The Importance of CSR in Business

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The Importance of CSR in Business

CSR plays a vital role in businesses today. It is seen as a necessary component, when it used to not exist in the business world. What makes CSR so important and how can businesses use it to their advantage?

What is CSR?

After asking many of my friends what they thought of CSR, it became clear that most people are not even familiar with this abbreviation. CSR, corporate social responsibility, is everywhere. The United Nations defines CSR as, “a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders” (“What is CSR?”). CSR is basically the idea that all companies have the duty to better their communities and environment. This idea is relatively new, but it has grown rapidly.

History

CSR first started to formulate in the 1950’s. H. R. Bowen set forth the definition of CSR as “(it) refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of objectives and values of our society” (Bowen 6). At this time, CSR was more of an ideal quality for a business as opposed to the necessity it has become for businesses today. The United
Owens notes this, “it is important to draw this distinction between CSR, which can be a strategic business management concept, and charity, sponsorships, or philanthropy” (“What is CSR?”). In our time, CSR focuses not only on the moral obligation of companies but the company itself. A good CSR plan ties in to the needs of the shareholders and the type of business itself. It is not just about helping others; it is also about showcasing a business’ strengths and selling your company to the consumer.

**Development**

CSR has become a multi-woven concept that is important to a business’ sustainability. Businesses must not simply help the community, but they must also inform the community of their actions. One way companies have begun to do this is with the triple-bottom-line approach.

**Triple-Bottom-Line**

“The TBL (triple-bottom-line) is an approach or expression that encapsulates three important dimensions of business performance: economic, environment, and social (Elkington)”. This can be more difficult to measure in dollar terms, but nonetheless it does have an effect on the bottom line. “Creating negative feelings among the stakeholders can have adverse effects on the corporation, in terms of increased costs, reduced market share, tighter reputations, loss to essential resources and so on” (Sridhar). When a company’s stakeholders are unhappy it trickles through the business and all the way down to the consumer.
The Pyramid of Social Responsibility

CSR simply put is the corporation’s duty to make contributions to society. However, there is much more than just “doing good”. “It is suggested here that four kinds of social responsibilities constitute CSR: economic, legal, ethical, and philanthropic” (Carrol). To understand why all areas are equally important, one can examine Nike. Environmentally, “the company is making efforts to recycle excess rubber from factories, converting to water-based solvents and recycling used shoes. It has developed a tank top made of 75 per cent recycled plastic and the T-shirts it sells in the US contain 3 per cent organic cotton. (“Nike and Reputation Management”)” Nike has a very strong environmental presence and in this part of CSR they thrive. They also do very well when concerned with philanthropies. “It has (also) donated millions to children's television and to the Boys and Girls Club of America (Cotts)”. Though they tend to focus more on USA charities, they still do enough to maintain a good reputation. However, Nike neglects both the ethical and legal of CSR, which are arguably the most important.

In 1997, Nike came under attack, “More than 90 percent of the Nike workers in Vietnam are girls or young women, aged 15 to 28… They work full time making the fabulous footwear that brings Nike billions, but they aren't paid enough to eat properly, or even regularly. (Herbert)” Not only is this morally negligent but it also borderlines legality. Further examination reveals that Nike was blatantly ignoring their moral and legal responsibilities.
“Ernst & Young audited one of Nike's Vietnamese subcontractors in 1997... the auditor had found that a Vietnamese factory manufacturing Nike products lacked adequate safety equipment and training, and exposed workers to hazardous chemicals, noise, heat and dust. 77 per cent of workers suffered respiratory problems. Also, the factory management encouraged up to 700 hours of overtime per year in a country where the legal limit was 200 hours. ("Nike and Reputation Management")”

Though they claim to have changed in previous years, the damage is done. By only focusing on two components they implemented a weak CSR and now rely on their powerful branding to keep their business afloat and relevant.

**CSR from a Corporate View**

CSR can be a useful tool for corporations. Many businesses are popping up that are solely focused on CSR, using it in nearly every facet of their business. Companies such as Toms, promote their product buy tying it to a form of CSR. Whenever you buy one pair of Toms’ shoes, they give a pair to someone in need. If you go to their website the focus is on how you help others by purchasing their shoes. So how does this translate within the framework of businesses?

**Administration**

“Corporate reputation and brand image as well as customer and employee satisfaction bolstered by CSR are valuable resources that enhance performance (Bai and Chang)”. When a company originally begins to conceive a CSR plan, their employees’ moods is probably not high on the list of benefits. However, there is some evidence of a positive correlation. It is hard to test how a good CSR affects employees’ productivity. There are some interesting correlations. Google, Boston Consulting Group, and Acuity are currently ranked the top 3 companies to work for by Fortune Magazine ("100 Best Companies to Work For"). Upon viewing their websites, it is apparent all three
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companies also have very strong CSR plans. When you get employees to see that their work is tied to a bigger picture it makes work more meaningful. One company that really embraced this idea is Clif bar. In 2001, they started Project 2080. This project focuses on their employees collectively volunteering for a total of 2,080 hours. This is “how many hours one full-time employee works in a year”. Not only does this encourage the company to give back, but also it introduces a hands-on approach to this idea. Instead of Clif Bar just giving money to charities, the employees themselves get to help in their own communities and see the changes they are making with their own eyes. CSR within a company can inspire employees, motivate altruism, and help both the company and the consumer.

Advertising

All companies advertise but some use CSR as their entire advertising platform. Toms is one of the first companies that come to mind. If you have ever heard of Toms, then you probably know they donate shoes to those in need. Their motto is “Shoes for Tomorrow” and “One for One” is the program in which they supply shoes for those in need. This taps in to the ethical, economic, and philanthropic sides of CSR.
There is an inevitable assumption that any company striving to help others is also conducting ethical business. This helps strengthen Toms brand. Furthermore, the purchase of shoes in America helps our economy, but also helps provide influx to third world countries. Most importantly, it makes the consumer feel good about their purchase. They are not only helping themselves, but they are helping children as well. This strategy helps knock out competitors by making Toms stand apart and this also helps society, which is necessary for a company’s sustainability.

**Marketing**

CSR is undeniable part of marketing. Marketing can cover many different areas in each business, but all businesses have the four P’s in common. The four P’s of Marketing stand for Product, Price, Promotion, and Place. CSR can focus on each of individually or all four together.

**Product**

Marketing helps a company fine tune their product or products so that they are reaching and appealing to the correct target market. One company that developed a product focused on CSR is Stella Artois. Their newest marketing campaign is called “Buy a Lady a Drink” and provides 5 years of clean water to one woman, when a chalice is purchased (“buyaladyadrink”). Stella Artois designed three chalices, each representing the country in which the support would go to (Ethiopia, Honduras, or India).
This CSR works on many levels. To begin with, Stella Artois is targeting their market (predominately male) by saying buy a lady a drink. This is something very common in bar scenes (where Stella Artois is sold) but it is not normally related to buying 5 years of clean water for a woman. They are taking a relatable scenario and turning it into an opportunity to help others. Furthermore, these chalices are limited edition and designed in the typical Stella Artois way. Many of the consumers would buy this glass, regardless of the humanitarian benefits. Finally, Stella Artois is giving a choice to the consumer. Instead of just getting a cup, they get to pick the design, which in turn is them picking the country their help will go to. Choice is a powerful motivator. With different products, they appeal to different people and the more people you attract, the more people you have buying your products. Stella Artois is a prime example of how CSR can be used through a product.

**Price**

The most typical way CSR is related to price, is tying the two together as a package deal. It is basically a company saying, “yes this is expensive, but look at these other benefits”. The most recognizable company who does this is Disney. They have a wide range of products, including toys, movies, house furnishings, and even theme parks. When a consumer buys any of their products they are paying for the brand, because Disney has constructed a brand that people believe in. “Since 2009, Disney has invest $48 million in carbon offset projects globally”(“Act Responsibly | The Walt Disney Company”). “Since 1983, Disney employees have given more than 8 million hours of voluntEARS service”(Act Responsibly | The Walt Disney Company”). Disney is consistently viewed
as an ethical, environment friendly, and charity driven company. This notion is not misplaced. On their website you can easily find performance reports outlining their donations, volunteering, labor practices, and code of conduct. Their entire company focuses around family and helping others. Not only do their employees believe in the company, but also do their consumers. When a company displays a good corporate social responsibility, people are willing to pay a bit more so they can support that company.

**Promotion**

Promotion can be used with CSR to promote an item or a charity. Tropical Smoothie gives away free smoothies to any one who wear flip-flops on National Flip Flop day, which is a fundraiser established for Camp Sunshine (“Tropical Smoothie Café”). Through this Tropical Smoothie raises awareness for their product and promotes their national charity partner. Petco also uses promotion coupled with CSR. During their annual Spring-A-Pet donation, the company offers free gifts in exchange for donations. I worked at Petco during this time and saw for myself the effectiveness. Consumers are far more likely to make a donation if they get something in return. This donation also went to local animal shelters, which is tied to the last part of the marketing mix: place.

**Place**

Companies can also display their CSR through location. HEROfarm uses this strategy. HEROfarm is a marketing, public relations, and design company who focuses on helping society. However, they go beyond this and focus heavily on their own local community, New Orleans, Louisiana. They have made contributions to Tulane University, New Orleans Mission, Big Brothers Big Sisters Southeast Louisiana, and Green Light New
Owens (“HEROfarm Causes and Affects”). Even though they want consumers from all areas, this focus on their local community helps boost their local image and get local customers. This is reflected in their portfolio, which boasts an impressive number of companies in New Orleans. Warby Parker also focuses on local communities, even though theirs are overseas. For every pair of eyeglasses they sell, they make a donation to non-profit partners. These partners then train people to examine eyes and prescribe glasses in developing countries (“Online Eyeglasses & Sunglasses –Rx glasses | Warby Parker”). This develops jobs and provides revenue, which helps these communities grow in a sustainable way. Both companies focus on helping their communities exemplifies the usefulness of CSR placement.

**CSR from a Consumer View**

Companies hold the responsibility to be socially conscious, but it doesn’t truly yield financial benefits unless the consumers see this. One example is Wal-Mart. This company has a negative connotation and is not seen as altruistic. However, Wal-Mart actually has come a long way. They released their 2014 Global Responsibility Report and addressed many concerns, but it was not publicized well and most consumers are oblivious to their efforts (McMillion). Having a strong CSR reputation is developed through the company’s ability to get their information to the consumer. Having a good CSR can also aid in the sustainability of a company by attracting future employees.
Millennials

The next generation entering the workplace is the Millennials. For a company to succeed it is vital that they attract the brightest employees and to do this many are looking to CSR.

“According to the 2013 Cone Communications Social Impact Study, when companies support social and environmental issues, Millennials respond with increased trust (91 percent) and loyalty (89 percent) as well as a stronger likelihood to buy those companies’ products and services (89 percent)” (Cahan).

If a company has a strong CSR they are likely to get business and have a positive connotation with Millennials. Furthermore, “21% of Millennials say that helping people who are in need is one of the most important things in their life” (“Millennials: A Portrait of Generation Next”). It is obvious that to build a mutually beneficial relationship with Millennials, a company needs a strong CSR platform. However, they also need to convey these actions effectively. What better way to do that than with technology?

Technology

Technology plays an important role in the Millennial generation. “Millennials are the first generation to grow up with the Internet, Millennials…are highly adaptive to social media and emergent technology” (Maier). Not only do they know how to use technology, but they also rely on it. Millennials spend “upwards of five hours a day engaging with user-generated content” (Cahan). When related to business interaction, “sixty-four percent use social media to address or engage with companies around social and environmental issues” (Cahan). What all of this means is in order for companies to get Millennials informed of their CSR efforts, they need to use technology. Several companies have already noticed this and started concentrating efforts on this part of their business.
Microsoft recently launched a program entitled Youth Spark. This program is almost entirely online and it connects youth without opportunities with ways to get opportunities. It also features seminars on working with technology (how to build apps, websites, presentations, etc.) (Empower Young People | Youthspark). Not only does this program help children, but it also utilizes technology to do so.

**CSR in the Future**

Corporate Social Responsibility has already developed rapidly and will only continue to do so. Wayne Visser predicts a new CSR: “CSR 2.0”. This developing idea changes CSR from simple donations to true innovation.

> “This is a purpose-driven, principle-based approach, in which business seeks to identify and tackle the root causes of our present unsustainability and irresponsibility, typically through innovating business models, revolutionizing their processes, products and services and lobbying for progressive national and international policies” (Visser).

Businesses will need to use their resources in new ways to most efficiently help others. An emerging trend to achieve this is through cross-partnerships. Stella Artois is partnered with Water.org for their “Buy a Lady a Drink” campaign. Cross-partnerships have already become useful in business; it only makes sense that this would carry over to CSR. Visser predicts, “cross-sector partnerships will be at the heart of all CSR approaches” (Visser). Although CSR is rapidly developing, some businesses hesitate to go all in. They would rather keep their money where they see it, the bottom-line. In reality, CSR may cause current expenditures, but with a proper CSR plan it can lead to long-term sustainability. The more companies and investors realize that medium to long-term returns hold equal importance to short-term returns, the more they will realize that CSR benefits both their image and their livelihood. “The more companies and investors realize
that medium to long-term returns hold equal importance to short-term returns, the more they will realize that CSR benefits both their image and their livelihood” (Forte).

Corporate social responsibility is here to stay.

**Final Thoughts**

CSR is more than just ethical behavior. It can help businesses and others at the same time. Many companies are already striving to improve this area of business. Whether it is Toms One-for-One campaign or Microsoft providing learning tools through Youthspark, CSR is mutually beneficial. Though some may believe a corporation’s goal is only to make money, CSR is helping change that idea and it’s validity. Corporations are more than selling items. Corporations are powerful influencers. In the future, we may see companies changing the world with CSR campaigns. Not to make money, but to help our world.


