The Importance of Corporate Social Responsibility

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The Importance of Corporate Social Responsibility

The word sustainability has become essential in business terminology, with implications much more far-reaching than environmental friendliness. Savvy leaders understand that in order to gain a competitive edge, they must incorporate sustainable business practices to ensure the long-term success of their companies.

The phrase corporate social responsibility (CSR) gained popularity throughout the late 1960s and early 1970s, referring to companies that emphasized a new paradigm in business: the triple bottom line. Businesses focusing on the components of the triple bottom line — people, planet, profit — stress a commitment to business practices that ensure the long-term health of their company, employees, the environment and the community. The paradigm is rooted in the belief that businesses have an obligation to care for their surroundings and by doing so, will realize greater success.

In 2012, Reputation Institute polled consumers in 15 U.S. markets to determine opinions of several global corporations. According to the study, 42 percent of people’s sentiment about a company is based on their understanding of the firm’s corporate social responsibility practices. Additionally, consumers place more value on a company’s reputation than on the perception of the company’s products. These days, it’s not enough to produce a great product or deliver exceptional service; people want to know they’re doing business with a company that cares about its impact on its surroundings and wants to do the right thing for society.

Responsibility Has its Benefits

No matter the size of your company, demonstrating good corporate citizenship will likely result in significant business benefits. A successful CSR endeavor enhances a company’s reputation by positioning it as a business that is interested in more than just the bottom line. This philosophy can be very attractive, not just to customers or clients, but also to vendors, partners, investors and employees. When people’s values align, it can often lead to better working relationships and increased loyalty, which often results in increased financial gain.

Program Feasibility and Structure

Before jumping full force into corporate social responsibility efforts, it is wise to ascertain the breadth and depth of the company’s capabilities and to determine the best course of action. It can takes months to define the program and get it off the ground. Consider the following:

Conduct a Feasibility Study

Establish an exploratory committee to assess the possibility of creating a CSR program within your business. This committee should include top leadership, key staff and potentially an external consultant who can advise on the potential investment (financial and time) that will be required. The group will develop overarching goals and strategic priorities, research types of efforts to undertake, and analyze the likelihood of participation and the costs involved. At the end of this exploration phase, the committee will present a recommendation for whether to proceed and outline the resources the company will commit to the program.
Initiate a Program Committee

The next phase involves instituting a program committee that is responsible for creating the plan and budget. With the goals and strategic priorities in mind, this committee will make recommendations related to the specific efforts the company will support, such as corporate donations or environmentally friendly practices, and determine budget allocations. This group will identify how to introduce the program and plan, as well as how to garner internal interest. Once the program is implemented, the committee will evaluate requests for giving and potential changes to internal practices. For the most success — and to avoid burnout — committee members should consider rotation after one year of service. Serving on a robust committee, in addition to normal job responsibilities, can be taxing on employees. Moreover, rotating new people onto the committee allows for fresh ideas and new perspectives.

Engage Your Team

Without wide internal support for socially responsible endeavors, the likelihood of success is low. After expending time and resources to assess the possibilities, don’t forget to nurture the program or it may fall flat. If possible, involve communications staff or a consultant to develop a communications plan to introduce the program. The plan should include messaging about the benefits of having a CSR program, as well as the specific elements of what your company will offer. Give staff, board members and investors sufficient notice about changes that will happen in the company to accommodate the program, and how company leaders can participate. Make the launch fun and engaging to generate excitement while simultaneously communicating the importance of such a vital piece of the business function. Office-wide events are a great way to build momentum.

Despite the benefits of incorporating a corporate social responsibility program, some team members may not want to participate. In the spirit of making a positive impact, it will do no good to mandate participation. For a new program, aim for a participation rate of approximately 20 to 25 percent with a goal of increasing that number over time. To ensure success, it is important that leadership actively participate in the program to demonstrate company-wide support.

Pursuit of the Three Ps

Corporate social responsibility is guided by the principles of cultivating the health and well-being of people, the community and the company. But what does it mean from an implementation standpoint? Typical CSR programs include a corporate giving and volunteer program, environmentally sound practices or business practices designed to ensure the future success of the organization. Sound daunting? It doesn’t have to be. Below are some tips for launching the different aspects of a CSR program.

Giving is Getting

According to the 2012 study “Trends in Northwest Giving,” more than $1.08 billion was donated in 2010 to nonprofit organizations in the Northwest, including Oregon and Washington. The strong number shows that funders are committed to supporting local charities and their work, even during a recession.

While the corporate donation market may be dominated by entities such as Microsoft, Nike and others, small businesses can still make a significant difference when it comes to giving. For example:
Sponsorships – many nonprofit organizations host fundraising events, from small receptions to large galas. Sponsorships help nonprofits generate income, while providing positive exposure for the sponsor.

Cash and in-kind donations – some businesses may want to set aside a certain amount of funds to donate to nonprofits for operations, infrastructure, or specific programs and services, while others may choose to leverage other resources, such as printing services, computers or use of their facilities.

Employee giving and matching – in addition to cash donations, businesses may consider an employee-donation matching program, whereby the company commits to matching employee donations up to a certain dollar amount.

Volunteerism – many businesses encourage volunteerism by organizing volunteer opportunities and/or providing paid time off for these activities. Licensed professionals, such as lawyers or accountants, can provide their expertise to help nonprofits or their clients.

Assuming you have identified the priority areas for giving, it is time to initiate and encourage external participation. Consider a formal proposal process through which nonprofit organizations make requests for financial or volunteer assistance. In this case, they would need to outline how the resources will be used and the expected outcome (e.g., the number of people who will receive services).

Consider the Environment

These days, there are a wide range of practices companies can implement to limit environmental impact. Some of these practices will make a bigger financial impact than others, but they are worth considering.

Many organizations involve their staff in activities such as recycling, composting, water re-usage, carpooling, using mass transit and telecommuting when appropriate to lessen the company’s environmental impact. These are easy, yet important ways to reduce excess and build a conscious company culture.

Additionally, consider the space in which you operate and how you can reduce impact. Is your location easy to access by public transportation or walking? What type of commute do most of your employees need to make? Is Leadership in Energy and Environmental Design (LEED) certification possible? To achieve LEED status, buildings should take measures to ensure energy and water efficiency, including use of abundant natural light, low-water-flow toilets and outdoor space.

Building a Sustainable Business

A vital aspect of corporate social responsibility is implementing business practices that will help to ensure the long-term success of your company. When businesses are successful, they keep people employed, which contributes to the economy and the community. Vibrant communities attract more business, and so the cycle goes.

Caring for Your People

Employees are the lifeblood of an organization, and ensuring their job satisfaction can lead to increased productivity and profit. When staff members are happy, they tend to have a positive attitude, a better ability to focus, are more apt to collaborate with others and have greater interest in their work. Minimizing turnover can result in cost savings, since the company is not expending resources to constantly hire and train new staff.

With the proliferation of corporations that offer sizable perks, businesses have to get creative to keep employees engaged:
• Survey employees to take a pulse on job satisfaction. Ask questions about their roles and responsibilities, benefits and culture.

• Conduct a salary assessment. Is compensation comparable with the market and team members’ expertise? Are bonuses available?

• Review your benefits package to ensure it’s in line with similar companies in the market. Consider offering work from home days, flexible schedules or other helpful perks.

• Ensure employees live the culture. Create an orientation program to infuse new employees with the company culture. Be sure that more long-term employees continue to represent company values.

• Give employees a voice. Invite feedback from team members on ways to improve the work place. Encourage management and senior team members to be engaged and involved with staff at all levels.

• Encourage health-friendly practices, such as regular physicals, breaks for afternoon walks or eating healthy snacks.

Joe Hawes, of Hawes Financial Group based in Eugene, Ore., states that businesses should have a mission beyond making money. In addition to the charitable program the company initiated several years ago, Hawes incorporates wellness programs, such as gym memberships, into employee benefits. Leadership recognized that employees would be happier if they had access to health-focused facilities, resulting in higher productivity.

A World Economic Forum study found that when employees feel their employers care about their well-being, they are eight times more likely to be engaged in their work.

Smart Financial Practices

Companies practicing corporate social responsibility activities understand the value of responsible financial management. Transparency is a prime method by which to ensure the company is spending and earning wisely. Whether you share your financials with internal or external stakeholders, this level of openness brings with it scrutiny that may reveal irregularities very quickly.

Well-maintained finances are also very attractive to potential partners and investors who may be interested in doing business with a well-run company.

In terms of expenditures, there are ways to reduce costs and bolster company finances. For example, consider using locally sourced materials and products to avoid high shipping or transportation fees. Work with a few key vendors for the best deals and more efficient collaboration. Evaluate current processes to determine if there are ways to reduce waste.

Communicating Your Successes

Companies with vibrant CSR programs often find value in sharing these efforts with employees, investors, nonprofit organizations, the media and other stakeholders. Consider creating an annual CSR report to outline achievements of the program, including corporate giving activities. This information can also be included in the company’s annual financial report. These reports are a comprehensive way to tell the company’s corporate social responsibility story to important target audiences.
**Conclusion**

When establishing a corporate social responsibility program, businesses have to prioritize where their energies will be focused. Some companies may want to pursue all three components of CSR, but in a scaled back way. Other companies may choose to pursue one or two components initially, and explore other programs as the undertaking evolves.

The benefits of a corporate social responsibility program are clear: higher productivity among employees, enhanced reputation in the marketplace, more robust communities and successful businesses contributing to the strength of the economy. Business leaders and consumers are becoming increasingly socially conscious and are seeking out opportunities to do business with like-minded people and companies. Operating a robust CSR program that is clearly communicated will increase a company’s competitive edge and help position it for lasting success.

**Sources:**


About Pacific Continental Bank

For more than 40 years, Pacific Continental Bank has served the Pacific Northwest with a focus on building long-term business-banking relationships. And along the way, we have forged a strong reputation as a proven business resource and proud civic partner. Pacific Continental Bank’s strength lies in our extensive expertise in banking community-based businesses, professional service providers, and the nonprofit sector. This expertise means we can help clients tackle the financial issues specific to their enterprise. What’s more, clients have access to local bankers who have the authority to make decisions for them on the spot.

Pacific Continental Bank maintains a strong connection to the communities where we operate. The bank empowers its employees to actively engage in fostering an environment where all community members can flourish. We endeavor to work with local nonprofit organizations and community-based businesses, ensuring more dollars stay close to home. The bank supports hundreds of nonprofit organizations in achieving their missions – both philanthropically and through direct participation.

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