KELLIE A. McELHANEY

# JUST GOOD BUSINESS

*The Strategic Guide to Aligning*
**CORPORATE RESPONSIBILITY**
*and* **BRAND**

an excerpt from

***Just Good Business:***
***The Strategic Guide to Aligning Corporate Responsibility and Brand***

by Kellie A. McElhaney

Published by Berrett-Koehler Publishers

# Contents

# Preface
# It's Time to Take the Next Step

> Our society will be remembered not only for what we create, but also for what we refuse to destroy.
>
> —John Sawhill, environmentalist

I have been teaching, researching, running programs and centers, advising on company projects, consulting, and speaking globally on corporate social responsibility (CSR) since 1993. It has been a wild ride, through a field that started in relative anonymity, marginality, and insignificance and has moved fairly rapidly to front-page news. Indeed, the *Wall Street Journal* in 2006 and again in 2007 included CSR as one of the areas—along with finance, marketing, accounting, and operations—that it assessed in its annual rankings of top business schools.

In 2008, the venerable *Financial Times* added CSR to its global MBA rankings (I might add that our Center for Responsible Business at the Haas School of Business at the University of California at Berkeley was number one!). CSR has been the main theme of the World Economic Forum at Davos, Switzerland, at several of the annual meetings, including in 2008, when Bill Gates spoke of the need for more "creative capitalism—an approach where governments, nonprofits, and businesses work together to stretch the reach of market forces so that more people can make a profit, or gain recognition, doing work that eases the world's inequities."

And finally, after years of calling it misguided, misaligned, illegal, and useless, the *Economist* admits that "CSR, done well, is just good business and is here to stay." To that I say amen.

I have observed and investigated the trends of analysis in CSR and have witnessed firsthand a dramatic change. Discussions have moved from asking why CSR, to measuring the impact of CSR, to developing strategic CSR frameworks, and finally to talking about, communicating, marketing, and branding a company's CSR strategy. Throughout all of these trends and discussions, I have not felt compelled to write a book—until now. Telling a company's CSR story, after it has developed significant CSR substance and strategy, has never been more powerful than it is today. Integrating a company's CSR into its brand is even more powerful—not only for consumers but for employees, suppliers, partners, retailers, and investors alike.

In the pages that follow, I will invite and encourage you to take the next step in the evolution of CSR. We are now at a turning point in the evolution of CSR, and it's time to go beyond the question of whether or not it is the right thing to do. For an increasing number of companies, there is no question that adopting a CSR strategy is the right thing to do—they are doing it. And not just to be green or to be better corporate citizens or to improve their image. They are doing it because of the positive impact CSR has on employee recruiting, loyalty, and retention; on differentiation in the marketplace; on customer loyalty and attraction—and on the bottom line.

A lot of CSR is out there in the business world, but not a lot of it is effective, strategic, high-impact CSR. By the time you finish reading this book, you'll understand that creating a CSR strategy and a CSR program is only half the job. The other half is creating your CSR story and branding, and publicizing it regularly and widely. Of the effective, strategic CSR that is out there in the business world, very little of it is effectively communicated. With this book you have all the tools you'll need to do all that and more. Now it's your turn. I hope that someday I'll have the opportunity to write about your own successful CSR efforts.

Finally, I believe that corporate responsibility, along with being just good business, can also help to provide and repair something that is desperately lacking in our world today: hope. *Let us refuse to destroy HOPE. Corporate responsibility builds hope.*

# PART I

## Corporate Social Responsibility—Just Good Business

Part I discusses the current state of the art of corporate social responsibility (CSR)—what it is, why companies should integrate it into their business strategies, and why they should do it now. You will learn how to develop effective CSR strategies, how to align your company's core objectives, competencies, and stakeholder expectations, and how to maximize CSR's value within the firm.

# Introduction

## WHY CSR? WHY NOW?

> How wonderful it is that nobody need wait a single moment before starting to improve the world.
>
> —Anne Frank

If you doubt the impact that corporate responsibility strategy—even if incremental—can have on a big business's bottom line, consider the example of vending machines at Wal-Mart. After receiving employer-provided training on sustainability, Darrell Meyers, an associate (employee) in a North Carolina Wal-Mart store submitted a suggestion to remove light bulbs from the company's vending machines. Removing the light bulbs—which stayed lit 24/7 and needed to be replaced from time to time by maintenance workers—would help prevent wasting energy while saving the company money. As it turned out, Darrell's thinking was right on target. When his idea percolated up to Wal-Mart's corporate headquarters in Bentonville, Arkansas, someone ran the numbers and estimated that Darrell's suggestion would save the company more than $1 million a year.

Guess what? You'll be hard pressed today to find a vending machine in any Wal-Mart store or office anywhere that has a functioning light bulb in it.

This book is about corporate strategy and corporate social responsibility (CSR) and how you can leverage the power of branding and communication to ensure that your company's CSR efforts are noticed by the public, including customers, sponsors, partners, suppliers, employees, and shareholders. Remember: a lot of CSR is out there in the business world, but not a lot of it is effective CSR. And even of the limited amount of effective CSR strategy that exists, no company has yet captured the market on effectively communicating it in such a way as to maximize business value. Most companies are scared to death to communicate their CSR.

In fact, many companies have been and are doing more—not less—in the world today to improve education, health care, and environmental protection, to name but a few key areas of social focus. The problem, however, is that they are not talking about it, and they are not telling their stories when recruiting new employees, branding new and existing products, or entering new markets. The result is that the average consumer, employee, government regulator, or supplier has no idea what if anything the company is doing when it comes to corporate social responsibility. They therefore cannot factor the company's CSR efforts into their choices when deciding what product to buy, where to work, or how to invest.

If this book has power, it is in convincing you that you can and should brand and communicate your CSR. Corporate social responsibility can help firms—particularly those in highly commoditized industry segments such as consumer products or banking and financial services—to differentiate their brand and stand out above the noise when price, quality, and convenience are relatively equal. This positive impact creates a competitive advantage for these firms both when markets are up and when they're down.

However, you cannot move to branding your company's CSR until you first agree on a definition of CSR and name it and second—and perhaps more importantly—develop an integrated CSR strategy with substance and business impact.

## Exactly What Is CSR and What Should You Call It?

Unsurprisingly for a field that was catapulted so quickly from irrelevance to center stage, there is scant understanding of and agreement on what CSR is—and what it is not. CSR might simply be defined as "using the power of business to create a better world" (the definition offered by the global leadership network Net Impact). In my own work, I think of CSR in terms of corporate strategy, and I advocate that firms use CSR as part of their portfolio of business strategies. To that end, since 1998—and for the purposes of this book—I have developed and use the following definition of *strategic corporate social responsibility*: a business strategy that is integrated with core business objectives and core competencies of the firm and from the outset is designed to create business value and positive social change, and is embedded in day-to-day business culture and operations.

The lack of a be-all and end-all definition of corporate social responsibility is no excuse for a company not to engage in CSR. Companies must consider the definitions given here—and others—and then quickly start by defining the term for themselves. If CSR is to be treated as a part of an effective corporate strategy, then its definition would be, by definition, unique to each firm based on that company's objectives, risks, opportunities, and competencies. In my experience, this is most definitely the case.

One challenge to nailing down a definition of CSR within organizations is that the concept of corporate social responsibility itself goes by many different names. What is called *corporate social responsibility* in one organization might be given the label *spiritual capitalism* in another. Below is a list of the most common labels used by companies in referring to the things they do involving CSR:

- corporate responsibility
- sustainable development
- sustainability
- environment, social, and governance (ESG)
- social enterprise
- global citizenship
- corporate citizenship
- values-driven business
- natural capitalism
- spiritual capitalism
- compassionate capitalism
- people, planet, profits

I personally try to dissuade leaders from wasting a lot of time deciding on a name for their own CSR efforts. I advocate only that they indeed call it *something,* give it a name and use it consistently; that they define it for themselves as a company; and that they develop and execute a business strategy around the name, communicate it, and brand it.

As you read through the chapters that follow, please keep the strategic aspect of corporate social responsibility in mind. To me, this is ultimately what gives CSR its power to not only change the world for the better but to improve the company's bottom line. An effective CSR strategy can do all that while enhancing employee loyalty, productivity, and retention; while granting a company license to operate in new countries and markets; while giving a product or service a competitive advantage; and while giving a company a sticky brand story to tell in the marketplace. If you don't demand that both your CSR goals and your financial goals be achieved in parallel and together, then your corporate social responsibility program will likely be unsustainable in the long run. As soon as you have a down quarter, your CSR resources will be the first to be cut.

## Why CSR Now?

I used to stay awake at night wondering if CSR was really as mainstreamed in the wide world as it was in my professional life. As someone who specializes in the field, it's easy to mistakenly believe that the entire world revolves around the object of my professional affection. That feeling grew particularly nagging when I moved to Berkeley, as so many things that are top of mind in Berkeley (tree sitters trying to keep a football field from being expanded is just one recent example) rarely hit the rest of the world's screen of top priorities. I knew from my voracious bedtime reading (that is, nonacademic reading) that issues of corporate responsibility graced every major magazine cover in this country during the course of 2007, and have continued to do so in 2008.

But it wasn't until I accidentally picked up an issue of a particular magazine one day that I become 100 percent convinced that CSR's time had finally come and that it had hit the mainstream. Why was I so convinced?

Because the magazine in question—*Sports Illustrated*—is a venerated mainstream magazine that featured CSR, more specifically global warming, on its cover in March 2007.

If the sports fans of the world were now getting CSR—and getting it in a way that truly mattered to them—then CSR was finally entering the mainstream of American thought. The *Sports Illustrated* feature highlighted the most popular and spectacular baseball parks in the United States, predicting that if global warming continues at its current pace half of them would be underwater and rendered obsolete by 2050.[1] The issue also discussed Babe Ruth's famous slugging and predicted that if he had been playing today at the same strength as he did when he was alive, Ruth would not have hit nearly as many home runs due to higher levels of particulates in the air resulting from the degradation of our environment. *Sports Illustrated* brilliantly stuck close to its core competency—sports—while making CSR and climate change relevant to its athletics-loving readers.

A number of key factors have come together in the past few years, causing the idea of corporate social responsibility to explode and finally make its way into mainstream business thinking:

- The impact of technology that gives citizens immediate access to transparent information and news at the click of a computer key or press of a cell phone button
- Nongovernmental organizations' (NGOs') increasing sophistication in targeting corporate malfeasance
- The shifting of resources and power away from governments and the public sector and toward the private sector
- Workers demanding that their employers contribute to bettering the world
- Pockets of consumer pressure
- Generation Y (aka Millennials) proving to be the most cause-focused generation in decades

But of all the reasons, perhaps the single most important driver of CSR today is the expectations-reality gap. As Figure 1 indicates, the public's

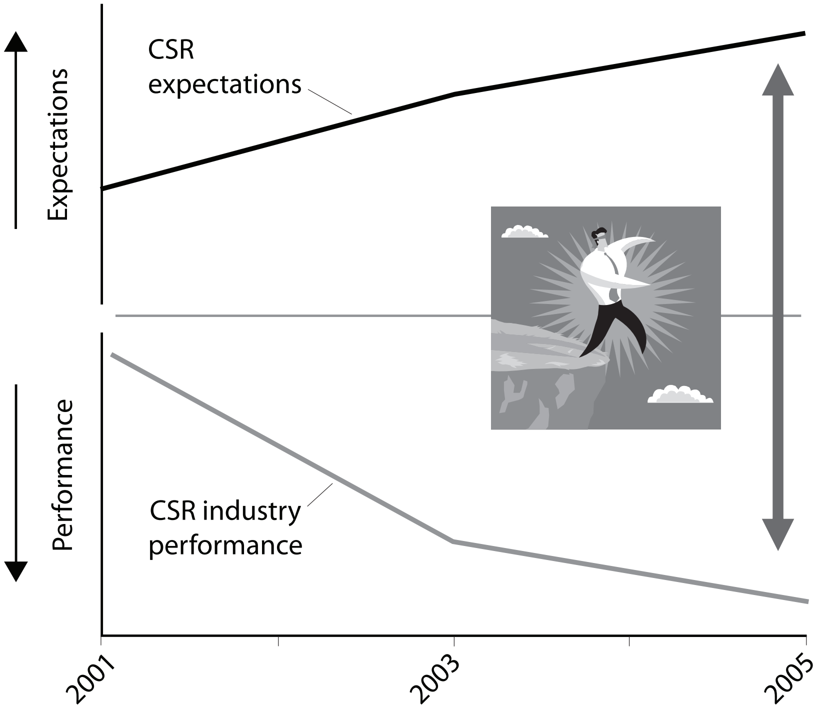


**FIGURE 1.** CSR expectations versus perceived performance (Globescan, 2005)

current expectation that business *will* operate in society's best interests has rapidly increased to an all-time high, while the public's perception that business *is* operating in society's best interests has rapidly declined to an all-time low. This gap is leading to an increasingly perilous erosion of trust in business.

Across various surveys that are conducted annually, business is typically last or second to last among most-trusted institutions to operate in society's best interests, depending on what is happening in government that day.

Part of the challenge in this expectations gap arises because of the difference between *perception* and *reality.* To bridge this image-identity gap, companies must constantly work to build their CSR results, substance, and initiatives into internal and external brand stories.

## Self-Assessing Your CSR

Most companies are already engaging in CSR at some level. To develop an effective CSR strategy, you need to know where your company stands in the process. This requires self-assessment. Simon Zadek of AccountAbility—an international nonprofit organization that promotes accountability for sustainable development—discusses five stages that companies generally pass through when engaging in CSR.[2] (See Figure 2.)

**Stage 1:** Most companies enter the CSR space as a *defensive* move, because somebody (employees, media, NGOs, government) has exposed poor behavior or practices and has pushed the company to improve. Think Nike when the company was exposed in 1998 for various human rights abuses in its Asian factories.

**Stage 2:** With the pressure on, company leaders know they need to do something to *comply*—preferably in a way that requires the minimum investment of precious financial resources while demonstrating to critics that the company is taking action to address their concerns. An example of this step is when every apparel company, in an effort not to be the next Nike, developed a supplier code of conduct and sent placards spelling out the code (in English, mostly to non-English-speaking countries) to every factory from which they sourced,

**Stage 3:** Ultimately, the company develops some sort of *management* process or system (for example, the ISO 14000 environmental management standards) so that responsibilities can be assigned internally, the actions can be measured, and they get done. But as with most things that are risk mitigating, these activities tend to be viewed as a *cost* to the company, not a *value* or *opportunity.* And without looking at CSR as value creating, innovation or creativity are lacking in the CSR activities.

**Stage 4:** Companies view CSR as part of their value- and opportunity-creating *strategies,* on par with their business development, research and development, branding, and market-entry strategies. Indeed, the trend is finally changing with CSR. When General Electric launched its

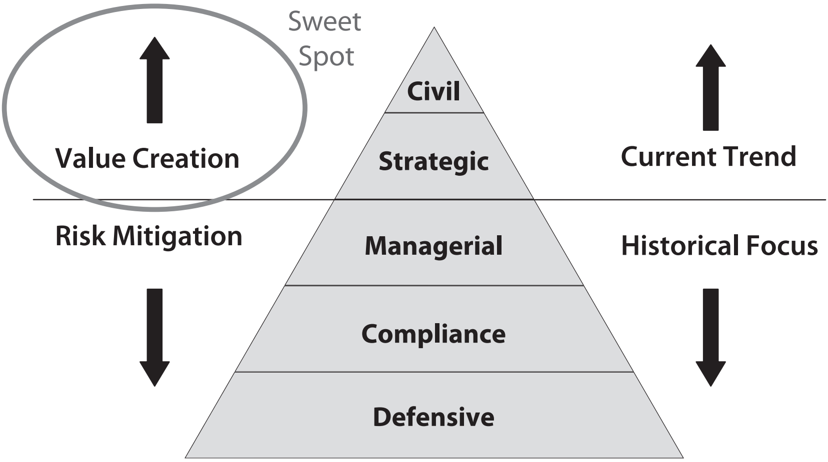


**FIGURE 2.** Stages of CSR (Adapted by permission from Simon Zadek, *The Civil Corporation: The New Economy of Corporate Citizenship* [Sterling, VA: Earthscan, 2001], chapter 6).

Ecomagination program in 2006, it did so unabashedly with the view that this was going to become a value-creating strategy for the firm:

> Ecomagination puts into practice GE's belief that financial and environmental performance can work together to drive company growth, while taking on some of the world's biggest challenges. [Ecomagination is] about the GE commitment to products and services that are as economically advantageous as they are ecologically sound.[3]

GE is a great example of a company that finally views CSR as part of its business strategy—to sell more goods and services and create value for the firm. The Ecomagination program meets my own definition of CSR, as it also exists to create positive environmental value by focusing on increasing energy efficiency. Ideally, as more and more companies begin to view CSR as a business strategy—and succeed in creating value, including increased sales, entry into new markets, and brand differentiation—their competitors will follow suit and even collaborate, raising the entire civil foundation.

I argue that some of the best, most strategic CSR has been executed by firms that entered the CSR spectrum from a point of significant public pain: consider Nike and sweatshop allegations or GE and effluent dumping in the Hudson River. As it is for humans, pain (and the compelling desire to avoid it) can be a particularly effective motivator for businesses. So I tend not to get caught up in why a company was originally motivated to engage in CSR. For me, the ends justify the means, and even coming at CSR from a defensive or self-serving motivation does not take away from the resulting positive environmental and/or social contributions.

**Stage 5:** The final stage in the CSR maturity process is when the company changes the rules of the game, raises the *civil* foundation, and indelibly changes society.

A company at the highest stage of corporate social responsibility embeds CSR into its daily business operations, collaborates with other companies, and attempts to change the rules of the game or attack a problem or social issue at its cause. A good example of this is Product Red, styled as (PRODUCT)$^{\mathrm{RED}}$, a brand collaborative that is licensed to American Express (United Kingdom only), Converse, Gap, Emporio Armani, Motorola, Apple, Hallmark Cards, Dell, and Microsoft. The idea is for a percentage of the profits of Red products to be sent directly to the Global Fund to Fight AIDS, Tuberculosis, and Malaria.

In this case, Gap reaches Zadek's stage 5, or civil stage, most profoundly in that not only does a percentage of the sales of the company's Product Red products go to the Global Fund, but it also tries to source the materials for these Product Red products from AIDS-, malaria-, and tuberculosis-ridden countries such as Lesotho to create economic development. Along with its Lesotho sourcing program, Gap has committed to support women, children, education, and health care in Lesotho. This is an example of Gap going deeper than simply a cause-marketing program but further integrating Product Red into its supply chain and sourcing strategy.

## Why Now?—the Value of CSR

There has been much debate, disagreement, and discussion about the value of corporate social responsibility to the bottom line, as well as the constant search for the holy grail—a study that will directly and causally link CSR to an exact increase in share price. Unfortunately, this study does not and likely never will exist. The linkage of corporate social responsibility practices to increases in earnings has thus far proved to be indirect and correlational at best.

The best evidence for the financial benefits of effective strategic CSR can be found in the areas of human resources, reputation, branding, and operational cost savings. For example, employees are significantly interested in, more highly satisfied with, and more loyal to companies that have a proven commitment to corporate responsibility. Therefore, CSR can be used as an effective strategy to recruit and retain top talent, a fact that has obvious positive implications for the bottom line. This strategy will be especially important as baby boomers leave the workforce in increasing numbers and a smaller pool of Millennials rises to take their place.

CSR can help firms to differentiate their brand and stand out above the noise in industries such as consumer products or banking and financial services where price, quality, and convenience are relatively equal. Particular demographics of consumers have proved their willingness to spend more, remain loyal, and prefer brands that support a cause or an issue about which they care deeply. And replacing high-wattage incandescent light bulbs with low-wattage, more energy-efficient fluorescent light bulbs; changing water fixtures to slow flow; and changing photocopiers to double-sided will decrease operating costs.

Like Wal-Mart, plenty of companies are doing things that are good for both the environment and the bottom line. But in order to recognize many of the business benefits of CSR, they have to strategically communicate their CSR efforts to employees, consumers, governments, business partners, and suppliers. To date, few firms have been aggressive or successful in building CSR into their brand, or in treating it as a viable subbrand. This, I believe, is a grave error. But it is an error that can be righted by making CSR a vital part of a company's strategy. The next chapter talks about how to do just that.

# 1

# BUILDING YOUR CSR BUSINESS STRATEGY

> Strategy without tactics is the slowest route to victory.
> Tactics without strategy is the noise before defeat.
>
> —Sun Tzu

In honor of Earth Month, Wal-Mart launched its first-ever in-store *magalogue* (kind of a cross between a magazine and a catalogue), which aimed to inform its customers—roughly 200 million of them in a month—on actions they could take, while shopping at Wal-Mart, to help the planet. This was great business strategy not only for Wal-Mart in promoting the greenness of its own brand but also for General Electric, Procter & Gamble, Horizon Organic, and Clorox—all of whose environmentally friendly products are given premium promotional space in the magalogue, not to mention premium in-store shelf space.

As we have already seen, CSR is quickly gaining corporate mindshare—an increasing number of companies in almost every industry are adopting CSR principles and initiating CSR programs. The realization that companies can and should play an important role in their communities—and across the nation and around the world—while making a profit is quite a step up from the old belief that the sole purpose of companies is to increase value for shareholders.

Today, many businesses are taking the next step in the evolution of CSR in business. Many business leaders are realizing that CSR is also a viable component of their overall business strategy, along with such traditional functions as marketing, branding, research and development, innovation,


WAL★MART
Save money. Live better.
walmart.com/green

A budget-friendly guide
to helping the planet.

WAL★MART
Save money. Live better.

(Wal-Mart, *Earth Month*, April 2008)

Sure, an electric car can help the environment. But so can a shopping cart.

Of all the ways to help the planet, the most beneficial might just involve the things we do every day — like how we shop. You see, simple choices in what we buy and use can have a positive impact on the world around us. And when you're part of 200 million Wal-Mart shoppers, those simple choices can add up to some amazing things. Like preventing enough $CO_2$ emissions to equal taking over 11 million cars off the road, just by changing a light bulb.

So take a look inside. You'll find products that'll help save you money while helping the planet as well. You'll also see how you multiplied by 200 million can equal a brighter future for us all.

**YOU x 200 million = A brighter future**

talent management, and operations. They are therefore beginning to accord CSR strategy the same level of attention they give to these other vital corporate functions and, better yet, weave their CSR strategies in with their branding, marketing, and operations.

That is good news, indeed, because *strategic* corporate social responsibility executed well is *effective* corporate social responsibility.

## A Typical Corporate Goal

Management guru Peter Drucker perhaps said it best: "What gets planned gets done." Companies have long known that to achieve their goals, they need strategies that get everyone within the organization headed in the right direction at the right time, and that ensure that resources are mobilized where required.

For example, consider a typical corporate strategy—in this case one from Hewlett-Packard (HP) in 2006 to "Establish HP as the world's leading information technology company."

> HP's goal is clear and is likely to be inspirational to the company's employees: to establish Hewlett-Packard as the world's leading information technology company. Just as clear are HP's three interdependent strategies for achieving this goal: targeted growth, capital strategy, and efficiency. If you are an HP employee, you know that if you contribute to one or more of these three strategies, you are helping the company achieve its greater goal of information technology supremacy. Moreover, as an employee you know that your performance will be measured on your success in contributing to one or more of these strategies.

So far, so good. At least until we come to the typical company's CSR goals.

Because they know that they need strategies to achieve their mainline business goals (such as HP's goal to become the world's leading information technology company), many companies also know that they need to develop strategies for their corporate social responsibility goals as well. However, because the goals for most CSR efforts aren't in support of typical corporate functions such as marketing, manufacturing, sales, and so forth, many companies are unsure of what goals to set for CSR efforts or what strategies to pursue. The result is often a hodgepodge of unfocused, unconnected, and unrelated strategies in search of an overarching goal.

Although perhaps a bit extreme, Figure 3 does demonstrate elements of the typical CSR strategies that you're likely to find in most businesses today.

Which approach do you think will be more effective: one like HP's

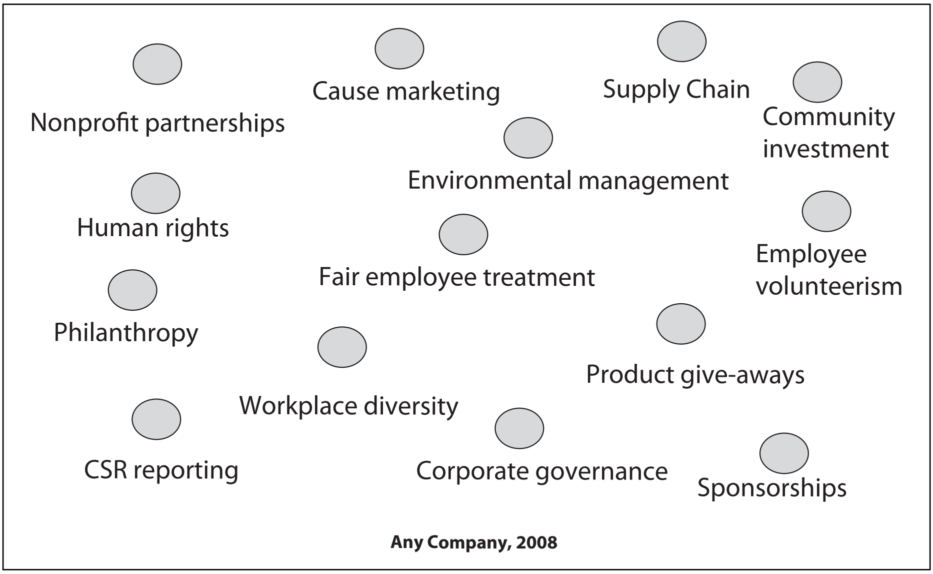


**FIGURE 3.** A typical company's CSR strategies

tightly focused goal to become the world's leading information technology company or the scattershot—and all-too-typical—CSR strategies illustrated in Figure 3?

## The Case for a CSR Goal

Business leaders are beginning to realize that an effective corporate social responsibility goal can be much more than a feel-good public relations (PR) release for prospective customers, employees, shareholders, and other stakeholders; it can have a significant and positive impact on the bottom line.

The IBM Institute for Business Value recently surveyed a group of 250 business leaders worldwide and found that more than two-thirds (68 percent) are focusing on corporate social responsibility activities to create new revenue streams. In addition, more than half (54 percent) of the surveyed business leaders believe that their companies' CSR activities are already giving them an advantage over their top competitors. According to IBM's report on these findings, "When aligned with business objectives, companies are beginning to see that CSR can bring competitive differentiation, permission to enter new markets, and favorable positioning in the talent wars."[4]

In a landmark *Harvard Business Review* article, Michael Porter and Mark Kramer proposed a new way to look at the relationship between business and society, a way that unifies company philanthropy with the management of CSR efforts and embeds a social dimension in their core value proposition. According to Porter and Kramer,

> The fact is, the prevailing approaches to CSR are so fragmented and so disconnected from business and strategy as to obscure many of the greatest opportunities for companies to benefit society. If, instead, corporations were to analyze their prospects for social responsibility using the same frameworks that guide their core business choices, they would discover that CSR can be much more than a cost, a constraint, or a charitable deed—it can be a source of opportunity, innovation, and competitive advantage.[5]

## Shift of Power and Resources

Corporations wield tremendous power today, in large part because of the often quite significant financial impacts that they have on the communities, states, and countries where they have their offices, factories, and manufacturing plants and where they do business. As corporations have grown in size and financial power, the balance of power of resources in the world has changed as well. If you doubt that this is indeed the case, a quick look at the 2006 list of top one hundred economies in the world (as measured by gross domestic product [GDP]) should change your mind (see Figure 4).

One has to look only to number twenty-two before a corporation appears on this list. Exxon Mobil and Wal-Mart have higher gross domestic products (GDPs) than 75 percent of the world's countries! Exxon Mobil made more money in 2007 than any corporation has in history. Imagine the positive impact that these companies could have on the world, especially if their efforts were focused and strategic instead of scattershot and random. Clearly, if we want to change the world, we'll need companies

TOP 100 WORLD ECONOMIES

| Rank | Company/Country | GDP (World Bank) [millions, USD] |
|---|---|---|
| 1 | United States | 13,201,819 |
| 2 | Japan | 4,340,133 |
| 3 | Germany | 2,906,681 |
| 4 | People's Republic of China | 2,668,071 |
| 5 | United Kingdom | 2,345,015 |
| … | … | … |
| 22 | Wal-Mart Stores | 351,139 |
| 23 | Exxon Mobil | 347,254 |
| 24 | Poland | 338,733 |
| 25 | Austria | 322,444 |
| 26 | Royal Dutch Shell | 318,845 |
| 27 | Norway | 310,960 |
| 28 | Saudi Arabia | 309,778 |

**FIGURE 4.** Top economies of the world, 2006 (Revenue from *Fortune* magazine; GDP from the World Bank).

like Exxon Mobil and Wal-Mart with their power, reach, and resources on board.

The good news is that increasingly we do have the power, reach, and resources of companies like Wal-Mart, as well as thousands of other businesses, on board. Indeed, corporate social responsibility programs and initiatives are rapidly proliferating.

The bad news is that despite this plethora of CSR programs, most corporate efforts to date have been neither strategic nor well communicated. To be effective in their CSR efforts—and to reap all the potential benefits—these companies will need to do more than simply doing good in their communities. They will also need to approach CSR strategically, as a viable component of their overall business strategy, along with marketing, branding, research and development, innovation, talent management, and operations. And they will need to effectively tell their CSR stories.

## Developing an Effective CSR Strategy

At a minimum, companies should focus on the following set of good practices as they craft their own CSR goals.

**Senior leadership and management of the firm, including the board of directors, must make an authentic, firm, and public commitment to CSR efforts, and engage with them.** Often CSR efforts will be born organically throughout lower levels of employees. But even if they are, at some stage senior executives have to be brought on board, have to commit to them, and have to engage with them. This clear vision of CSR needs to be embedded within the core values of the firm and reflect those values, and it must be linked to the mission, vision, and values of the organization. And this core vision needs to openly recognize that CSR is central to creating not only social or environmental value but also to creating business value. Firms must be unabashedly unapologetic about that. CSR efforts should be treated and managed as core business strategy, just as are the strategies of marketing, research and development, capital expenditure, and talent management.

**Determine the top three business objectives of the company and develop CSR goals that will contribute to the achievement of those business objectives.** In developing CSR goals the company must determine what its business objectives are. Defining business objectives is not as easy an exercise as it might appear to be at first glance. Often when five business managers from the same firm are asked to describe their business objectives and priorities, they give five different answers. For example, I worked with a tech company in Silicon Valley whose top executive quickly answered the top three business objectives question: "Growth, growth, and growth." Her human resources director looked quite pained in responding that until they were able to rein in the company's high turnover rate, they were going to have a difficult time growing, growing, growing.

A CEO might say that the most pressing objective is to increase market share or increase sales, while the human resources leader might say that it is to recruit and attract the best talent, engage and unify disparate employee silos and business units, or improve employee satisfaction. The conversation needs to happen at a deeper level so that the CSR goals can serve these general objectives. Is the objective to grow in new markets? If so, which ones? Is it to penetrate new customer segments or grab market share from competitors? If so, which market segments?

**After business objectives are determined, align CSR goals with the firm's core competencies.** This practice requires focus and discipline. Typically CSR is executed in an ad hoc, nonintegrated fashion. CSR initiatives can originate in all parts of an organization and if mapped are often not linked to what the firm actually knows, does, or is expert in. CSR can come from the passion of a CEO (or historically from his wife) or a motivated employee. It can come simply from the causes and issues whose representative organizations (often nonprofits) ask the firm for support. Firms should, however, seek causes and social or environmental strategies for which they own part of the solution.

The classic case is Ford Motor Company Fund's support for breast cancer research—to the tune of $95 million over fourteen years to Susan G. Komen for the Cure. There is no argument that this is an eminently worthy cause that meets a significant need, and it is only one of many programs that Ford supports in its CSR effort. But it is an important part of Ford's CSR effort, and there is no strategic link between the company's support for breast cancer research and the building of cars and trucks. Automotive companies know cars, transportation engineering, and design, so perhaps support for alternatively fueled vehicles and addressing the global and environmental challenges around gasoline dependency are more fitting to the firm's core competencies and business objectives of selling more cars. Not only may Ford be in a better market position if it focuses on more strategically aligned causes, but the results of its initiatives in these areas may lead to the development of innovative new automotive technologies, which will lead to new products and revenue streams.

**Fully integrate CSR efforts into the governance of the company and into existing management systems.** If CSR efforts are not built into the performance appraisal system for a company's employees, for example, then the chances are good that they will not be fully embraced and executed with the precision of the commonly measured functions such as sales and staff management.

You should view CSR as both a risk-mitigation strategy and an opportunity-seeking strategy. Seek to find the sweet spot, that is, the intersection between business and social or environmental returns. Seek out partners in the community who have developed deep expertise in the cause or issue you are targeting, and work with these organizations, usually in the nonprofit sector, to develop the best solution and build capacity. Nonprofit partners are also in a better position to help the company communicate its CSR efforts, as nonprofits enjoy a higher level of trust.

**Finally, develop clear performance metrics, or key performance indicators, to measure the impact of your CSR efforts.** These metrics should be both internal (measuring reputation, market share, brand perception, sales, operating expenses, and employee satisfaction)and external (measuring achievements in society and the environment). If no performance metrics are in place, you will have no way to prove that the effort was effective, and it will not be sustainable over the long haul.

## The CSR Maturation Process

CSR can also be seen as a maturation process inside of an organization. Historically, companies have viewed their CSR commitments through a philanthropic lens—they are spending some of their profits in the community to garner positive PR and customer goodwill. The level of engagement in the philanthropic model is actually quite low, however, because the effort is not built into the companies' day-to-day operations or management systems. Such efforts are typically handled as completely separate functions, divorced from profit and loss responsibility, and they are typically not integrated into business objectives or core competencies.

In fact, many CEOs are offended when pressed on the idea that their philanthropic endeavors should result in any business value whatsoever. These leaders do good works simply because it is the right thing to do, or they do it to recognize tax advantages—a one-time strategy. However, as companies begin to move their CSR efforts from simple philanthropy or

| Growth stage: | Philanthropic | Transactional | Integrative |
|---|---|---|---|
| Level of engagement | Low | → | High |
| Importance to mission | Peripheral | → | Strategic |
| Magnitude of resources | Small | → | Big |
| Scope of activities | Narrow | → | Broad |
| Interaction level | Simple | → | Intensive |
| Managerial complexity | Infrequent | → | Complex |
| Strategic value | Modest | → | Major |
| EXAMPLES ACTIONS: | • Donation<br>• Grants | • Event sponsorship<br>• Cause-related marketing<br>• Employee volunteerism | • Joint-advocacy<br>• Joint-action<br>• Deep partnerships<br>• Financing principles<br>• Changing rules of industry |

**FIGURE 5.** The CSR maturation process

public relations, they move into transactional and then integrative phases in their maturation process, with the characteristics shown in Figure 5.

When working with a company to develop its CSR strategy, I first ask senior management what their goals are for their CSR effort. Do they simply want to run a good business? If so, they would want a strategy of undertaking ad hoc initiatives—like recycling or donation matching—brought to them by their employees from time to time. Do they simply want to give back to their local communities and be a good neighbor? If so, they would want a strategy of creating partnerships with local charities, such as supporting local schools, arts organizations, or hospitals. Do they want to be a beacon for other leaders and transform their entire industry? Then they would want a strategy of developing industry collaboratives and consistently communicating what they are doing so as to lead their peers.

Howard Schultz, of Starbucks and his fair trade pricing, and John Mackey, of Whole Foods and his emphasis on natural and organic foods, are great examples of leaders whose companies have become beacons. It would be difficult to argue against the fact that these leaders started industry trends toward increasing fair trade and organic offerings. Ironically, most CEOs and senior leaders like the idea of leading their industries, yet

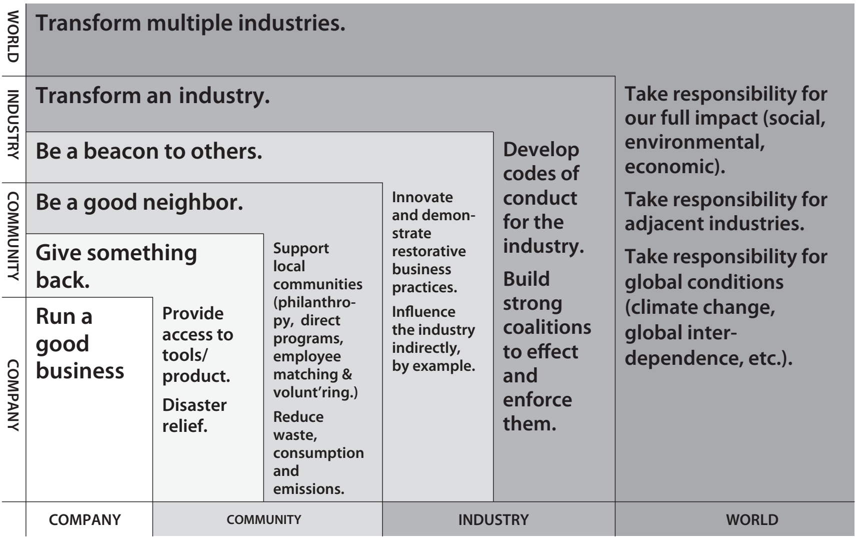


**FIGURE 6.** A CSR landscape

their CSR programs do not match these desires. Most corporate CSR falls into the category of being a good neighbor and simply giving back to the community. Giving back to the community is not a bad or inadequate endeavor. But the firm's CSR strategy should match the space in which the senior management says they want to play.

Figure 6 illustrates the levels of CSR, from having an impact on the company by helping run a good business to having an impact on the world by transforming multiple industries.

## Aligning Core Objectives and Competencies

To be effective, CSR goals must be aligned with two things:

- Core business objectives
- Core competencies of the firm

The first step for a company is to align its CSR goals with its specific business objectives for a particular time period. Aligning CSR goals with business objectives is not as easy an exercise as it may appear. Although there may be many legitimate business objectives, to develop the most efficient and successful CSR goals, the company must prioritize its primary objectives for the time frame. Business objectives can and should change over time, and they should be routinely reexamined in relation to the CSR strategy.

Aligning CSR strategy with the firm's core competencies is the next step for creating effective fit with CSR initiatives. This step requires focus and discipline. But regardless of the amount of effort involved, the time spent will be worth it. Creating a CSR strategy will unify your efforts, giving them much more power than if they remain a random mishmash of disparate initiatives. And once your CSR strategy is in place, you'll be able to move to the next step: leveraging the power of branding your CSR—the topic of the next chapter.

this material has been excerpted from

***Just Good Business: The Strategic Guide to Aligning Corporate Responsibility and Brand***

by Kellie A. McElhaney
Published by Berrett-Koehler Publishers