

### 3.3: Social Responsibility

Over the last few decades, there has been a movement throughout the global business community to improve the world through smarter use of resources and giving back to communities. This movement is called corporate social responsibility. The concept is catching on at companies that range in size from small startups to large Fortune 500 corporations. In the following section, you will learn what social responsibility is and how it is a win-win for businesses and consumers.



Figure 3.3.1: Employees often like to participate in volunteer activities through their employer. (Credit: rawpixel/ pixabay/ License: CC0)

#### What Is Corporate Responsibility?

Corporate responsibility refers to the idea that a business is given the opportunity and privilege to make the world a better place. This process can happen through a variety of methods, including the donation of funds, volunteerism, and implementation of environmentally friendly policies. It is up to each organization to determine the best way to demonstrate social responsibility.

While certainly not mandatory, corporate social responsibility has become a popular way for companies to improve their image and promote causes they believe in at the same time. Corporate social responsibility may involve focusing on the immediate community in which a company does business. However, there are some organizations that take it a step further and focus on more widespread global issues. For example, the shoe company TOMS has created a mission to make sure that every boy and girl in underprivileged countries has proper footwear. Blake Mycoskie, CEO of TOMS, has created a complete business model around social responsibility. Not stopping at shoes, the company now also helps with bringing fresh water to communities, as well as making birth safer for babies in developing nations.

The popularity of corporate social responsibility has only increased as millennials and Generation Z employees enter the workforce. Employees in these generations often care deeply about making a difference in the world in which they work. Whether they are buying products from brands that give back or promoting a similar activity in their own place of employment, the youngest of the workforce are making corporate social responsibility a priority.

#### Where Did the Concept Originate?

Corporate social responsibility is not a new construct. One could go back hundreds of years and find examples of corporate philanthropy and social support. However, the earliest published book about the topic is **Corporate Responsibility of the Businessman**, published in 1953. This book introduced the concept of companies giving back as a form of investment in the future. This idea came from a generation that had survived some of the hardest times in our world and wanted to make it a better place for generations to come.

By the turn of the millennium, companies were actively participating in a variety of corporate social responsibility projects, from volunteerism to large corporate-matched charitable donations. Nearly every company has some form of charitable campaign, driven by the values of the culture and the interests of employees. Today, some 63 million Americans volunteer each year, which is worth around \$175 billion in worker hours annually (Source: Corporation for National and Community Service). On top of volunteering, U.S. corporations give over \$18 billion to charities each year through fundraisers and employee-employer matching programs (Source: Giving USA).

## How Does Corporate Responsibility Benefit a Business?

There are many ways that corporate social responsibility can benefit a business and its objectives. Aside from being able to promote the causes that are closely connected to the values of the company, a business can improve its reputation exponentially.

Benefits of corporate social responsibility include many direct and indirect effects. Based on research from the Kellogg School of Management at Northwestern University, these can include:

**Improved perception by investors.** If a company reports corporate social responsibility spending that exceeds the expectations of investors, this dollar amount is a sign that the company itself is in good financial standing. This perception results in positive stock returns and increased confidence by investors.

**Enhanced performance for going green.** Researchers have found that when companies focus on eco-friendly efforts, the positive impact on operational performance heading into the second year is remarkable. Those that expand their efforts in more complex ways and in collaboration with industry standard-setting associations (such as LEED), or other eco-friendly companies, increase their performance even more.

**Contracting for success.** In companies that tie their CEO's salary to corporate social responsibility results, also known as contracting, the impact is felt even more. The value of the company increases while the bottom line of the business is maintained.

**The benevolent halo effect.** When consumers understand the commitment that an organization has to being socially responsible, its image becomes more positive. Customers actually perceive the company and its products in a different way because they expect a better experience.

**Consistency of efforts and partnerships.** Researchers also found that socially responsible organizations were consistent with staying focused on the issues that mattered most to their employees and customers. A higher level of consistency of efforts prompted better results.

There are some other benefits of being a socially responsible company. These may happen as a result of internal factors, as well as how closely matched the efforts are to the culture. Alison Robins, writer for OfficeVibe, explains that being socially responsible can help attract positive attention from outside of a company. Some examples include:

**Talent attraction.** Many companies offer employees paid time off to participate in volunteer activities, including travel to other nations. Who wouldn't want to work for a company that cares so much about a personal cause? Corporate social responsibility is often used as a recruitment tool to attract people who care about giving back to their communities and making changes that impact the world.

**Consumer influence.** A major benefit of engaging in corporate social responsibility efforts is that consumers regularly check in with their favorite brands to see what they are doing, and they are influenced to make purchases so they can be part of this community. With the process of posting messages on social networks, entire movements can take off via the support of loyal consumers.

## Promoting Corporate Responsibility with Marketing

After reviewing the benefits of corporate social responsibility and some of the examples provided by popular companies, it is easy to see how important proper marketing can be to this effort. As you can see from the following example of Tom's One for One™ program, marketing is used as a reminder for consumers that the company is committed to providing one pair of shoes to a child in an undeveloped nation for every pair purchased by a consumer.

Marketing is powerful in terms of the consumer market. It has been estimated by the brand marketing news source *Adweek* that millennials represent around \$2.45 trillion in spending per year. Cone Communications, a public relations and marketing agency, found that 60 percent more millennials will engage with brands that discuss and market to social issues. Younger consumers are attracted to brands that authentically market their products alongside social responsibility campaigns.

However, one should not use corporate social responsibility as a marketing pitch for a company. Consumers will quickly pick up on this tactic, and it can damage the brand. Nicole Fallon, who contributes to *Business News Daily*, reveals, “The motivation behind many companies’ CSR efforts actually provides the very reason that they shouldn’t take on socially responsible initiatives.” Motivations such as competitive positioning and profitability are not authentic when it comes to corporate social responsibility.

It is also important to distinguish between corporate social responsibility and social marketing. Often used interchangeably, there are some key differences. Social marketing attempts to change the attitudes and behaviors of consumers by using a variety of marketing methods. However, corporate social responsibility is a sustainable effort that can be measured. Bernard Okhakume, a brand management consultant, advised *Daily Times*, “For a corporate social responsibility project to be successful, several factors come into play: the project needs to be sustainable, its topic and practice abide by ethical standards, sensitive to society’s needs, embraced and supported by the company’s employees, create the aimed effect on the target audience, and every year, and the project needs to be evaluated to see how beneficial it is.”

## The Financial Impact of the Triple Bottom Line

When examining the value of corporate responsibility, one must understand the concept of the triple bottom line (TBL), which essentially measures the sustainability of an organization’s social responsibility efforts. The term includes three dimensions of a giving business—profits, people, and the planet. Without one of these factors, there cannot be a balance. According to economist Andrew Savitz, the triple bottom line “captures the essence of sustainability by measuring the impact of an organization’s activities on the world ... including both its profitability and shareholder values and its social, human and environmental capital.”

The challenge with the TBL model is that while profits can be measured in dollars, and people can be measured in numbers, it can be difficult to measure the impact of social responsibility. Some argue that this task is dependent upon what is being measured. For example, if one is saving the rainforest, a reasonable unit of measurement could be acreage. Progress toward protecting this resource could be recorded as how many fewer acres have been forested and how many native (people) communities have been saved as a result of the intervention.

Another example could be a social cause, such as creating housing for single parents in poverty-stricken neighborhoods in a specific city. The impact can be felt in terms of the additional housing that is created (built or rehabbed from existing homes), and the value that this effort brings to the neighborhood. The number of people helped can be measured. The city’s rate of homelessness can be measured as it is reduced. Then, there are other equally important results of social responsibility that can be considered, such as the reduced rate of crime in areas with homeowners, and an increase in employment for those who own the homes. These indirect benefits have an impact on the company because it can eventually hire people from these areas of the city.

Businesses must be continually mindful of the image that they project to the world and be sure to align their corporate social responsibility campaigns with their culture. An authentic cause that is backed by all is far better than one that is dreamt up purely for the sake of marketing.

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