

## **Corporate Social Responsibility 101**

### Background

Whether or not you believe a company should be focused foremost on building profit or on long-term sustainability (its own, its community's, etc), companies are subject to laws and there's increasingly talk about corporate citizenship. The Industrialists (sometimes called "The Robber Barons") of the 1800s made their fortunes, then created the Carnegie, Ford, Rockefeller and other foundations and universities. One might argue that the good works are built on dubious ethics, and aim to cleanse a reputation, but there is positive impact, and all that is a topic for separate discussion – Anand Giridharadas makes some interesting points in his book "Winners Take All". These days we have those foundations, the Sarbanes-Oxley and Dodd-Frank Acts, Gates Foundation, The Giving Pledge, social entrepreneurship, ESG analysis (primarily in investments, analyzing environmental, social and governance practices and impact; although all companies in Europe over 500 employees must report on this), and social media fueled, hyper-competitive marketing. At Glocal, we have identified a five-stages overview of corporate social responsibility (CSR) or corporate citizenship, Glocal CSR. What level has your company achieved? Where would you like to be? <sup>1</sup>

### Stage I. Compliance

This is the stage where you make sure your company is following all the laws of the hosting land/s - it means you're managing your finances, paying your employees, filing your taxes, taking the necessary precautions with client data, respecting legal agreements and, if you're a publicly traded company, filing your quarterly reports with the presiding securities regulation agency (e.g. in the USA, it's the SEC; in the UK, it was the FSA and now the UK Central Bank), and following the laws in the jurisdictions you operate.

### Stage II. Social issues become strategic ones

Social issues such as outsourcing, obesity, safety of children's and pharmaceutical products can alter an industry's ground rules. And mismanagement of these issues can create huge reputational (and financial) fallout. Will companies charge their smoking or obese employees more for health insurance? do you want to appear on the "best places to work" lists? If you're old enough, you might remember 1982, when someone in the Chicago area tampered with bottles of Tylenol, murdering 7 with cyanide. J&J's pro-active nationwide recall of *all* Tylenol products in 1982 put customer safety first, over the company profit, and as a result of several steps, public trust in J&J soared, and Tylenol continues to be one of the most trusted brands today. Several companies who had outsourced their customer service call centers to other countries have brought the services back to the US, and publicized the "you are being connected to our call center in..." (Nebraska, Michigan, Kentucky...) – this has been a balancing act of concerns around customer understanding of international accents, the costs of customer frustration and balking, rising costs overseas, and domestic pressure for "on-shoring" the jobs again.

### Stage III. Non-profit event sponsorship & employee-donation-matching

As your business grows, whether to get favorable PR or to become a corporate citizen, your business creates employee giving programs (often related to employee engagement programs, including volunteer days), matches a portion of those donations, and often financially supports non-profit events - and gets your logo displayed on their t-shirts, websites, event programs, etc as a supporter of the cause. And in deciding which company to buy from, customers are increasingly looking not only at your product or service quality, but also whether or not you're a "nice guy or gal", or in other words, your corporate citizenship.

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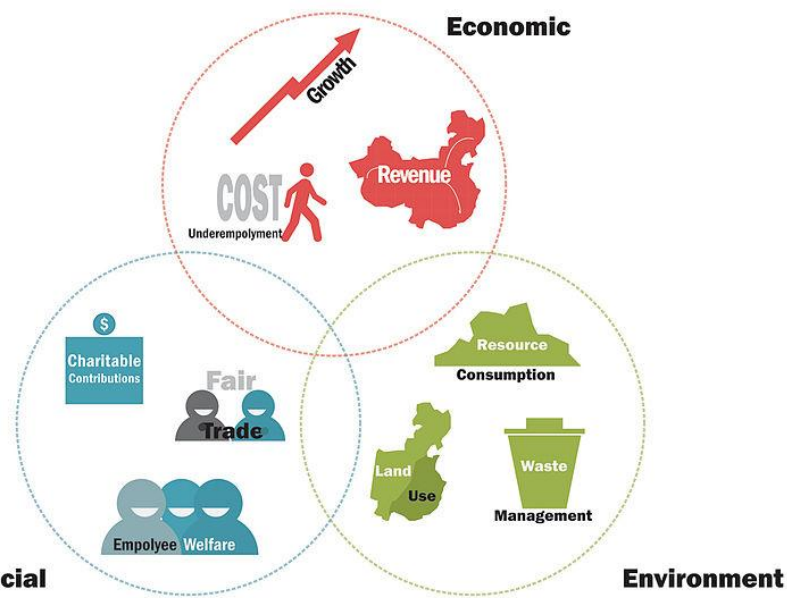
<sup>1</sup> Ask us for copies of "Marketing Plan 101" and "Basic financial Planning and Management", or download them from the resources section of [www.glocalconsultantsgroup.com](http://www.glocalconsultantsgroup.com)

Stage IV. Corporate Foundation

Many corporations set up a foundation to donate to causes important in their communities, or around the world. They may choose several issue areas in which they'll intervene- education, health, community empowerment, communications, the arts, environment, etc, etc. They may intervene only in communities where they have operations or suppliers, and they may support (only?) organizations where employees volunteer. They may even focus their intervention areas on issues closely related to their business. For example, in 2008, Kraft Foods had a well established foundation, which supported many important causes in their communities. In 2009, they implemented a strategic decision to focus their foundation's giving areas on those issues close to their business, and redirected their giving to programs supporting nutrition and health. If your company has an established internal foundation, you are in the GlocalCSR stage #4. If you would like help setting up your foundation, or strategically aligning your giving areas and volunteer support programs, give us a call.

Stage V. Triple bottom line (people, planet, profit)

There are a few companies which focus on social and environmental impact as well as financial performance. These companies think about sustainability, take a longer-and-broader-term view of ROI, and follow a series of ethical sourcing, producing, selling, and governance practices. Their corporate citizenship efforts are not a separate initiative or department, but an ethos and way of doing business. These companies aim to create products that sell, treat their employees and suppliers well, employ governance and organizational development best practices, and are gentle on the environment. A few examples are Terracycle<sup>2</sup> Shaw Floors, HagBros Precision, and others with B Corp certification. Companies at this stage do not do everything in the ESG toolbox, but they practice many or most of them, and while they might have some higher upfront costs, they benefit from low employee turnover and high customer and supplier loyalty, and ultimately a robust bottom line .



Glocal CSR Stage 5  
Triple bottom line -"people, planet, profit" overview  
(graphic from the Wikimedia commons)

**If you would like help distinguishing your marketing strategy and developing your Corporate Sustainability or Social Responsibility program, please contact us at [info@glocalconsultantsgroup.com](mailto:info@glocalconsultantsgroup.com) or call +1-347-480-8679.**

<sup>2</sup> "We're not doing this to help save the environment. We're doing this to show that you can make a lot of money while saving the environment." says Terracycle co-founder and CEO Tom Szaky.

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