Corporate Social Responsibility: Who's Responsible?  
Finding an Organizational Home for an Increasingly Critical Function

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Abstract

Corporate social responsibility (CSR) is still a relatively new corporate function that continues to change and evolve. Research has not yet fully explored how CSR-related decisions are made within large companies and what departments have the most impact on CSR strategies. Using both quantitative and qualitative methods, this study examines how executives within Fortune 1000 organizations develop, measure and report the results of one particular aspect of their CSR initiatives. Results show that while the views and philosophies of the C-suite and board of directors are highly influential, other units and departments in the company are involved in the CSR process. The input of other company departments, notably the sales and marketing departments, indicate a linkage between CSR and profitability. Results also suggest the future of CSR as a corporate function may disappear as organizations begin to absorb its principles into the fabric of their respective businesses.

Highlights

- Support from top management and the CEO is crucial in driving CSR communication and implementing the company’s CSR programs.
- Increasingly, many Fortune 1000 companies are using social media as part of the methodologies to assess their reputations and measure their CSR programs.
- External stakeholders are an important audience in the measurement process.
- The C-suite and board of directors are important influencers in setting CSR policies, but other departments are involved in the CSR process.

Keywords

CSR; Corporate Social Responsibility; Profitability; Social consciousness; Corporate Communication; Reputation

1. Introduction

Corporate social responsibility (CSR), or the responsibility corporations have for their impact on society and the environment, has become commonplace in business. Virtually every Fortune 1000 company has some type of CSR initiative and policy, and smaller companies are becoming increasingly active in CSR. CSR efforts are now an integral part of business culture and are on their way to becoming a standard business practice in American industry.

This study of Fortune 1000 companies serves as one basis for public relations practitioners to engage and consult with top management about CSR communication, strategies and decision making. Having access to such insights from multinational corporations will empower public relations practitioners to contribute to the development of CSR strategies, make informed decisions, engage in CSR’s Best Practices and enhance the legitimacy and credibility of the public relations profession.

2. Literature Overview

Corporate social responsibility has evolved dramatically as companies have become more transparent and accessible. Companies now engage in CSR to enhance the strength and reputation of their brands and even boost their bottom lines. Many companies view it as part of a company’s total corporate responsibility (CR), which includes financial responsibility, without which there can be no CSR.

The results of a recent study by CR Magazine and NYSE Euronext show that there is a growing high-level commitment to corporate responsibility including its social responsibility component. The study found that a higher percentage of corporate budgets was allocated to CSR from 2010 to 2011, signifying a stronger focus and commitment (Crespin, R., & Boudrie, E., 2011).

A recent report by the Economic Intelligence Unit, a business that provides analysis of the economic outlook,
political situations, business environments and sectors within 200 countries worldwide, showed that corporate CSR reporting has shifted from voluntary to vital over the past decade. Due to CSR legislation and increased stakeholder demand for transparent reporting, corporate reporting on CSR has rapidly changed. The report stated:

“According to CorporateRegister.com, an independent reference source, fewer than 500 companies issued CSR reports in 1999. That number is now close to 3,500, reflecting the growing trend among companies worldwide to issue reports demonstrating their commitment to environmental and social targets along with traditional financial ones” (Global Trends in CSR Performance Management, 2010).

While CSR reports are not new, companies face stronger incentives now to release regular updates on their CSR efforts due to intensified external scrutiny. Companies are held accountable by the media and NGOs, and they face greater external and internal pressures. According to the Economic Intelligence Unit, the power of public perception is a primary force behind a corporation’s interest in collecting data about both the supply chain and the product’s lifecycle, primarily because those are the most relevant activities to the consumer. (Global Trends in CSR Performance Management, 2010).

Consumers now more than ever can affect the way corporations do business, and this necessitates a strong focus on CSR. In an article by the Baylor Business Review, Melanie Merrifield attributes this to four factors: transparency, knowledge, CSR and globalization. Because consumers now have much more knowledge available at their fingertips, they can be more discerning about the companies whose products they purchase (Merrifield, 2003).

Companies do feel greater internal and external pressure to implement CSR programs, and the recent downturn in the world economy has heightened the importance of CSR programs. According to “Weathering the Storm,” a 2009 report on the state of corporate citizenship in the United States that included a survey of 759 executives, more business leaders recognize having strong CSR strategies adds value to the corporation. The survey revealed that many executives believe a connection between CSR and reputation is increasingly important when the American public’s distrust of business is high; furthermore, when businesses are operating during tough economic times, greater attention is paid to the issues that contribute to and affect their bottom lines. This again highlights the importance of social responsibility and shows it can add significant value to a corporation (Veleva & Googins, 2009).

There is also an established link between reputation and profitability. Research indicates that strong reputations have increasing value in corporations. A paper published by the Strategic Management Journal shows that firms with relatively good reputations are better equipped to sustain higher profit margins over time. The article states that “corporate reputation is an important strategic asset that contributes to firm-level persistent profitability” and affirms that strong reputation is linked with superior financial performance (Roberts & Dowling, 2002).

The degree to which certain firms develop and set CSR targets varies from industry to industry. For example, according to one recent study by Green Research, few oil and gas companies set CSR goals. The report, which defined goals as “specific commitments that deliver environmental benefits and have either quantitative targets or specific timeframes,” concluded that out of the top 11 oil and gas firms, only five have set CSR targets (“Few Oil & Gas Firms Set Environmental Goals,” 2011).

In aggregate, published literature and research affirm that CSR efforts can have a considerable effect on a firm’s profitability, and thus, corporate leaders should be invested in the types of CSR policies and programs the firm puts in place.

This paper addresses that issue: how executives determine what types of corporate social responsibility programs and strategies they implement. This article will help public relations and communication professionals by providing them with insights into CSR-related decisions as CSR evolves and becomes increasingly important. It also addresses CSR “Best Practices” and identifies ways top management can
effectively communicate, implement and manage a company’s CSR efforts.

3. Method

This article focuses on CSR, which encompasses a number of functions. To evaluate how CSR-related decisions are made within Fortune 1000 companies, a survey was sent to more than 500 senior executives via email over a period of 10 weeks beginning on January 15, 2012. We received 77 responses on behalf of those companies, with 26% of those responses representing Fortune 100 companies. The majority of respondents said the company they worked for was B2B (62%), and the remaining indicated the company was B2C (38%).

In addition to our quantitative survey, we conducted 10 qualitative interviews with senior CSR executives from Fortune 500 companies including General Electric, IBM, Viacom, Pfizer, DuPont and Accenture. These executives are among the most influential in the field of corporate social responsibility.

4. Results

4.1 CSR Communication Channels & Program Focus

One of the research questions addressed the communication channels corporations use to disseminate information about the organization’s CSR policies. Respondents said they most commonly use the company’s website (95%) and the annual report (72%) for CSR-related communication, but more than half of respondents also indicated that they disseminate information via social media (54%) including Facebook and Twitter.

The next question addressed the various programs the company’s CSR initiatives focus on. Respondents said environmental issues were a top focus (96%), followed by health issues (68%), educational issues (59%), human rights (55%), labor issues (50%) and an additional number cited safety (11%) as a program focus. The answer to this question shows the scope of CSR broadening to include more social programs in addition to environmental programs.

Dawn Rittenhouse, Director of Sustainable Development for DuPont, stated that while the environment is a critical focus of the company’s CSR efforts, there’s more to CSR than the environment: “There isn’t an issue or concern out there that doesn’t touch one of our businesses...You have to get to where the issues are.”

David Katz, Vice President of Corporate Responsibility at Viacom, said that corporations focus on multiple issues for a few reasons: “Every organization in the space is addressing the issue from a different lens and with different strengths. They’re working to leverage their unique resources and expertise to maximize impact with their stakeholders. For some organizations strategic partnerships are key priorities, while others make contributions via corporate philanthropy.”

The results of these interviews signal recognition of the use of social media to inform consumers about a company’s CSR efforts. Social media continues to grow as a channel customers use to obtain information about the companies they do business with, and through a company’s online presence and activities, customers determine the level of engagement a company has with its various stakeholders. This involvement has important implications for companies’ reputations. The public looks to platforms such as Facebook and Twitter to assess a company’s reputation and responsibilities. Additionally, social media has become one key tool businesses can use to not only disseminate information to their various publics, but also as a way to measure the response to their programs and strategies. Results clearly show that while traditional media remain important, social media has become a major factor in determining success.
4.2 Developing CSR Policy: Motivations & Profitability

Two of the research questions addressed the degree to which CSR initiatives contribute to the company’s bottom line. The first question addressed the corporation’s motivations when developing CSR policies. Responses signal that the primary motivation behind CSR initiatives lies in the company’s reputation (88%), followed by the company’s competitive positioning and social consciousness (71%). Significantly, profitability (56%) and pending or existing legislation (32%) were determined to be motivating factors.

While reputation was determined to be a primary motivator, competitive positioning ranked closely behind indicating that companies now look at CSR as a way to differentiate themselves in the marketplace. Additionally, more than half of the respondents said profitability was a primary motivator in CSR-related decision making, which affirms that an important link exists between a company’s CSR strategy and its bottom line.

The second question addressed the effect on the business if it chose not to engage in CSR. Overwhelmingly, respondents said not engaging in CSR would have a negative effect on the company’s reputation (67%), and they also indicated the absence of CSR would have a negative effect on profitability (20%) confirming again that at least one in five businesses has a critical link between profits and CSR.

Dawn Rittenhouse of Dupont addressed companies’ motivations when setting CSR strategy, noting that along with reputation, credibility, a component of reputation, plays an important role in CSR efforts. She said companies must ask themselves, “Where are your biggest impacts in CSR? You need to focus on that first because if you don’t solve those problems, you are not credible working in other areas.”

Justin Keeble, Senior Executive in Accenture’s Sustainability Services, agreed that it is important to realize where a company’s biggest impacts exist. He said, “Companies have significant exposure, whether it’s in the supply chain or operations or on the production side, and they’re starting to feel the heat.”

The results of these questions indicate that reputation and competitive positioning clearly play a large role in the development of a company’s CSR programs. Surprisingly, however, profits and CSR are often connected, and many businesses evaluate the relationship between these two variables when developing strategy.

4.3 Departments Involved in Setting CSR Strategy

Two of the survey questions addressed the level of involvement of company influencers when making CSR-related decisions. The first sought to determine the engagement level of the C-suite and board of directors in setting CSR strategy, and the results show a clear link. More than half the time (56%), C-suite executives and the board of directors are very involved in setting CSR strategy; in 44% of companies, the C-suite executives and board of directors are only somewhat involved in making decisions about the company’s CSR efforts.

The subsequent question sought to determine the level of involvement various parties had within the company in CSR-related decision making. Results reaffirm the key influencers are the C-suite and board of directors (82%).

Results show other departments in the company have significant influence in the CSR process. Following the C-suite and board of directors, respondents said the legal (51%) and public relations (45%) departments were both involved nearly half the time when setting CSR strategies, and the sales (24%) and marketing (30%) departments were involved nearly a quarter of the time.

Justin Keeble, Senior Executive in Accenture’s Sustainability Services, said CSR-related decision making should be the responsibility of all departments in the corporation: “Our task is to embed this (CSR) into the consulting services we provide to our clients. We need to focus on integration. If we’re successful, we won’t
be needed.”

David Katz of Viacom disagreed. Katz said he believes CSR is woven into the fabric of operations, and added, “But I would argue that the (CSR) positions aren’t going to go away; they are actually going to grow. You’ll see leadership of organizations adding C-level executives as it becomes a strategic priority for the highest levels of companies.”

Results of these questions affirm CSR’s place within organizations. It is not an area isolated to the communication department or the C-suite. In most organizations, other departments have input in the process, which implies that CSR has permeated many disciplines within the organization.

4.4 CSR Factored into the Company’s Mission

A follow-up question sought to determine the importance of CSR to the company’s mission. Results overwhelmingly show respondents believe CSR is either very or extremely important to the mission of their companies (86%), while a minority (14%) said CSR was not very important to the mission.

Bob Corcoran, Vice President of Corporate Citizenship at General Electric (GE), said, “CSR effectively done over time is basically good business and good business strategy. Good CSR is good business.”

While Justin Keeble of Accenture agreed that CSR is good business, he added that CSR must also be a top priority of the CEO. Keeble said, “If you want to drive large-scale transformation, it has to happen from the top. You’ve got to have the ambition of the CEO to radically transform the business, and you’ve got to manage this issue as if it’s any other major transformational program.”

Shanaya Deboo, Director of Policy, External Affairs and Communications at Pfizer, agreed with this perspective. She said Pfizer takes a holistic approach to CSR. “We firmly believe that it’s every colleague’s job. Every colleague has some impact on our CSR performance, but we do obviously have separate departments focused on corporate responsibility...I think it (CSR) is driven by the organization’s belief that CSR is a critical business driver.”

4.5 Who Counts? Measuring CSR Efforts

One of the research questions sought to determine the level of importance of the views of specific audiences, both internal and external, when measuring the results of CSR strategies. Results suggest that internally, the opinions of C-suite executives (86%) and other employees (76%) are most important when measuring the company’s CSR efforts.

The assessment of a company’s CSR initiatives by external stakeholder groups and reputation surveys is clearly important. Internal measures of CSR success include financial and manpower units devoted to CSR as well as the company’s own assessment of the social benefits of its CSR initiatives.

Respondents said the opinions of customers (73%) and investors (69%) were important considerations when measuring CSR strategies. More than half the time, companies evaluated the company’s media coverage (51%) and government feedback (52%) to assess the success of their CSR programs. Responses indicate that both internal and external audiences have crucial involvement in the measurement process.

In a discussion with Bob Corcoran of General Electric about the measurement of the company’s CSR efforts, he said, “We’ve put the onus for responsibility for measuring, changing and driving things at the business level and coordinating and accountability, or meeting goals, at the corporate level.” Commenting on his own team he stated, “My group is very, very small, and the way to effect these changes is to integrate them into the normal, full operating systems and operating measures of the company.”

At GE, CSR is measured internally through different levels and departments, and there’s a strong focus to fully integrate the function into all areas of the business. On the subject of how CSR functions within large organizations, Corcoran said, “I would submit that there is a correlation that the more embedded and real it
(CSR) is or becomes in a corporation the smaller the CSR organization is because it is embedded in the muscle tissue of the company. When you see larger separate groups doing it in a company, I think it’s more likely that you’ll see white corpuscles in the corporation working to reject it because it’s somebody else doing it and it’s not my job.”

While some companies measure their CSR efforts internally, some organizations consider the views of suppliers and other external groups to determine the effectiveness of their strategies. Reg Foster, Corporate Citizenship & Corporate Affairs Manager at IBM, said there are different degrees of measurement in place at IBM. Foster added, “There are many different levels for that. We may want to review our suppliers to ensure their activities and processes meet our standards. We carry out an audit process. That’s our approach...If we see higher compliance within our supply chain, that would be the measure.”

Foster also said IBM evaluates its strategies through the assessments by various external organizations. He noted, “There are a number of outside organizations that look at overall CSR performance. We might look to see whether or not an analyst house has a positive recommendation with respect to IBM or if we’re included within a CSR index or how we’re ranked on a list. We look at brand value. We think CSR is a contributor to brand value and our brand level has been rising.”

The findings indicate that the measurement of CSR programs takes varying forms within multinational corporations. Some companies execute regular internal measures, and their programs are evaluated by C-suite executives. Others supplement internal measures with external audits of suppliers and use third party organizations to evaluate the effectiveness of their processes.

5. Discussion and Conclusions

The findings of this study reveal that CSR is deemed an increasingly important function among executives within Fortune 1000 organizations. In most of these companies, members of the C-suite and/or board of directors are directly involved in the decision-making and measurement processes with regards to the company’s CSR programs. CSR programs and initiatives have become important points of difference among competitors, and this has begun to strengthen the link between CSR departments and C-suite executives.

Results of the study signal that there has been an expansion in scope and focus of CSR strategies and resource allocation. Many CSR initiatives were created in response to environmental issues and pressures, but companies are now expanding their focus to social, health, diversity, labor and safety issues. While many companies still focus much of their time and resources on environmental issues, CSR has grown to include almost any issue or concern that affects the operations and reputation of the company.

Findings show that measurement of these strategies is not universal and is often directed by the C-suite. Measurement was shown to take various forms within the organizations, but it often incorporates third party groups and supplier audits. A number of respondents said the reception of their programs by consumers and the media also played a role in evaluation. The level of transparency and amount of information available to consumers has made their opinions increasingly important.

A significant finding clearly is the strong link between CSR and profitability within many corporations. While CSR may have initially been perceived as a “soft” discipline within the corporate structure, today it has evolved into a policy that directly affects profitability.

Findings also show that social media has become an important tool companies use to communicate to their publics about their CSR efforts in addition to traditional media. This allows companies to communicate their CSR activities and progress in a manner that is fast, easily accessible and provides them with vital feedback from their publics. Some companies use social media to supply their stakeholders with information and content, while others build and grow online communities around different initiatives and programs. Social media also enables companies to find out what their stakeholders care about, and these incoming messages
help guide and shape future social media strategies. By strategically using social media, companies have embedded CSR communication into their overall communication strategies. In addition to the power of CSR as a vehicle to communicate CSR policies and initiatives, it is being used increasingly to measure the effectiveness of CSR.

This study reveals that some executives believe the CSR function may disappear altogether as corporations begin to absorb CSR into all aspects of their business and make it a part of every employee’s responsibilities. As companies begin to assess and measure the effects their CSR programs have on the business’s reputation, CSR may increase in both scope and importance. Based on the interviews conducted, some CSR practitioners said they believe CSR should not be its own function or department but rather an integrated part of the business. These findings have practical implications. Senior executives should pay more attention to the views of their external stakeholders when developing CSR strategies because their sentiments will affect the company’s reputation and/or its position among competitors. Businesses should look at CSR as a growing function, and should also find ways to envelop CSR strategies into all areas of business to maximize the potential of their CSR strategies.

Results also suggest a framework of Best Practices companies and practitioners should employ when developing and implementing CSR strategies. Based on the findings, Best Practices include:

- A comprehensive reporting structure with a direct link to the CEO.
- A holistic approach that includes CSR and other CSR responsibilities in every employee’s job description.
- Ongoing research to determine the effect of CSR policies from both internal and external stakeholders when evaluating and measuring efforts.
- Holding the CEO and top management accountable for the implementation and results of the company’s CSR programs.
- An understanding of the influence and importance of various groups in the company’s CSR processes.
- CEO and top management support is critical in driving the company’s CSR programs.
- Coupling the company’s standard measurement tools with a regular evaluation of traditional and social media coverage about the company.
- Communicating about the company’s CSR efforts through social media platforms including Facebook and Twitter in addition to posting information regularly on the company website.

6. Future Research

Numerous opportunities exist for future research on the influence and development of corporate social responsibility. Subsequent scholarship may explore to what degree CSR departments will grow in the future and how that growth will vary from industry to industry. Case studies on the CSR programs of specific corporations could be examined to identify and evaluate the contributing factors in the longevity of CSR departments or the incorporation of CSR into the company’s overall business strategies.

Subsequent research also may address the importance of traditional and social media in both the implementation and measurement of CSR programs. As social media continues to grow as a tool businesses use to assess reputation, companies may begin to invest more time and capital in their CSR communications through nontraditional media platforms.

As CSR evolves, both CSR executives and public relations practitioners could benefit from quantitative measures that provide data on how the most effective CSR programs are implemented and measured, while
qualitative data can provide more complete descriptions on how CSR is used to differentiate organizations and build the reputations of multinational firms.
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