it operates, it is also smart business. Healthy communities are important to the well-being of society and the overall economy. They also provide an environment that helps companies such as American Express grow, innovate, and attract outstanding talent." (Harvey Golub, Chairman and CEO, and Kenneth Chenault, President and Chief Operating Officer, 2000)[9]
- Dell: "Dell is a global company that delivers products and services to more than 190 countries. We have more than 40,000 employees who live and work on six continents. That's why it's important that we provide technology to all communities that we call home." (Michael Dell, Chairman and CEO, July 2003)[10]
- Fannie Mae: "Fannie Mae and the Greenlining Institute share a common mission. We are both devoted to improving the quality of life in underserved communities. We both are working to bring more opportunities to people and places inside the old red lines. And we both believe in the power of housing." (Franklin D. Raines, Chairman and CEO, April 2003)[11]
- Ford Motor Company: "There is a difference between a good company and a great company. A good company offers excellent products and services. A great company also offers excellent products and services but also strives to make the world a better place." (William Clay Ford, Jr., Chairman of the Board and CEO)[12]
- Kellogg: "There are many measures of a company's success. The most obvious, of course, are profitability and share value. A company may also be measured by its ability to change with the times, or develop innovative products. These elements are all vital to Kellogg Company. But there is another important measure that we hold ourselves accountable for—our social responsibility." (Carlos M. Gutierrez, Chairman and CEO, 2003)[13]
- Hewlett-Packard: "I honestly believe that the winning companies of this century will be those who prove with their actions that they can be profitable and increase social value—companies that

both do well and do good. . . . Increasingly, shareowners, customers, partners, and employees are going to vote with their feet—rewarding those companies that fuel social change through business. This is simply the new reality of business—one that we should and must embrace." (Carly Fiorina, Chairman and Chief Executive Officer, November 2003)[14]

- McDonald's: "Social responsibility is not a program that begins and ends. Acting responsibly has always been a part of who we are and will continue to be the way McDonald's does business. It's an ongoing commitment." (McDonald's CEO, Jim Cantalupo, CEO, 2003)[15]
- Nike: "The performance of Nike and every other global company in the twenty-first century will be measured as much by our impact on quality of life as it is by revenue growth and profit margins. We hope to have a head start." (Phil Knight, Chairman and CEO, 2001)[16]

A Shift from Obligation to Strategy

In a seminal article in the *Harvard Business Review* in 1994, Craig Smith identified "The New Corporate Philanthropy," describing it as a shift to making long-term commitments to specific social issues and initiatives; providing more than cash contributions; sourcing funds from business units as well as philanthropic budgets; forming strategic alliances; and doing all of this in a way that also advances business goals.

One milestone Smith identified that contributed to this evolution was a Supreme Court decision in the 1950s that removed legal restrictions and unwritten codes which up to that time had restricted, or at least limited, corporate contributions and involvement in social issues. Subsequently, by the 1960s most U.S. companies began to feel pressures to demonstrate their social responsibility and established in-house foundations and giving programs.[17]

One of the next milestones Smith cited was the *Exxon Valdez* oil spill in 1989, which brought into serious question the philanthropy of the 1970s and 1980s, where corporations tended to support social issues least associated with their line of business, give to a variety of causes, and turn over management of their giving to separate foundations. When Exxon then needed access to environmentalists for expertise and support, management was "without ties to environmental leaders nurtured by the