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Corporate Social Responsibility

Good Business: Corporate Social Responsibility

In fundraising, there's something called the "warm glow" theory that offers reason for why people give. While research has suggested that tax benefits, vested interest in causes and recognition all compel people to donate, it's the warm glow—the feeling of doing good—that truly drives the act of giving.¹

This theory has been extended to the corporate world as well. It has been proven that purchasing from companies that act ethically or give to a cause provides further incentive (warm glow!) to the consumer. The late 1990s and the early 2000s saw an uptake in businesses giving proceeds or providing volunteers to causes linked to their brands. Some called it "corporate social responsibility"; others called it "corporate philanthropy" or "corporate citizenship." Regardless, it was a way for business to raise visibility while raising funds for good.



At that time, many supposed that corporate social responsibility—often referred to as CSR—was merely a trend or a means to market brands in a new way. While there is truth behind these speculations, consumers responded in ways that have undeniably shifted corporate social responsibility from trend to expectation. Today, businesses continue to see positive results from exploring CSR efforts, such as:

- **Enhanced reputation.** This broadens an organization or brand's appeal to potential consumers, employees and investors. Brands with solid reputations also are more likely to experience positive media coverage.
- **Increased sales and customer loyalty.** This drives the bottom line, as people care about how an organization conducts business. A 2002 Hill and Knowlton study found that 79 percent of Americans take CSR practices into consideration when debating a product purchase.²
- **Strengthened relationships and expanded market share.** This also drives the bottom line, while opening the doors to new products, services and partnerships.
- **Competitive edge.** This can help businesses corner the market. According to a recent IBM study, more than 1,100 CEOs said they plan

¹ Leonhardt, David. "The New York Times." *The New York Times*. 09 Mar. 2008. Web. 27 May 2010. <<http://www.nytimes.com/2008/03/09/magazine/09Psychology-t.html?pagewanted=1&r=1>>.

² Cuizon, Gwendolyn. "What Is Corporate Social Responsibility?: How Will CSR Benefit the Company." *Social Corporate Responsibility*. Web. 27 May 2010. <http://social-corporate-responsibility.suite101.com/article.cfm/what_is_corporate_social_responsibility>.

to increase their companies' corporate social responsibility spending by 25 percent on average.³

- **Peace of mind and satisfaction.** This comes with doing what is right. It also prevents potential public relations firestorms that many other companies face when solid ethics is not an organizational cornerstone.

While business may always be about profitability, it is becoming commonplace for companies to expand their bottom line to include investments in the communities and markets that launched them to success in new ways of doing things or in causes that stand to affect brand viability in the future. That's what corporate social responsibility is all about.

Businesses looking to begin a CSR plan should first consider what it is they are truly hoping to accomplish. Then, it's important to develop a solid strategy, set goals, put tactics in place and determine how to communicate the CSR plan to key audiences.

Setting CSR goals

What is your business trying to accomplish? Businesses need to define their goal(s) before any other aspect of a successful CSR strategy can work.

CSR for good

In many cases, CSR is more than handing a few bucks to the local charity. It's about doing the right thing: conducting ethical, transparent business practices that hold a company accountable for its actions.

A company that explores a CSR strategy simply for the good of the cause falls into this category. These businesses are genuinely interested in providing value beyond their bottom line, believing that doing so will only add *to* their ultimate profits. Karma, if you will.

International logistics company TNT is a perfect example of implementing CSR for good. Through its CSR program established at its Amsterdam headquarters, 50 designated employees are always on call to intervene anywhere in the world at 48 hours' notice. The program was established based on the company's strong internal culture that places an emphasis on giving back. Due to their access to transportation and logistics, the cause was an easy fit. Employees have responded to over two dozen emergencies, including the Asian tsunami in 2004, since its recent inception.

³ Dver, Alyssa. "Irresponsible Corporate Responsibility: Doing Good Isn't Always Done Well." *MarketingProfs: Marketing Resources for Marketing Professionals*. 25 Aug. 2009. Web. 20 May 2010. <<http://www.marketingprofs.com/9/irresponsible-corporate-responsibility-doing-good-not-done-well-dver.asp>>.



“People feel this is a company that does more than take care of the bottom line,” says Ludo Oelrich, the director of this CSR initiative. “It’s providing a soul to TNT.”⁴ Another prime example of a corporation that truly conducts CSR for the good of the cause is Ben and Jerry’s® Ice Cream. The ice cream company was founded by Ben Cohen and Jerry Greenfield who genuinely believed that all business is not just about profits and power, but a responsibility for the welfare of society as a whole.

In 1982, Ben and Jerry’s was poised to be sold to a company that Cohen believed exploited the community and its current employees. Ultimately, this sale didn’t go through. Instead, Cohen convinced his partner that they should determine if a business could act as “a force for progressive social change” and still succeed, a path he termed “caring capitalism.” Of course, Cohen and Greenfield did eventually sell the brand, but the company still incorporates socially and environmentally conscious business efforts into its operations and gives support back to communities.⁵

CSR for innovation or cost reduction

While a business may truly care about a cause, it’s perfectly acceptable that it would have a larger motivating factor in giving money or investing in a solution that may, in essence, be a little bit more about the company than just a cause. Perhaps your company has identified a need for innovation to stay in business, and there just so happens to be a nonprofit organization with a similar goal. Why not join forces?

Coca-Cola®, for instance, has identified global water conservation as a crucial factor in remaining a viable corporation. It’s literally the main ingredient in the company’s soft drinks! As such, its CSR efforts in the past have included collaborations with nonprofit organizations that share similar interests of protecting water resources, like the World Wildlife Fund®.⁶

The beverage behemoth takes a proactive stance in ensuring water will be available to use in the future, while aiding in a cause that applies to its company’s existence and is seen as goodwill by others.

CSR for sales and marketing

Seemingly at the exact opposite end of the spectrum are CSR strategies driven



⁴ “The Feelgood Factor.” *Economist.com*. 17 Jan. 2008. Web. 21 May 2010.

<http://www.economist.com/specialreports/displaystory.cfm?story_id=E1_TDQJTDGJ>.

⁵ “Ben & Jerry’s: A Moo-del of Corporate Social Responsibility.” *Harvard Law Review*. Web. 01 June 2010.

<http://leda.law.harvard.edu/leda/data/236/Patel_Tupate_Paper.html#fnB29>.

⁶ “The Feelgood Factor.” *Economist.com*. 17 Jan. 2008. Web. 21 May 2010.

<http://www.economist.com/specialreports/displaystory.cfm?story_id=E1_TDQJTDGJ>.

solely by hopes of boosting sales. Suffice it to say, but consumers see through this disingenuous plot more often than not.

However, it's a different story when businesses leverage existing CSR strategies for marketing purposes. Sales can be driven by highlighting CSR efforts and offering consumers and audiences the opportunity to partake in something good, something "bigger" than they are. This approach can be taken genuinely and seriously when done as such—it's really just about boosting awareness.

In fact, research has suggested that most consumers are not only okay with companies talking about CSR efforts and strategies while promoting a product or service, 86 percent of Americans actually have said that they want companies to talk about CSR efforts.⁷

CSR for enhanced reputation

Some businesses pursue CSR as a means of enhancing their brand's reputation. Again, this goal can only work if it's a genuine effort that is infused across an entire organization's operations.

Financial giant, Ernst & YoungSM is an example of a business that adopted this stance, not as a means to repair or boost their own reputation, but instead to overcome the questionable reputation of the financial industry as a whole in the eyes of consumers.

As a means to create goodwill, Ernst & Young identified a CSR strategy tied to the environment and finding greener practices—a big step for such a paper-heavy industry. The company implemented recycling programs, employee volunteer opportunities and transitioned to using recycled goods when possible. As reported by Ernst & Young, the end result has been a more positive brand image, increased employee morale, environmental protections and big savings: More than \$10,000 was saved per month simply by using recycled toner cartridges.⁸

Developing a CSR strategy

Once a purpose and goals are outlined, businesses should establish an action plan for CSR implementation. Begin by selecting a few strategic areas upon which to develop a formal program. Keep in mind that the key to a solid CSR strategy is aligning it with the organization's overall purpose, products, market, industry and

⁷ Fogel, Elaine. "Corporate Philanthropy That Fits All." *MarketingProfs*. 25 July 2006. Web. 01 June 2010. <<http://www.marketingprofs.com/6/fogel9.asp>>.

⁸ "CSR (corporate Social Responsibility) Case Study - Ernst and Young." *CSR, Sustainability & Governance Consultants*. Web. 02 June 2010. <http://www.article13.com/A13_ContentList.asp?strAction=GetPublication&PNID=1334>.



marketing objectives. Take a look at a few of the most popular options to see that businesses both large and small have the opportunity to make a difference with CSR strategy:

Funding, investments, grants and in-kind donations

This focus area continues to be the most popular CSR strategy. Businesses developing a CSR plan around this strategy will identify a handful of nonprofit organizations to provide financial support to in one or more of the following ways:

1. Lump-sum donations, in which a company simply cuts a check to organizations on a regular basis.
2. Allocated donations that establish a formal program of designating the sales of a certain product or an overall percentage of profit to a specific cause or organization. Many companies have done this by creating special pink products (which sales support breast cancer research) or red products (which sales support AIDS education or prevention).
3. Investments in organizations or smaller businesses that serve a greater good while protecting the future of the investing business.
4. In-kind donations—such as an advertising agency donating a set of pro-bono hours to an organization each year or a baked goods company that donates dessert to a local fundraiser.
5. Grants that establish an application process, which brings organizations in need directly to the doorstep of a business. This strategy also allows a company to outline very specifically how money given can be used while stating the minimum requirements for how funded programs or efforts are promoted by the recipient.

The form of support selected by a business will depend upon what makes most sense with the goals of the CSR program and the business in general. It will also depend on how much money a business is willing to give from year to year.

Cause-related marketing

Similar in many regards to allocating funds to a specific cause or organization, this strategy is all about a very specific CSR effort. It's different, however, in that the main goal is to use CSR as a strategic marketing tool for mutual benefit of a business and a cause. Unlike a CSR strategy that is woven into the core of a brand, cause-related marketing is often a short-term marketing tactic.

One of the most well-known examples of this is Yoplait® yogurt's, "Save Lids to Save Lives" program that runs for a limited period of time each year. During this time, Yoplait uses pink foil lids on its yogurt products and promises to donate



10 cents of every purchase to the Susan G. Komen Breast Cancer Foundation. With the program come special marketing efforts in addition to other marketing efforts that focus on the cause and Yoplait's commitment to it.

Sponsorship

Another popular focus is sponsorship of events and fundraisers organized by local nonprofit organizations. These are also often tied very closely to a specific cause. Sponsorship allows businesses to participate in CSR while gaining visibility and providing relatively little effort or expending hard costs beyond a gift. Many smaller businesses have found great success in exploring yearly sponsorship of one or two major fundraising efforts as a means to launch CSR efforts.

Employee volunteers and contributions

Successful CSR programs keep employees involved, as they are a business's biggest asset. The gift of this strategy is usually time—businesses either allow employees to take time off from work to volunteer for a cause or establish a specific cause and a timeline for the business to support as a whole.

However, some businesses have found success implementing employee giving programs through payroll deductions or employee-oriented fundraising events. Many businesses then pledge to match, up to a certain amount, any charitable contributions made by employees. While these company CSR programs allow and encourage employees to easily give, the downside is that it requires much more effort in planning and reporting on both financial and human resources ends.



CSR-minded business practices

Some would argue that this is perhaps the easiest way to engage a CSR strategy, while others would argue that it's the most difficult. Really, it depends on the scope of business's overall goals.

Smaller companies can pursue environmentally and socially conscious business practices through the implementation of recycling programs, donating surplus products, creating employee assistance or education reimbursement programs, and more. On a grander scale, larger businesses can take great efforts to declare transparency, ethics and accountability for all aspects of the brand—from research and development to manufacturing. That's where things get difficult, though. It's a novel and honorable quest, but before that road can be taken, a business needs to have checkpoints in place to ensure that its actions and CSR promises correspond. There's nothing worse than a business that promises to do good, but fails to define this good.

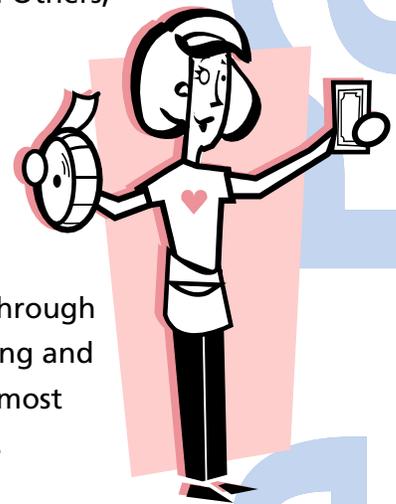
Messaging and communicating your CSR Plan

Another factor to take into consideration with a CSR strategy is the action plan for communicating it to internal and external audiences. What is your message, and how will it be communicated (if, at all)? When developing messaging for a CSR plan and strategy, messages should be genuine, positive and provide a clear and logical link to a business's overall goals and marketing. It should answer the question of 'why' to incite buy-in from audiences. Like all messages, CSR messaging also needs to be consistent.

When it comes to how to communicate your messages, the only audiences that absolutely must be in the loop are employees and stakeholders. All other audiences are optional, based on what a business is trying to accomplish. For example, CSR strategies with grant programs are obviously going to need communication to recruit applicants, while promoting sponsorship of events is often left up to the organization being sponsored.

Some businesses take a no-holds-barred approach and incorporate CSR messaging in practically every piece of marketing material and internal documents. Others, motivated simply by the drive of doing what's right, may mention it in limited communications only.

Additionally, businesses can take an integrated approach to CSR communications and add information about efforts to existing marketing and communications materials. Or, businesses may choose to take a different approach of communicating or CSR efforts specifically through a separate campaign. In both cases, a multi-channel, integrated marketing and communications approach is likely to be most effective, especially since most CSR strategies have many different audiences with a variety of interests.



Measuring your CSR plan

Measurement of a CSR plan and strategy can be tricky. If a business is involved in CSR for the greater good, the measurement will surely lie in the difference it is making toward a cause. Yet, if the main goal is enhanced reputation, the strategy is better measured with more traditional forms of public relations measurement such as media impressions, website statistics and focus groups or polls.

Of course, measurement is also dependent upon the strategy. Notice a theme, here? This theme of "if ... then" reinforces the point that an strong CSR strategy needs to be in place in order for a business to stand any chance of implementing and executing well, let alone measure its success rate. If CSR efforts aren't reaching goals (or simply can't be measured in a way that a business had

originally hoped), there is always the opportunity to reassess the strategy and need for CSR.

Tips for successful CSR

Many corporations that fail in the CSR department are those who have not fully developed a strategy or put CSR efforts into context with the rest of the business plans. Here are a few tips taken from their failures to guide your businesses success, adapted from corporate social responsibility expert at Mint Green Marketing, Alyssa Dver⁹:

Align the cause with the business

First of all, a business's cause should make sense to the consumer—they must be able to connect the dots on their own. Second of all, if a CSR strategy is going to stand the test of time, it needs to be based on realistic and logical connections.

"A company in the fast-food business probably has no real ability to fix the U.S. educational system," explains Dver. "The company would be better served if the selected cause leveraged the skills, connections and resources within the company."

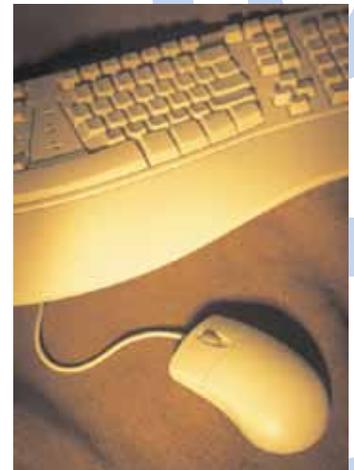
When developing a CSR strategy, address the needs within your community, as demanded by consumers and then decide which areas make the most sense for your organization.

Dver points out that FedEx, for example, donates its fleet of vehicles to support emergencies like disaster relief and organ transplants. Cargill supports the UN World Food Programme, and Hewlett Packard has, for many years now, donated computers to underserved classrooms.

Keep the focus broad

Companies need to think in terms of the grand scheme. Although CSR requires a strategy separate from a business strategy, businesses can't approach CSR with a silo mentality. Truly successful CSR literally infuses ethics and the desire to do good into an entire brand. A business won't find success in CSR if they donate funds to improve water quality in third world countries, but don't pay taxes.

"CSR is a very broad subject, and although every aspect is important, addressing the entire range of CSR requirements is critical so that you don't rob Peter to pay Paul." says Dver.



⁹ Dver, Alyssa. "Irresponsible Corporate Responsibility: Doing Good Isn't Always Done Well." MarketingProfs: Marketing Resources for Marketing Professionals. 25 Aug. 2009. Web. 20 May 2010. <<http://www.marketingprofs.com/9/irresponsible-corporate-responsibility-doing-good-not-done-well-dver.asp>>.

If your business is serious about CSR, be serious about CSR—examine all areas of business to ensure that your efforts to do good in one area aren't potentially cancelled out in another. Consumers are quick to catch on, and you'll find that disingenuous efforts are hard to defend.

Make sure the strategy comes before the reporting

Before businesses go blabbing on websites and in promotional literature about dollars given or time devoted to a cause, it would behoove them to actually wait for said dollars or time to be offered up. Putting the cart before the horse can imply a committed direction or amount that your business may find it later can't live up to. Implement a CSR strategy, and give it some time before you begin reporting. There's no shame in sharing your goals now and spreading the good news later.

Outline the strategy clearly

A strategy that isn't outlined is extremely difficult to interweave with other aspects of a business's plan and marketing efforts. Additionally, strategies set forth clear goals and defined tactics in order to get everyone on the same page, which is crucial for the success of CSR efforts.

Dyer recommends outlining strategies for the added benefit of supporting the team, saying "Best-practices across industries show that cross-functional teams are critical to baking CSR into a company's operations."

Communicate clearly

Some companies forget to tell employees about CSR efforts, making it virtually impossible for employees to participate or communicate to other stakeholders the purpose and the goals of the strategy. Other companies over-communicate to the public and end up appearing as if they are spouting spin or simply following a trend. Businesses serious about CSR need to communicate effectively across the board—they need to know when to toot their horns and when to stay quiet.

Don't overlook volunteerism

CSR isn't just about giving money to a cause. Some of the most successful CSR efforts out there today combine monetary gifts with staff volunteer hours. Some companies find success in CSR through volunteerism alone, as it is a cost-effective contribution to the greater good that requires little management or oversight. Consider allowing employees time off or other incentives to participate in volunteer programs. Not only will doing so add to the CSR efforts of your business, but it will improve the quality of your employees, too.



“Employee volunteerism is proven to increase employee leadership skills, create happier and healthier employees,” adds Dver.

Set some ground rules

Before a company chooses which nonprofit, charity or foundation to give to, it should examine the potential for conflicts of interest. It might sound obvious, but don't make a decision because the CEO's wife heads up a local nonprofit. Relationships like these in CSR efforts are a certain and all-too-common kiss of death.

Overall, as a business develops a CSR strategy, it really should pull in executives from across the company to ensure that rules are established to outline who makes the decision for CSR funds, how CSR funds are distributed, and so on. Not only will this protect your brand and your employees, it will show consumers and potential benefactors that you're serious about your program, and due diligence has been done in creating it.

Raise the bar with CSR

The fact of the matter is, more consumers continue to value brands with CSR strategies. It's worth it to every business to explore efforts in CSR and, in fact, it's quite possible your business is doing so and calling it something else. Consumers like the “warm glow” that comes with doing what's right, so bask in that glow with them, and you're sure to succeed!



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