

Corporations and Their Evolving Roles in the Social Good Economy

BY KIM LYNES



For most companies today, a philanthropic arm of the business is not a nice-to-have—it's a must-have. This is because social responsibility efforts now influence four key areas that corporations rely on for success: consumer purchasing behavior, employee retention and acquisition, attractiveness to investors, and business growth. To be considered an organization that is sustainable both now and in the future, you need a comprehensive, strategic corporate social responsibility (CSR) program. A successful CSR program reaches across an organization, with all departments focused on improving the triple bottom line (social, environmental, and financial goals) and showing tangible, meaningful impact. In this paper, we will explore what drove this transformation and shift in expectations for corporations and their social actions and how it has positioned corporations as a key player in the broader social economy.

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Changes That Caused This Shift

We can explain the shift in the public's expectations of CSR programs with one word: accountability. There has been a growing trend across all sectors (government, public, and private) where sitting on the sidelines as global issues and concerns grow is no longer an accepted practice. A large driver of this change is visibility brought about by social media, and the ability of the public to not only directly interact with organizations, but hold them accountable as well.

We're seeing corporations react to these shifts. In 2015, countries around the world committed to a global action plan with the Paris Agreement, aimed at taking steps towards avoiding hazardous climate change. The private sector played a role in the negotiations of this agreement and will be a primary player in ensuring that the new goals are reached when the agreement goes into effect in 2020. Several global companies have pledged to reduce greenhouse gas emissions, with more than 150 corporations signing the American Business Act on Climate Pledge (["How the Paris Climate Agreement Impacts Corporate Sustainability and the Private Sector," Business Wire](#)). The conclusion from these commitments is clear: Corporations need to be including corporate sustainability goals in their business goals and maintaining transparency about their successes. Both the government measures as well as public scrutiny will require this level of accountability.

In the United States, when the White House announced its intention to exit the accord, private sector engagement with the agreement remained strong and public. After this, 25 major companies released ads in newspapers to announce their continued commitment to their sustainability pledges. (["Climate Change is Real: Many U.S. Companies Lament Paris Accord Exit," New York Times](#)).



You may be asking yourself: How significant is this change? Is it really something my corporation needs to take seriously and invest in? The answer is YES. Consider some of the below statistics:

64% of millennials won't take a job if a potential employer doesn't have strong CSR practices (2016 Cone Millennial Employee Engagement Survey).

82% of consumers say if a company makes social or environmental commitments, they will hold it responsible for sharing results (2016 Cone CSR Survey).

Without a sound CSR strategy that focuses on results, you could be losing access to consumers and highly qualified talent in a competitive hiring market.

Another key initiative driving more accountability from corporations and their CSR programs is the United Nations Sustainable Development Goals (SDGs). This initiative is important because it provides something new for corporations: a framework that companies can follow for creating and scaling their corporate responsibility strategy that also considers their business goals ([“How Companies Can Champion Sustainable Development,”](#) HBR). The SDGs contain 17 goals—an overwhelming amount for most. However, corporations have begun to identify those areas most relevant to their operations and commit their resources to affect those specific goals. IMPACT 2030 was also developed by the private sector to help guide corporations in achieving the SDGs through employee volunteer programs. Finally, the United Nations Global Compact is an initiative created by CEOs, so companies can align their strategies and operations with certain societal goals. Dubbed the “world’s largest corporate sustainability initiative,” by UN

Global Compact, it is yet another way global companies have taken steps toward incorporating CSR into their core business practices.

This theme of strategizing CSR efforts and focusing efforts where it makes sense for your organization is one that has risen with the evolution of corporations’ roles in the social good economy. Why? Again, accountability. It isn’t good enough anymore to treat CSR as an aside that is separate from your core operations. Not having a CSR strategy or not following through on your CSR goals can negatively affect your brand value with consumers, potential employees, and investors. We’ve seen the increased level of importance of CSR on a global scale and reviewed the significant events that propelled this change. Now let’s learn more about the key stakeholders that are ensuring that this movement continues to propel forward, long after specific agreements are signed.



Understanding the New Socially Conscious Consumer

CSR strategy and impact is now influencing purchasing behavior. Your social good actions are playing a larger role in your brand story, affecting the value of your brand and reputation. They are also introducing a new way of interacting with consumers, as corporations increase fundraising efforts in their communities and retailers are even facilitating donations to specific organizations or causes.

Consumers are not only looking to corporations to take the lead in responsible corporate practices, but they're also adjusting their buying patterns based on the actions of organizations. According to the 2017 Cone CSR Survey, 88% of consumers agreed if they learned of a company's irresponsible or deceptive business practices, they would stop buying its products. Conversely, the same survey found 87% of consumers would purchase a product because the company stood up for or advocated for an issue they care about. It's possible that consumers have always felt this level of social responsibility, but in the past it was more difficult for companies to share where their social efforts were focused or the impact they had. Today, social media again plays a large role in this area of consumer education and the ability to directly interact with an organization on a public stage. Companies are forced into a higher level of accountability, and consumers have an outlet to drive that conversation.

Corporations are constantly working to understand consumer purchasing decisions, studying buyer behavior, and testing various value propositions and price points to positively affect their market share. The existence of a CSR program can support a price premium of up to 20% (Project ROI), due in large part to the fact that 79% of consumers seek out products that are socially or environmentally responsible (2017 Cone CSR Survey). So what are we saying? **You can directly influence consumer purchasing decisions in favor of your product with a solid CSR program.**

To see the positive impact of a successful CSR program with consumers, it is essential that you have the tools and resources to proactively develop a strategy and pave the way to achieve your established goals. An easy way to expand your reach quickly? Partnerships. After a disaster, the public often looks to corporations to aid recovery in the affected areas as devastating images and stories in the media heighten emotional coverage. While immediate donations are of course important, they often do little to support the long-term rebuilding needed in affected areas.

Many of the leading humanitarian aid organizations today partner with companies on annual up-front donations of cash or product that can be used at the organizations' discretion when focusing on disaster recovery efforts. It is a winning situation for all parties: Affected areas get the long-term funding they need, and corporations demonstrate a strategy aimed at a longer-term commitment than an immediate, one-time donation. Corporations are exploring new forms of collaboration that symbolize a commitment to investing in the social sector. UPS® has been developing and testing the use of drones for two different situations: delivery of urgently needed medical products to remote areas and surveillance of areas struck by natural disasters so first responders can better understand the situation before deploying resources ([“UPS Partnership Tests Drones for Disaster Aid”](#), Atlanta Business Chronicle). This insight could allow more targeted efforts to the areas that need aid the most and establish an improved, strategic allocation of resources.

Another way to spread awareness of the great work your CSR program is achieving? Empower the people who could be your biggest advocates: your employees.



A Look at Millennials and CSR

Millennials will soon make up 50% of the workforce—and they care about CSR. Let's refer to a statistic mentioned earlier in this paper: Approximately two out of three millennials **will not accept a job offer** from a company that lacks a strong CSR program. The existence of a CSR program is no longer enough to recruit and retain top talent for your organization; members of the new workforce truly value a workplace where they can get involved and make a difference with their peers. In fact, when considering employee incentives, Project ROI reports that an increase in employee engagement can equate to a \$3,700 raise, and the Cone Millennial Employee Engagement Survey found that 75% of millennials would take a pay cut to work for a socially responsible company.

There are many elements that comprise a successful CSR program, and corporations can build their program over time in each area. The biggest thing to focus on? Ease of use! Make it as simple as possible for employees to participate in giving or volunteer programs, with technology that makes it easy for them to log activity and simple for you to pull reporting to show impact. Here are a few more reasons to give your employee engagement program a boost:

- **Reduce turnover costs.** 83% of millennials said they would be more loyal to a company that helps them contribute to social or environmental issues (2016 Cone Millennial Employee Engagement Study).
- **Strengthen your brand.** 83% of millennials wish their employer would provide volunteer opportunities they could do with friends or family. Send them out into the community representing your corporation!
- **Increase reach.** The average fundraiser connected to Facebook® has approximately 250 friends. If you sponsor peer-to-peer fundraising initiatives, you could be exposed to tens of thousands of new customers or potential employees.



➤ [Learn more](#) about running a successful employee volunteer program from Blackbaud customer CSAA Insurance. It achieved a 98% participation rate in 2017!

Why Investors View a Lacking CSR Program As a Risk

As Leor Rotchild (the executive director for Canadian Business for Social Responsibility) highlights in his podcast “The ROI of CSR” with Blackbaud, the existence of a CSR program and a company’s investment in social good has quickly become an essential factor for investors when choosing where to invest. In fact, 75% of all professional investors are really considering a company’s ESG, or environmental, social, and governance performance, before deciding to invest in that stock.

More investors are examining companies’ CSR programs because they see corporate responsibility programs as key for growth and sustainability. In fact, BlackRock®, the largest investor in the world, recently announced that moving forward it will only invest in companies that are contributing to society (through

outlets like CSR programs). As the triple bottom line (societal, environmental, and financial goals) becomes a more common measurement of success, investors will continue to ask not only for a corporation’s CSR strategy, but also to see results. And they have good reason. According to Project ROI, the existence of a CSR program has shown to reduce share price volatility by 2–10% and reduce systemic risk by 4% for large, publicly traded companies.

As consumers, employees, and your peers continue to demand accountability from corporations regarding their CSR efforts, we will continue to see corporations’ roles in the social economy expand. As the *2017 Giving in Numbers* report from CECP reflects, a strong CSR program is an indicator of a bright future and strong performance of management, competitive differentiation, employee engagement, organizational culture, and innovation. All of this drives a strong triple bottom line, which is the ultimate measure of success for a corporation.



How This Change Will Positively Affect Your Community

Corporations are putting their money where their mouths are: Giving USA reports a 3.5% increase in total giving by companies between 2015 and 2016. This influx of funding from corporations can be very impactful for the world of philanthropy, opening new doors for partnership and initiatives—especially for areas in which previous funding from the public sector or individual donors is at risk.

The growing role of corporations—and anticipation that this will be an ongoing trend due to the proven benefits of a strong corporate responsibility program—will hopefully power giving forward, even as change causes a shift in other traditional areas of social good.

Subaru Camden Case Study

Subaru® of America offers a powerful example of the impact your organization could be making in your community, thanks to access to a powerful arsenal of resources. Initially Subaru funded a program in Camden, New Jersey, that fit its strengths. The goal of the program was to improve access to job training for residents, which would then result in employees being more attractive candidates for employment. The anticipated result was bringing wealth back to one of the poorest cities in the country. What did they find instead? Once people earn a living wage, they don't want to stay in Camden. In this new era of corporations and their dedication to philanthropic efforts, Subaru decided that its efforts were not benefiting the city in the way it had hoped, and an expanded focus was needed to truly achieve the impact the company desired.



From 2016 to 2017, Subaru invested \$1.2 million in various projects, working with numerous local partners. Some of the focus remains on job training, but now also addresses additional socioeconomic factors such as combatting homelessness, providing care to those that grew up in traumatic situations, and working with a trauma center to provide funding for equipment for EMTs. Subaru also brought the program Girls, Inc. to Camden, resulting in four new programs at two schools. These programs focus on the development of girls aged 6–18, allowing them to discover their true selves, develop their inherent strengths, and get the support they need to be successful. This type of support is essential in the poorest city in America. Subaru provides an excellent example of this expanding role for corporations in its giving practices and local community. It is no longer checking a philanthropic box, but setting strategies to achieve set goals for identified needs and following a culture of corporate responsibility.

The Next Step

The organizational benefits of a well-managed corporate responsibility program are significant and demanded by both society and employees. However, some programs are still in their early stages and all initiatives continue to evolve as they become more formalized.

The reporting and analytical pieces of CSR are still in their initial stages for many organizations, with few existing reports that can standardize your progress against others in your industry. Without a standard measure of success, it is difficult today for organizations to identify credible benchmarks that investors can use to see your growth. This will be an area of growth with research beginning now on how to measure success on all activities, not just progress against set goals established by global initiatives like the Paris Agreement or SDGs.

As an example, Freya Williams, a top researcher on this topic, released a recent study identifying six key characteristics shared by the nine most successful businesses that have focused on green business practices. These businesses either grew a line of business or built a whole business on the idea of corporate responsibility. That's right—corporate responsibility has grown to be recognized as such a key profit driver that companies are using the idea as a foundation for business growth. Learn more about her six key factors that these companies share (and have contributed to huge success) [here](#).

Within their organization, companies will also continue to rethink their corporate responsibility programs to maximize employee engagement. The key? Human social responsibility (HSR). This term was coined by Rachel Hutchisson at Blackbaud, and it describes the new era of CSR programs where putting your employees first is essential. The potential for return is astronomical, as we've reviewed in this piece. This workforce generation and the next one value CSR more than any other generation before it. How can corporations maximize this potential? By building programs around employees' likes, needs, and preferences.

Whether you're just beginning to build a CSR program or your organization has had one in place for years, it is extremely important that you're incorporating your CSR efforts and goals into your overarching business strategy. There has been a shift, causing this level of planning, effort, and reporting to be expected by consumers, employees, investors, and your community. As you work toward getting buy-in across your organization to continue to expand your efforts, just remember: You're not just ensuring sustainability for your organization, but for the world, too!

About the Author

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