



Corporate Social Responsibility

A Sirota Initiative

Sirota Survey Intelligence®

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Introduction/Background

Times Have Changed

- **From: The purpose of business is to return profits to its owners – *Full Stop!***
 - Richard Posner’s economic model of contract law
 - Fiduciary responsibility seen to be in conflict with social responsibility

- **To: Corporate “citizenship” addresses social and environmental issues that have become a part of the business reality**
 - Globalization and social upheaval
 - The felt need for more sustainable development
 - Trend toward viewing conduct through ethical, rather than purely legal standards
 - The advent of web-based communication (technological interconnectivity)
 - A developing consensus that we may be reaching a “tipping point” regarding such issues as climate change and income disparities

Introduction/Background (cont'd)

- **Pressure has increased on organizations to step up to these challenges**
 - **Organizations which do not are more likely to fall behind competitively and ultimately fail**
 - **Research has shown that CSR-practicing organizations outperform their peers**
 - **Ignoring these challenges can also constitute a security threat**
 - **Enlightened self-interest, if nothing else, demands a response**
 - **Not just “nice to do” but “need to do”**
- **Organizations must adopt a systems view of their activities**
- **Not enough just to make a “good faith” effort to be socially responsible, one must do it strategically and in partnership with relevant stakeholders**

Introduction/Background (cont'd)

A Half-Century of CSR

- **Emerged as a concept in the 1950's, initially equated with philanthropy**
 - **When Standard Oil of NJ made a financial contribution to Princeton School of Engineering, management argued that it was contributing both to the “collective good” and to the company because Standard Oil needed engineers**
 - **Yet, Milton Friedman writing in NY Times said only responsibility managers has is to increase shareholder value**
 - **Objected to expenditures to benefit society as a whole but could benefit local community**

- **80's (Social Engineering)**
 - **Drucker was one of the first to suggest that CSR was a way of turning social problems into economic opportunities**

Introduction/Background (cont'd)

A Half-Century of CSR

■ 90's (Corporate Advantages)

- **Carroll: the firm should strive to make a profit, obey the law, be ethical and be a good corporate citizen**
- **Concepts such as “the bottom line of Green is black” and the “triple bottom line (TBL)” abound (TBL includes Financial, Social and Environmental aspects of a corporation’s world)**
- **CSR seen as strategic Marketing Tool (not seen as authentic)**
 - **Rug makers, coffee producers, furniture manufacturers all justified products as not exploiting others**
- **Backlash of globalization stimulated CSR activity**
 - **e.g., 1.2 billion earn less than \$1 a day**

Introduction/Background (cont'd)

A Half-Century of CSR

■ 00's (Strategic Partnership)

– Paine (2003)

- An organization will be more likely to have sustainable success if it:
 - Provides goods and/or services that people need or want
 - Operates within the bounds of the law
 - Treats its constituents (employees, customers, community, society at large, stockholders, suppliers, and competitors) justly
 - Is philanthropic in ways that are aligned with its business strategy

■ U.N. Global Compact members promise to follow ten principles

- Human rights, freedom of association, elimination of all forms of forced and compulsory labor, abolition of child labor, elimination of employment discrimination, greater environmental responsibility, work against corruption, including extortion and bribery.

Introduction/Background (cont'd)

A Half-Century of CSR

- **This is a natural extension of work that we have done in the past**
 - **“Business profitability is not simply about making money in the short term, but it is also about *building positive and trusting relationships with all major constituencies* that promote and sustain long-term profitability” (italics added) (From *The Enthusiastic Employee*)**
 - ***This summarizes the Sirota view on CSR ---- it's not about specific activities, but rather organizational values***



Research Findings

Research Findings

- **Managers' choices with respect to Corporate Social Responsibility (CSR) and Corporate Financial Performance (CFP) are not either/or trade-offs**
- **Thirty years of empirical data has shown that CSR is positively and significantly related to CFP**
 - **Greater social responsibility goes with better financial performance**
 - **The relationship is bi-directional and simultaneous**
 - **“A virtuous circle”**

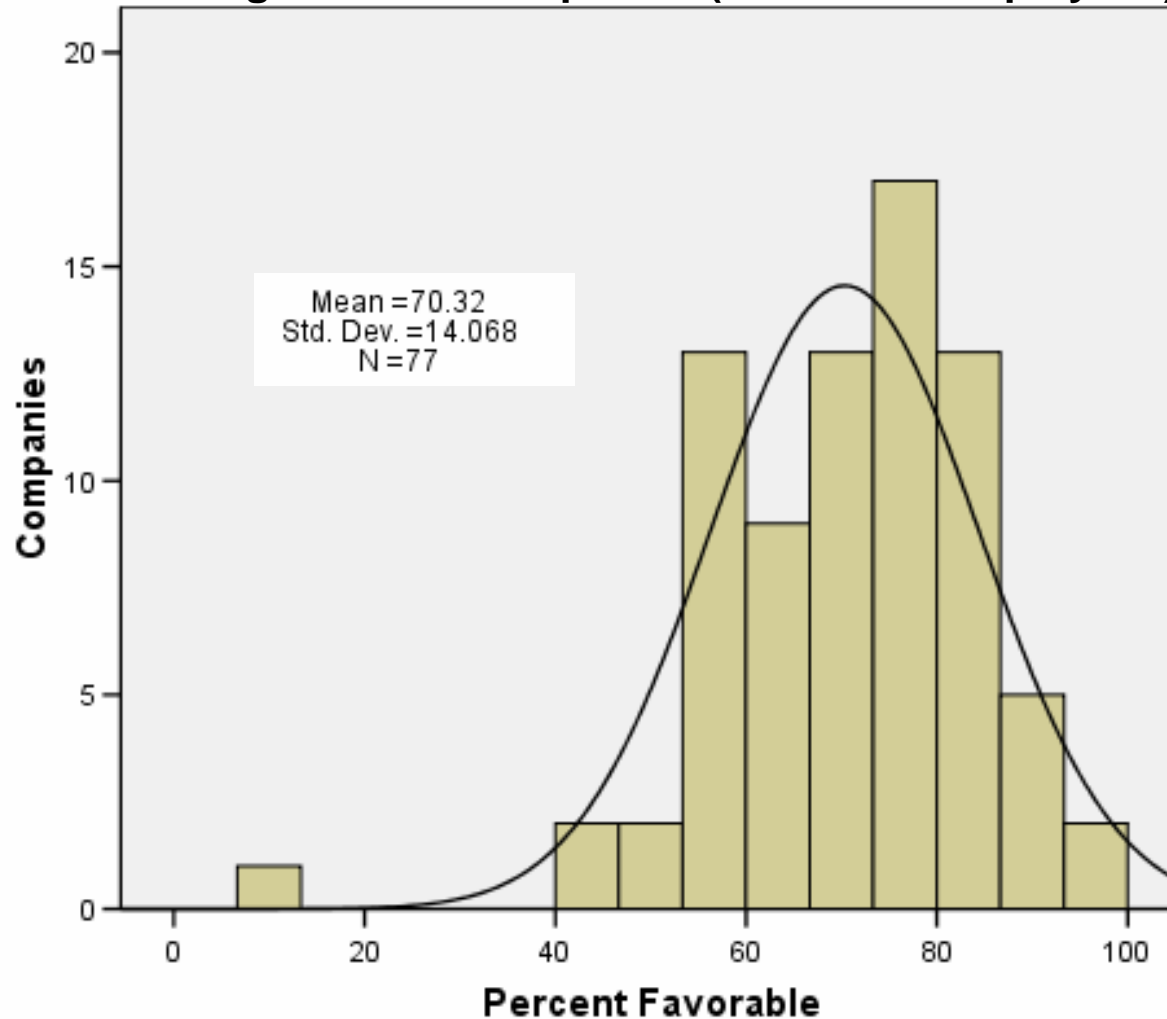
Research Findings (cont'd)

- **A recent sophisticated meta-analysis of 52 studies from 1974 - 2003 concludes*:**
 - **There is a positive and substantial association between CSR and Corporate Financial Performance (CFP) across industries and study contexts**
 - **CSR impacts the reputation of the firm**
 - **The strongest relationships occurred when:**
 - **Accounting (vs. stock market) measures were used as the financial outcome**
 - **Accounting measures include ROA and ROE**
 - **Measures of corporate social performance (vs. environmental performance) were used**
 - **Social performance involved management principles like community involvement and minority hiring**

* Orlitzky, Schmidt, & Rynes, 2003, *Corporate Social & Financial Performance: A Meta-analysis*, *Organization Studies*

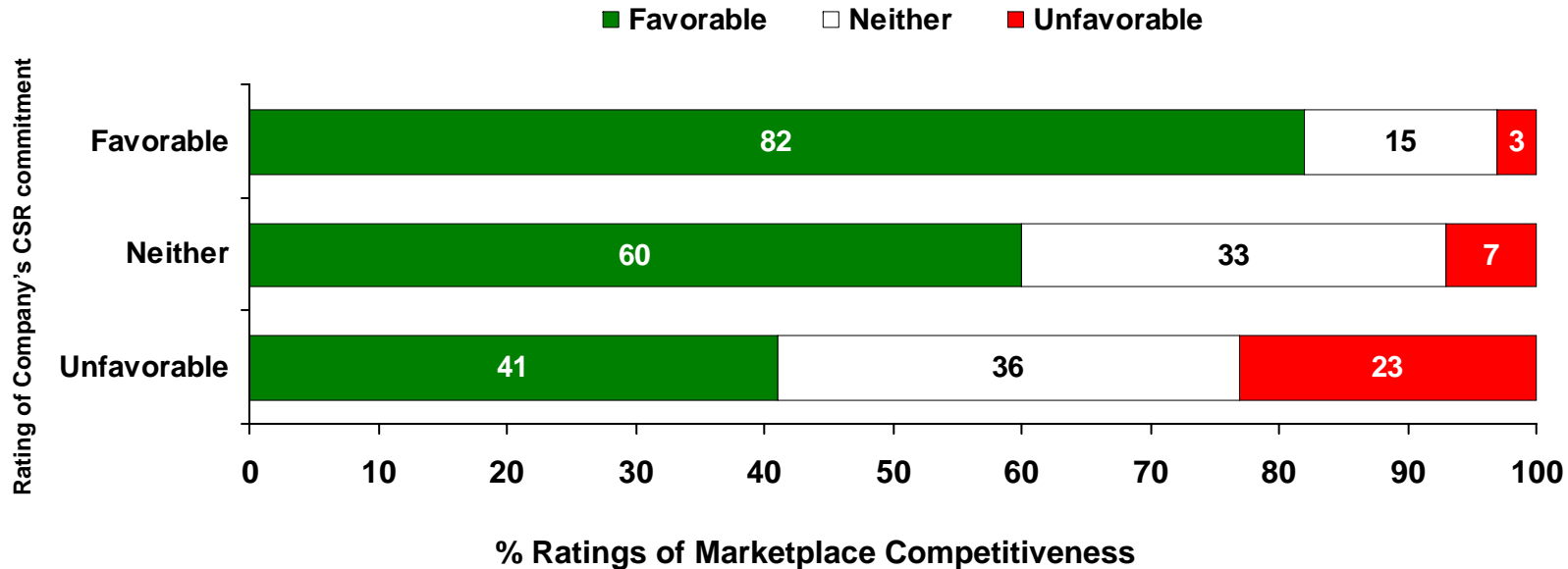
Sirota Research: Rate XYZ on Taking A Genuine Interest in the Welfare of the Communities in Which We Do Business

Ratings from 77 companies (1.6 million employees)



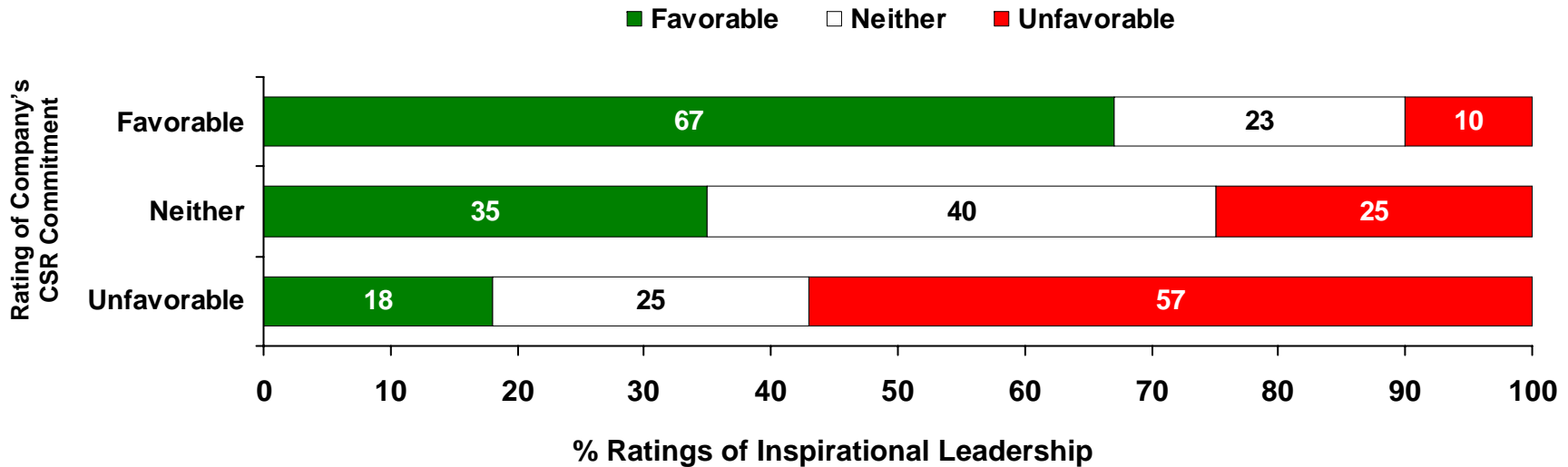
- CSR attitudes (of employees) are quite variable across companies
- Average CSR favorability level is 70% (good, but not great)

Is CSR Seen as Soft Management? No!

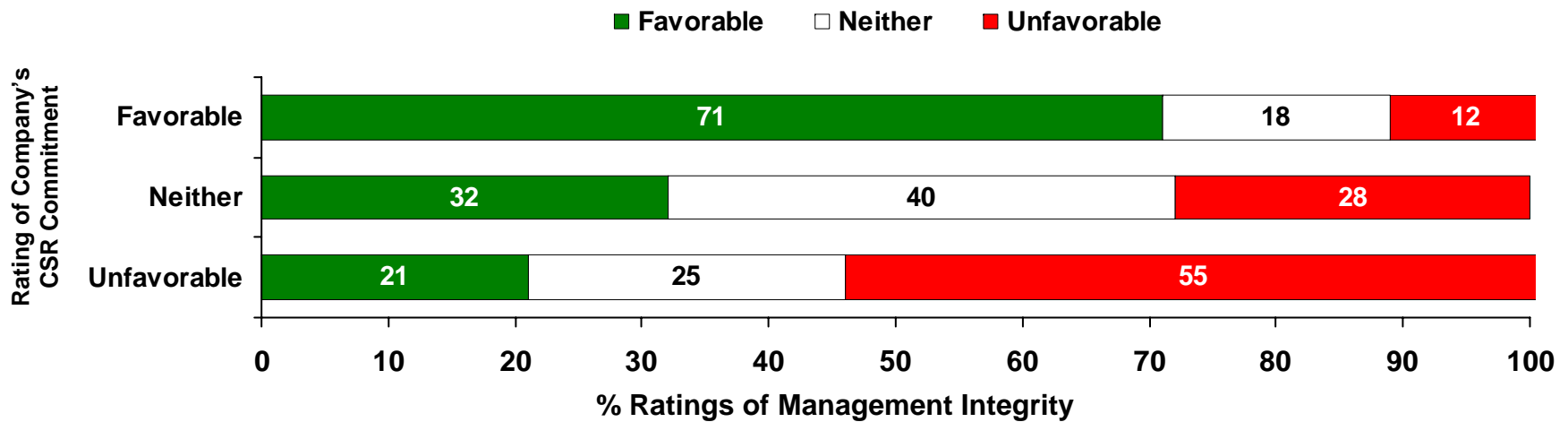


- **Employees also see Marketplace Competitiveness as High**
 - 82% of employees who are satisfied with their employer's CSR commitment also feel their organization is highly competitive in the marketplace
 - While the reverse is true (employees who see company as competitive also rate CSR activities as high), the two are clearly related
- **To employees, CSR and business success go together**

When CSR is Rated Favorably . . .

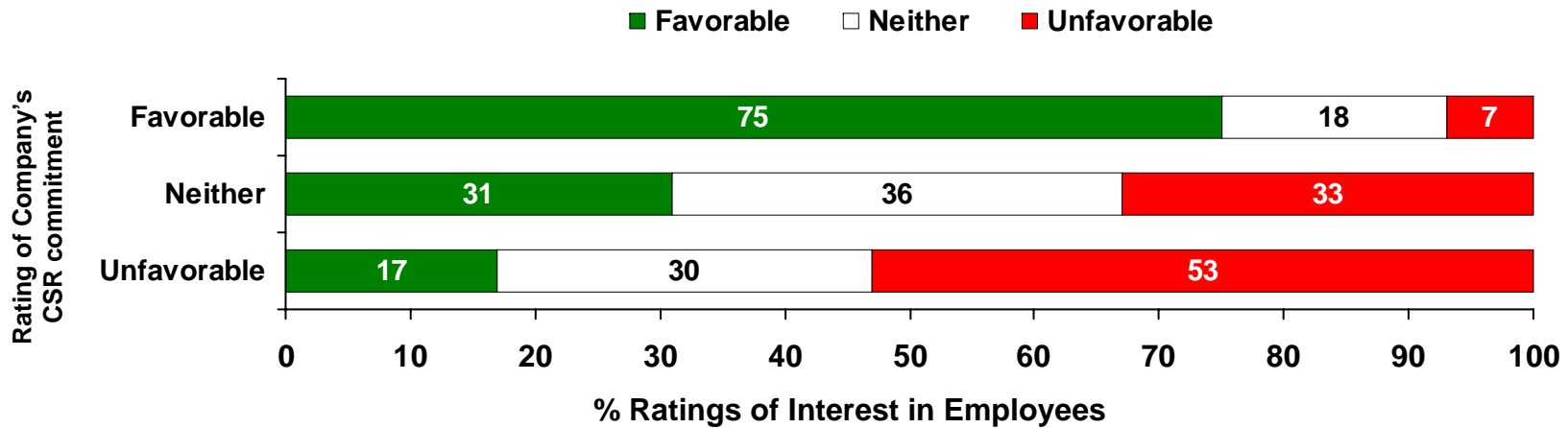


■ Senior Management is seen as Effective

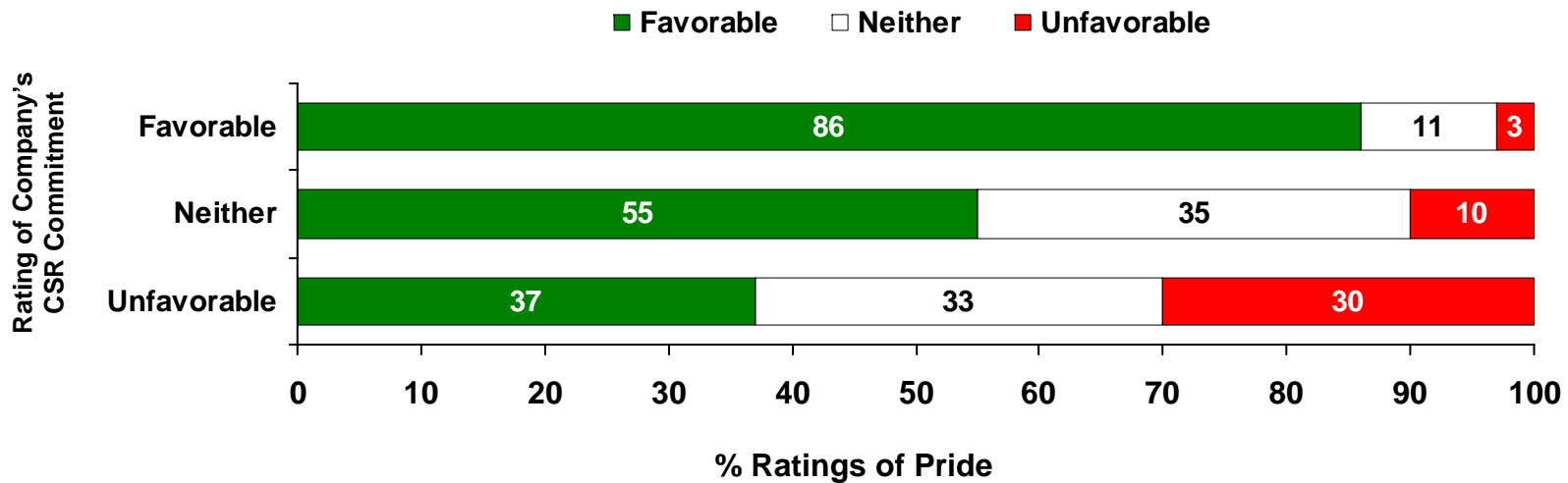


■ Senior Management is seen as Having Integrity

When CSR is Rated Favorably . . .



Company is viewed as Interested In Employee Well-Being

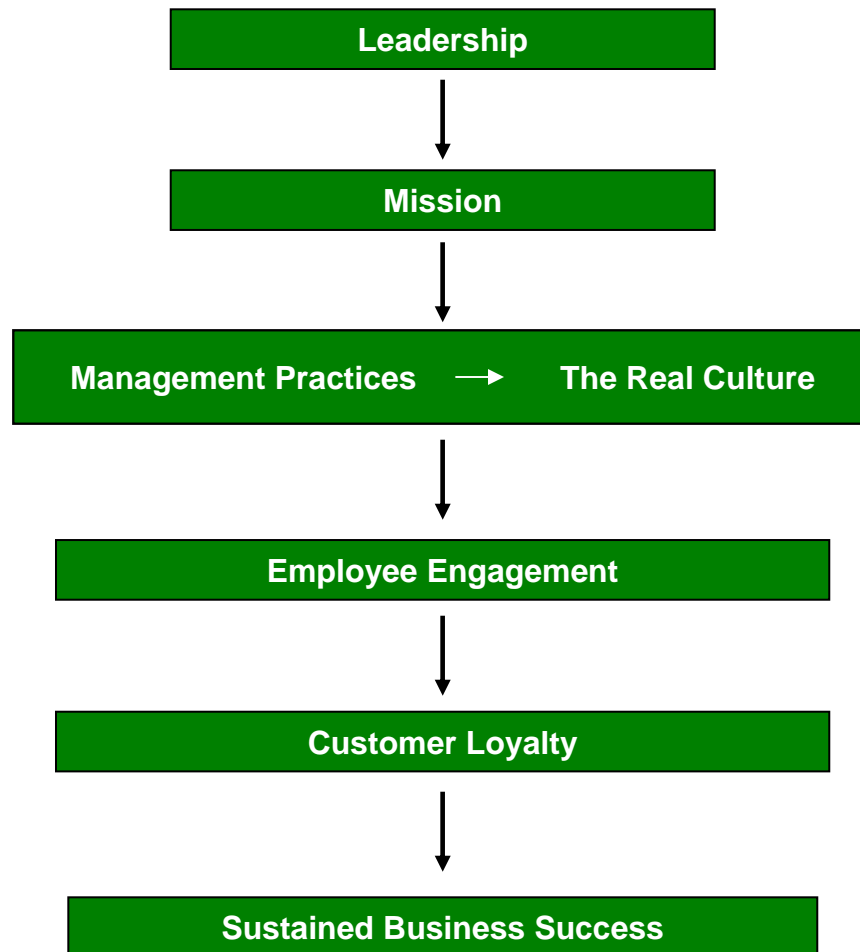


Employee Pride is High



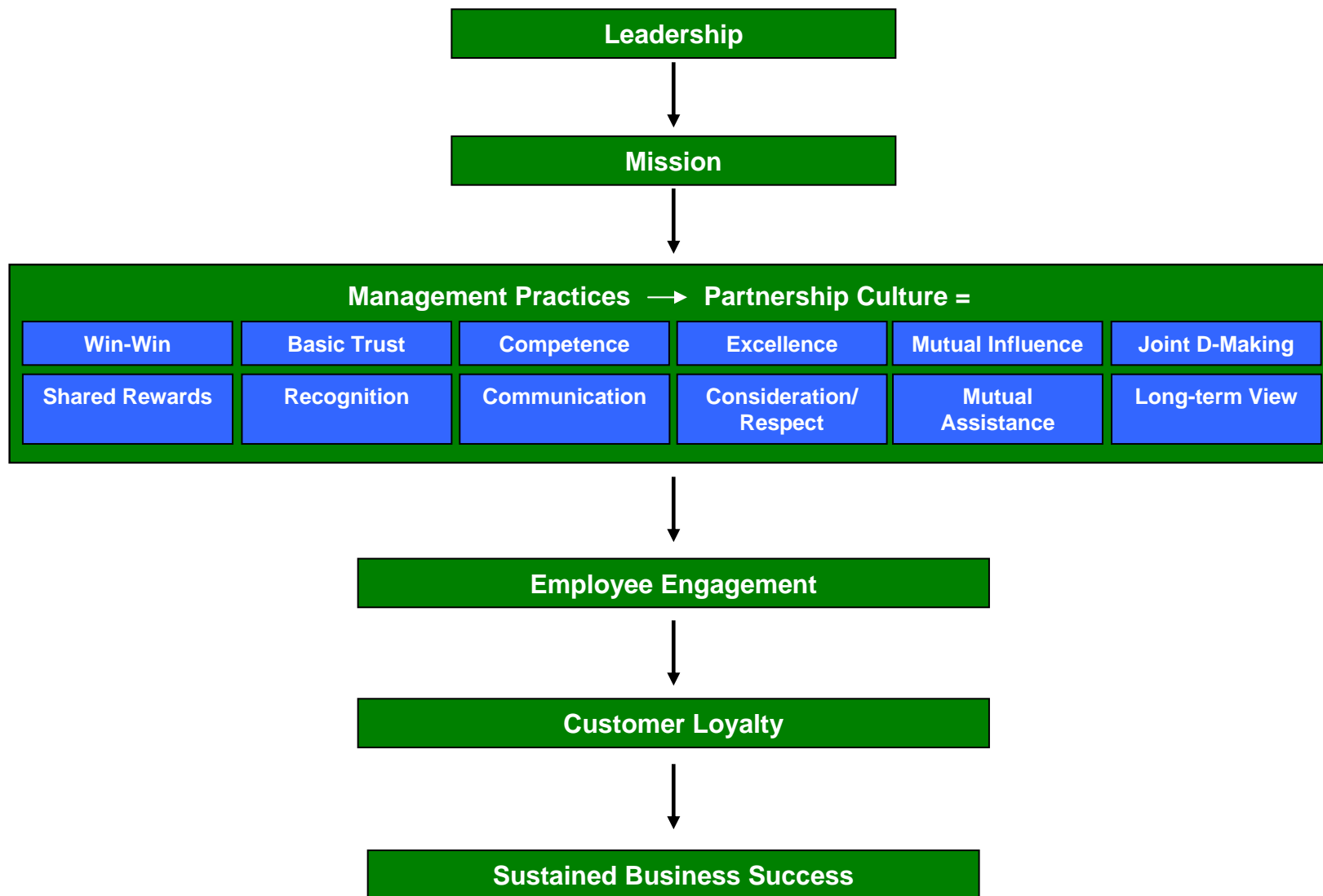
A Different Way of Looking at the Sirota Alignment Model[®]

A Different Way of Looking at the Sirota Alignment Model[©]

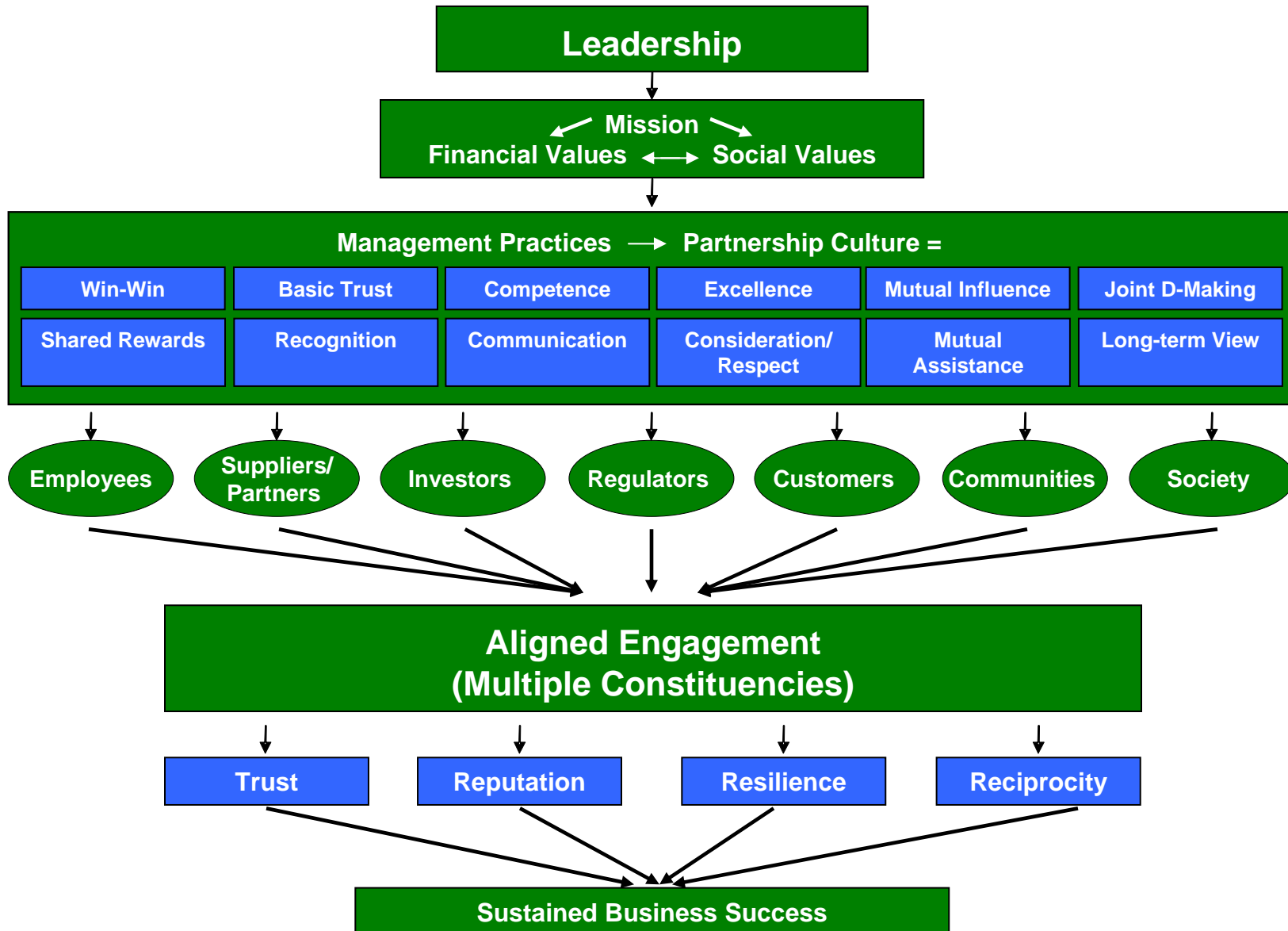


A somewhat simplified depiction of the original Alignment Model

A Different Way of Looking at the Sirota Alignment Model[©]



A Different Way of Looking at the Sirota Alignment Model[©]



A Different Way of Looking at the Sirota Alignment Model[©]

- **It is the ALIGNMENT between the views of multiple corporate constituencies that ensures sustained business success**
 - **Each constituency must feel that their own interests are being well served by the company (and, potentially, that the interests of the other constituencies are also being well served, i.e., one constituency should not benefit at the expense of another)**
- **This alignment can best be achieved by establishing partnership relationships with those constituencies**
- **Sirota's diagnostic survey approach to multiple constituency research is key to ensuring these partnerships**



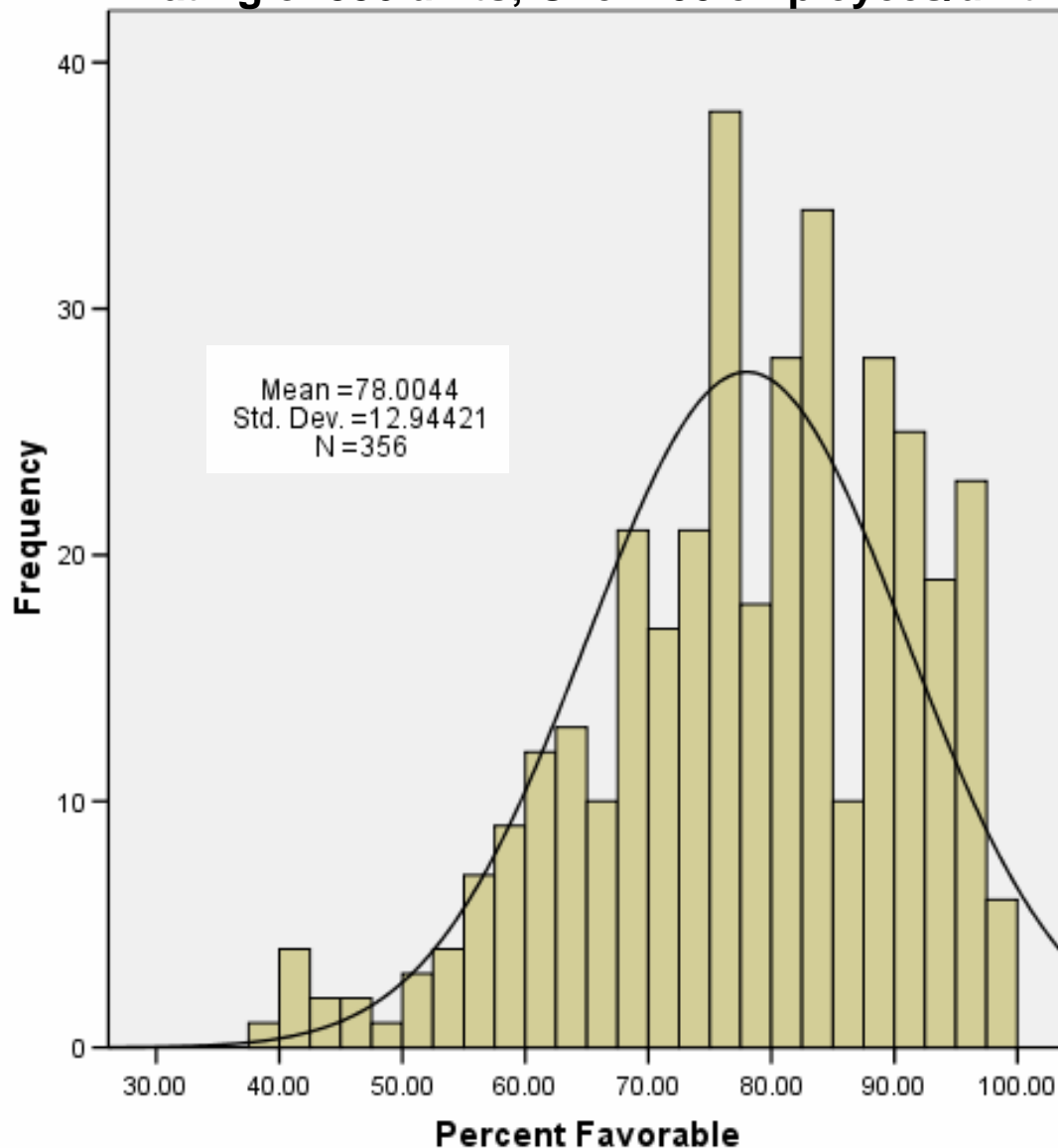
CSR Measurement and Taking Action

Importance of Measuring Attitudes

- **Corporate success is critically affected by the opinions and behavior of constituency groups**
- **Constituents base much of their behavior on their own attitudes, beliefs and perceptions – which may or may not match management’s**
 - **Thus we survey directly to assess what constituents know, how they feel, why they feel the way they do, and how their knowledge/feelings affect behavior**
 - **Including what one constituency (e.g., employees) wants done for another constituency (e.g., communities)**
 - **What I want for myself**
 - **What I want for others**
 - **What I see being done for me**
 - **What I see being done for others**
- **We believe that “counting” dollars and hours (while important) serves only a limited purpose in the assessment of the success of CSR efforts**

XYZ Acts with Integrity in its Dealings with the Society / Community in Which it Works – ONE COMPANY'S DATA

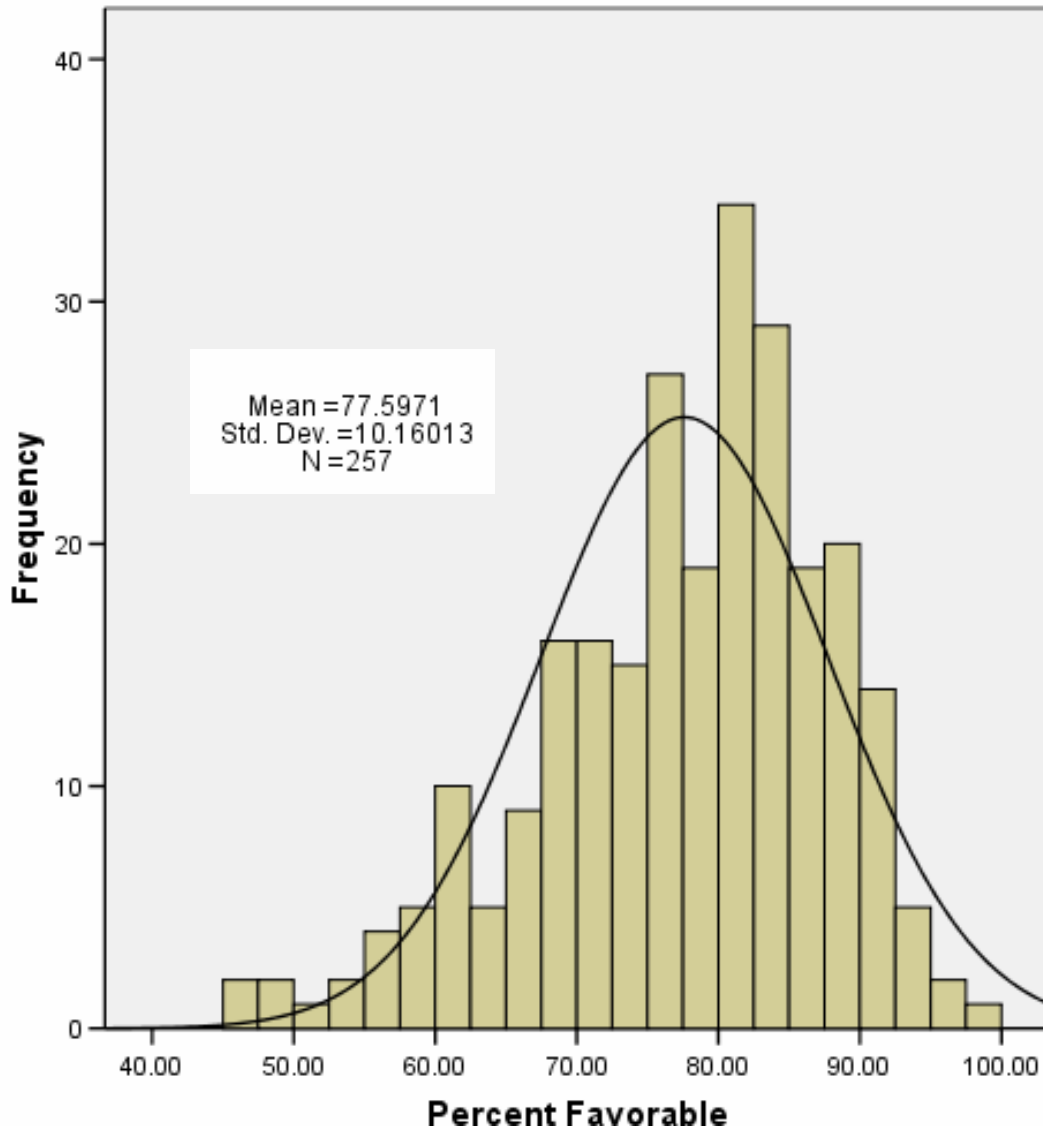
Rating of 356 units; Over 100 employees/unit



- CSR attitudes are quite variable across units within a company – or, said differently, determined locally (local conditions, local leadership, etc.)
- There are 20 units with scores of 90% favorable or better and,
 - There are 15 units with scores of 60% favorable or less
- It is critically important to take a close look at the 15 lowest units especially if these attitudes impinge upon such life threatening issues like safety or give insight into community viewpoints
- Of great practical importance to find out what factors distinguish the high and low units (leader, region, roles, etc.)

How Would You Rate ABC's Societal Performance – ANOTHER COMPANY'S DATA

Rating of 257 units: Over 100 employees/unit



■ Yet another company – a slightly differently worded question

Which Attitudes, Beliefs and Perceptions? And Why?

- **Need to assess the convergent and divergent needs across multiple key corporate constituencies**
 - **For needs identification**
 - **Is there an intersection of community interests and corporate objectives?**
 - **To assess performance against those priorities**
 - **By your organization; By your competitors**
 - **For diagnosis (and subsequent action) vs. “nice to know”**
- **To enable the setting of goals and the measurement of progress towards them**
- **To allow quantification of the effect of CSR activities on tangible business outcomes**
 - **What is the ROI of CSR?**

Which Constituencies?

- **Representatives of several or all of the following groups:**
 - **Community**
 - **Employees**
 - **Investors**
 - **Regulators**
 - **Customers**
 - **Suppliers/Partners**
 - **Opinion Leaders**

Possible Content Areas to Assess

■ Perceptions of Company's CSR Values in Practice

- Acting lawfully
- Not treating others unethically (even if legal)
- Treating employees well (i.e., above and beyond what you have to do or what you do simply by employing them):
 - Financially
 - Respectfully
- Treating customers well (i.e., above and beyond what you have to do or what you do by providing the products they need) / “delight” them
- Treating the community well (i.e., above and beyond what you have to do or what you do simply by being a business in the community and employing people, paying taxes, etc.)
- Contribute to the betterment of humankind (i.e., above and beyond what you do by being in business and providing employment, etc.)

Possible Content Areas to Assess (cont'd)

■ Perceptions of Constituent Needs

- What the stakeholders want, don't want, and how they prioritize these

■ Perceptions of Company's CSR Behavior

- Being knowledgeable regarding what the company is saying about its CSR activities
- Being knowledgeable regarding what the company is actually doing
- Agreement with what the company is doing
 - Are the CSR priorities of the company in line with the CSR priorities of the stakeholders
 - Assumedly, the impacts of CSR will be greater the more in line those activities are with stakeholder priorities

■ Evaluation of the effectiveness of any current CSR efforts

Sample Items

- **Usually a set of core items asked of all constituencies, supplemented by items specific to each population surveyed; often also location-specific items and time-specific items**

- **Sample Core Items:**
 - **Views of CSR efforts in general and organizations' performance on these**
 - **Awareness of Company XYZ's CSR efforts**
 - **Sources of information about these efforts**
 - **Agreement with Company XYZ's CSR efforts**
 - **What the constituencies want and do not want from Company XYZ, and their priority needs**
 - **Views of Company XYZ's basic business conduct and how this compares to other companies**
 - **Views of Company XYZ's CSR efforts and how they compare to other companies**
 - **To what extent do Company XYZ's current CSR efforts meet constituents' needs?**

Sample Items (cont'd)

- **And, each constituency is asked about the importance and effectiveness of Company CSR activities regarding not only itself but also *other* constituencies**
 - **Thus we can obtain a measure of the extent to which the constituencies are aligned – or identify gaps in alignment**
- **Also ask about general measures like trust in Company, impact of CSR activities on other behaviors (buying more, continuing to work for, etc.)**
- **And, for those constituencies which are the intended beneficiaries of the CSR activities, whether they feel treated as a genuine partner in the relationship**

Sample Items (cont'd)

- **Also need to ask about importance and effectiveness of specific CSR programs/activities**
 - **Separate sets of items about the various potential areas of CSR activity, e.g.:**
 - **Basic ethical behavior (honest advertising, safe products, etc.)**
 - **Being a “good employer” (good wages/benefits, safe working conditions, job security, etc.)**
 - **Promoting diversity in the workplace (opportunities for women/minorities)**
 - **Education (K-12, college, post-graduate)**
 - **Environment**
 - **Health care**
 - **The aged/elderly**
 - **The disabled**
 - **The disadvantaged (drug/alcohol addicts, ex-convicts, the homeless, etc.)**
 - **Poverty (locally, nationally, internationally)**
 - **Development/”Third World” support**
 - **Cultural activities (art, dance, music, etc.)**
 - **Community/National charities (United Way, Red Cross, etc.)**

Sample Items (cont'd)

- **Employees can be asked other items about the implementation of CSR programs/activities from the employee perspective, e.g.:**
 - **Awareness and understanding of Company XYZ's CSR efforts**
 - **Sources of internal information about CSR efforts**
 - **Performance of Company XYZ on encouraging employee involvement in CSR efforts**
 - **Recognition of employee involvement in CSR efforts**
 - **Ease of obtaining time off for CSR efforts (where applicable)**
 - **Employees' experiences with CSR efforts (clarity and ease of applying for support, responsiveness of Company in handling the application, etc.)**
 - **Employee views of what activities the Company should support**

After the Survey: Action Strategies Differ By Organization

■ By CSR strategy

- How are current CSR activities perceived? By employees? By Community?
 - Authentic / Strategic
 - Defensive / Reactive
 - Publicity-seeking
 - Guilt-reduction
 - Really just lobbying efforts
 - Well-intentioned, but unfocused and disconnected from core business purposes

■ By company culture (Especially important: Character of the CEO and the leadership team)

- What kind of internal environment exists? What are the current attitudes of employees with regards to the company and its leaders?

Partnership Building Will Optimize the CSR Investment

- **Involves data**
 - Extensive use of multi-constituency attitude survey results
 - Follow-up interviews with key representatives from external publics
 - Then collaborative discussions with senior leadership to identify the common interests that they can work on jointly to achieve
- **Goal is partnership: to create an environment where actions can be identified and agreed upon (while not interfering with the broad goals and objectives of others) – and address conflicts when they exist**
 - Attacks what is typically the fundamental issue – lack of cooperation (sometimes overt conflict) between the company and its key external constituencies based on misperceptions (often the result of “pluralistic ignorance”)
- **Distinguished from other approaches in its emphasis on systematic diagnosis**