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BUILDING YOUR CSR BUSINESS STRATEGY

Strategy without tactics is the slowest route to victory.
Tactics without strategy is the noise before defeat.

—Sun Tzu

In honor of Earth Month, Wal-Mart launched its first-ever in-store *maga-logue* (kind of a cross between a magazine and a catalogue), which aimed to inform its customers—roughly 200 million of them in a month—on actions they could take, while shopping at Wal-Mart, to help the planet. This was great business strategy not only for Wal-Mart in promoting the greenness of its own brand but also for General Electric, Procter & Gamble, Horizon Organic, and Clorox—all of whose environmentally friendly products are given premium promotional space in the magazine, not to mention premium in-store shelf space.

As we have already seen, CSR is quickly gaining corporate mindshare—an increasing number of companies in almost every industry are adopting CSR principles and initiating CSR programs. The realization that companies can and should play an important role in their communities—and across the nation and around the world—while making a profit is quite a step up from the old belief that the sole purpose of companies is to increase value for shareholders.

Today, many businesses are taking the next step in the evolution of CSR in business. Many business leaders are realizing that CSR is also a viable component of their overall business strategy, along with such traditional functions as marketing, branding, research and development, innovation,



A budget-friendly guide to helping the planet.



WAL-MART
Save money. Live better.
walmart.com/green

WAL-MART
Save money. Live better.

(Wal-Mart, *Earth Month*,
April 2008)

Sure, an electric car can help the environment. But so can a shopping cart.

Of all the ways to help the planet, the most beneficial might just involve the things we do every day — like how we shop. You see, simple choices in what we buy and use can have a positive impact on the world around us. And when you're part of 200 million Wal-Mart shoppers, those simple choices can add up to some amazing things. Like preventing enough CO₂ emissions to equal taking over 11 million cars off the road, just by changing a light bulb.

So take a look inside. You'll find products that'll help save you money while helping the planet as well. You'll also see how you multiplied by 200 million can equal a brighter future for us all.

YOU x 200 million = A brighter future

talent management, and operations. They are therefore beginning to accord CSR strategy the same level of attention they give to these other vital corporate functions and, better yet, weave their CSR strategies in with their branding, marketing, and operations.

That is good news, indeed, because *strategic* corporate social responsibility executed well is *effective* corporate social responsibility.

A Typical Corporate Goal

Management guru Peter Drucker perhaps said it best: “What gets planned gets done.” Companies have long known that to achieve their goals, they need strategies that get everyone within the organization headed in the right direction at the right time, and that ensure that resources are mobilized where required.

For example, consider a typical corporate strategy—in this case one from Hewlett-Packard (HP) in 2006 to “Establish HP as the world’s leading information technology company.”

HP’s goal is clear and is likely to be inspirational to the company’s employees: to establish Hewlett-Packard as the world’s leading information technology company. Just as clear are HP’s three interdependent strategies for achieving this goal: targeted growth, capital strategy, and efficiency. If you are an HP employee, you know that if you contribute to one or more of these three strategies, you are helping the company achieve its greater goal of information technology supremacy. Moreover, as an employee you know that your performance will be measured on your success in contributing to one or more of these strategies.

So far, so good. At least until we come to the typical company’s CSR goals.

Because they know that they need strategies to achieve their mainline business goals (such as HP’s goal to become the world’s leading information technology company), many companies also know that they need to develop strategies for their corporate social responsibility goals as well. However, because the goals for most CSR efforts aren’t in support of typical corporate functions such as marketing, manufacturing, sales, and so forth, many companies are unsure of what goals to set for CSR efforts or what strategies to pursue. The result is often a hodgepodge of unfocused, unconnected, and unrelated strategies in search of an overarching goal.

Although perhaps a bit extreme, Figure 3 does demonstrate elements of the typical CSR strategies that you’re likely to find in most businesses today.

Which approach do you think will be more effective: one like HP’s

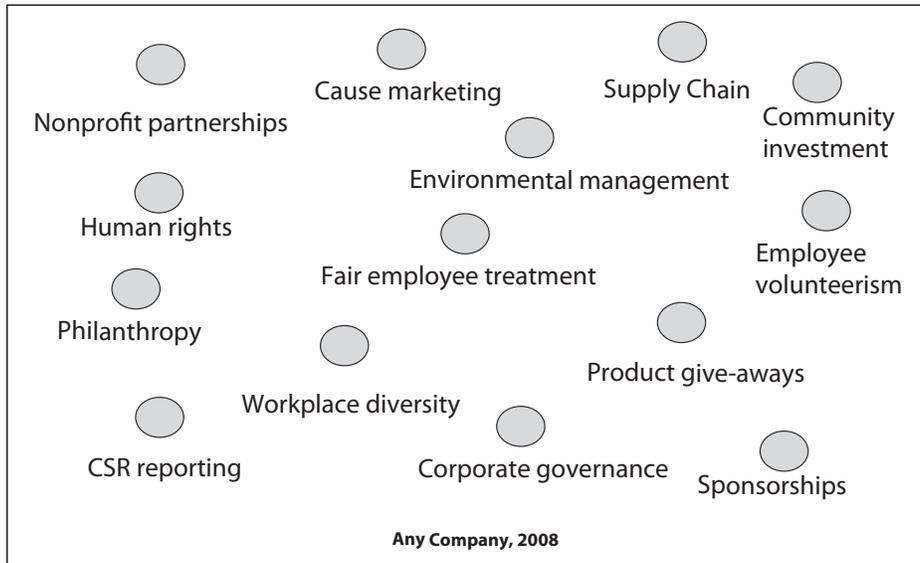


FIGURE 3. A typical company's CSR strategies

tightly focused goal to become the world's leading information technology company or the scattershot—and all-too-typical—CSR strategies illustrated in Figure 3?

The Case for a CSR Goal

Business leaders are beginning to realize that an effective corporate social responsibility goal can be much more than a feel-good public relations (PR) release for prospective customers, employees, shareholders, and other stakeholders; it can have a significant and positive impact on the bottom line.

The IBM Institute for Business Value recently surveyed a group of 250 business leaders worldwide and found that more than two-thirds (68 percent) are focusing on corporate social responsibility activities to create new revenue streams. In addition, more than half (54 percent) of the surveyed business leaders believe that their companies' CSR activities are already giving them an advantage over their top competitors. According

to IBM's report on these findings, "When aligned with business objectives, companies are beginning to see that CSR can bring competitive differentiation, permission to enter new markets, and favorable positioning in the talent wars."⁴

In a landmark *Harvard Business Review* article, Michael Porter and Mark Kramer proposed a new way to look at the relationship between business and society, a way that unifies company philanthropy with the management of CSR efforts and embeds a social dimension in their core value proposition. According to Porter and Kramer,

The fact is, the prevailing approaches to CSR are so fragmented and so disconnected from business and strategy as to obscure many of the greatest opportunities for companies to benefit society. If, instead, corporations were to analyze their prospects for social responsibility using the same frameworks that guide their core business choices, they would discover that CSR can be much more than a cost, a constraint, or a charitable deed—it can be a source of opportunity, innovation, and competitive advantage.⁵

Shift of Power and Resources

Corporations wield tremendous power today, in large part because of the often quite significant financial impacts that they have on the communities, states, and countries where they have their offices, factories, and manufacturing plants and where they do business. As corporations have grown in size and financial power, the balance of power of resources in the world has changed as well. If you doubt that this is indeed the case, a quick look at the 2006 list of top one hundred economies in the world (as measured by gross domestic product [GDP]) should change your mind (see Figure 4).

One has to look only to number twenty-two before a corporation appears on this list. Exxon Mobil and Wal-Mart have higher gross domestic products (GDPs) than 75 percent of the world's countries! Exxon Mobil made more money in 2007 than any corporation has in history. Imagine the positive impact that these companies could have on the world, especially if their efforts were focused and strategic instead of scattershot and random. Clearly, if we want to change the world, we'll need companies

TOP 100 WORLD ECONOMIES

Rank	Company/Country	GDP (World Bank) [millions, USD]
1	United States	13,201,819
2	Japan	4,340,133
3	Germany	2,906,681
4	People's Republic of China	2,668,071
5	United Kingdom	2,345,015
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22	Wal-Mart Stores	351,139
23	Exxon Mobil	347,254
24	Poland	338,733
25	Austria	322,444
26	Royal Dutch Shell	318,845
27	Norway	310,960
28	Saudi Arabia	309,778

FIGURE 4. Top economies of the world, 2006 (Revenue from *Fortune* magazine; GDP from the World Bank).

like Exxon Mobil and Wal-Mart with their power, reach, and resources on board.

The good news is that increasingly we do have the power, reach, and resources of companies like Wal-Mart, as well as thousands of other businesses, on board. Indeed, corporate social responsibility programs and initiatives are rapidly proliferating.

The bad news is that despite this plethora of CSR programs, most corporate efforts to date have been neither strategic nor well communicated. To be effective in their CSR efforts—and to reap all the potential benefits—these companies will need to do more than simply doing good in their communities. They will also need to approach CSR strategically, as a viable component of their overall business strategy, along with marketing, branding, research and development, innovation, talent management, and operations. And they will need to effectively tell their CSR stories.

Developing an Effective CSR Strategy

At a minimum, companies should focus on the following set of good practices as they craft their own CSR goals.

Senior leadership and management of the firm, including the board of directors, must make an authentic, firm, and public commitment to CSR efforts, and engage with them. Often CSR efforts will be born organically throughout lower levels of employees. But even if they are, at some stage senior executives have to be brought on board, have to commit to them, and have to engage with them. This clear vision of CSR needs to be embedded within the core values of the firm and reflect those values, and it must be linked to the mission, vision, and values of the organization. And this core vision needs to openly recognize that CSR is central to creating not only social or environmental value but also to creating business value. Firms must be unabashedly unapologetic about that. CSR efforts should be treated and managed as core business strategy, just as are the strategies of marketing, research and development, capital expenditure, and talent management.

Determine the top three business objectives of the company and develop CSR goals that will contribute to the achievement of those business objectives. In developing CSR goals the company must determine what its business objectives are. Defining business objectives is not as easy an exercise as it might appear to be at first glance. Often when five business managers from the same firm are asked to describe their business objectives and priorities, they give five different answers. For example, I worked with a tech company in Silicon Valley whose top executive quickly answered the top three business objectives question: “Growth, growth, and growth.” Her human resources director looked quite pained in responding that until they were able to rein in the company’s high turnover rate, they were going to have a difficult time growing, growing, growing.

A CEO might say that the most pressing objective is to increase market share or increase sales, while the human resources leader might say that it is to recruit and attract the best talent, engage and unify disparate

employee silos and business units, or improve employee satisfaction. The conversation needs to happen at a deeper level so that the CSR goals can serve these general objectives. Is the objective to grow in new markets? If so, which ones? Is it to penetrate new customer segments or grab market share from competitors? If so, which market segments?

After business objectives are determined, align CSR goals with the firm's core competencies. This practice requires focus and discipline. Typically CSR is executed in an ad hoc, nonintegrated fashion. CSR initiatives can originate in all parts of an organization and if mapped are often not linked to what the firm actually knows, does, or is expert in. CSR can come from the passion of a CEO (or historically from his wife) or a motivated employee. It can come simply from the causes and issues whose representative organizations (often nonprofits) ask the firm for support. Firms should, however, seek causes and social or environmental strategies for which they own part of the solution.

The classic case is Ford Motor Company Fund's support for breast cancer research—to the tune of \$95 million over fourteen years to Susan G. Komen for the Cure. There is no argument that this is an eminently worthy cause that meets a significant need, and it is only one of many programs that Ford supports in its CSR effort. But it is an important part of Ford's CSR effort, and there is no strategic link between the company's support for breast cancer research and the building of cars and trucks. Automotive companies know cars, transportation engineering, and design, so perhaps support for alternatively fueled vehicles and addressing the global and environmental challenges around gasoline dependency are more fitting to the firm's core competencies and business objectives of selling more cars. Not only may Ford be in a better market position if it focuses on more strategically aligned causes, but the results of its initiatives in these areas may lead to the development of innovative new automotive technologies, which will lead to new products and revenue streams.

Fully integrate CSR efforts into the governance of the company and into existing management systems. If CSR efforts are not built into the performance appraisal system for a company's employees, for example, then the chances are good that they will not be fully embraced and executed

with the precision of the commonly measured functions such as sales and staff management.

You should view CSR as both a risk-mitigation strategy and an opportunity-seeking strategy. Seek to find the sweet spot, that is, the intersection between business and social or environmental returns. Seek out partners in the community who have developed deep expertise in the cause or issue you are targeting, and work with these organizations, usually in the nonprofit sector, to develop the best solution and build capacity. Nonprofit partners are also in a better position to help the company communicate its CSR efforts, as nonprofits enjoy a higher level of trust.

Finally, develop clear performance metrics, or key performance indicators, to measure the impact of your CSR efforts. These metrics should be both internal (measuring reputation, market share, brand perception, sales, operating expenses, and employee satisfaction) and external (measuring achievements in society and the environment). If no performance metrics are in place, you will have no way to prove that the effort was effective, and it will not be sustainable over the long haul.

The CSR Maturation Process

CSR can also be seen as a maturation process inside of an organization. Historically, companies have viewed their CSR commitments through a philanthropic lens—they are spending some of their profits in the community to garner positive PR and customer goodwill. The level of engagement in the philanthropic model is actually quite low, however, because the effort is not built into the companies' day-to-day operations or management systems. Such efforts are typically handled as completely separate functions, divorced from profit and loss responsibility, and they are typically not integrated into business objectives or core competencies.

In fact, many CEOs are offended when pressed on the idea that their philanthropic endeavors should result in any business value whatsoever. These leaders do good works simply because it is the right thing to do, or they do it to recognize tax advantages—a one-time strategy. However, as companies begin to move their CSR efforts from simple philanthropy or

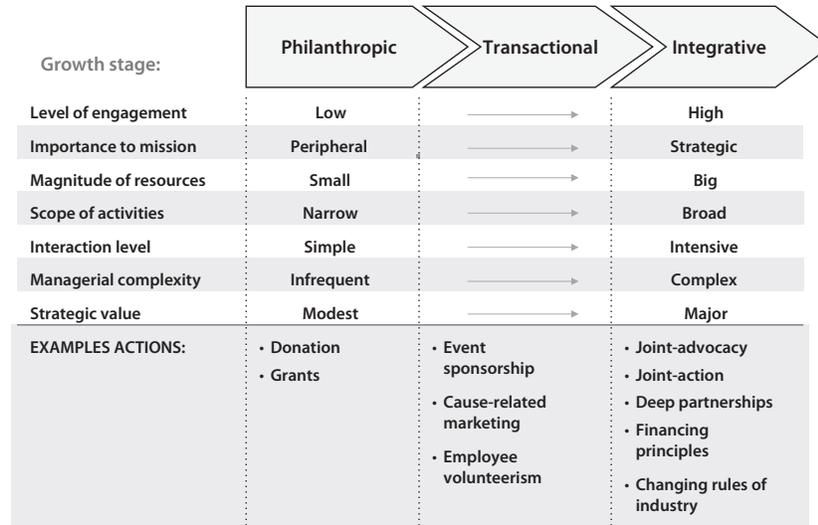


FIGURE 5. The CSR maturation process

public relations, they move into transactional and then integrative phases in their maturation process, with the characteristics shown in Figure 5.

When working with a company to develop its CSR strategy, I first ask senior management what their goals are for their CSR effort. Do they simply want to run a good business? If so, they would want a strategy of undertaking ad hoc initiatives—like recycling or donation matching—brought to them by their employees from time to time. Do they simply want to give back to their local communities and be a good neighbor? If so, they would want a strategy of creating partnerships with local charities, such as supporting local schools, arts organizations, or hospitals. Do they want to be a beacon for other leaders and transform their entire industry? Then they would want a strategy of developing industry collaboratives and consistently communicating what they are doing so as to lead their peers.

Howard Schultz, of Starbucks and his fair trade pricing, and John Mackey, of Whole Foods and his emphasis on natural and organic foods, are great examples of leaders whose companies have become beacons. It would be difficult to argue against the fact that these leaders started industry trends toward increasing fair trade and organic offerings. Ironically, most CEOs and senior leaders like the idea of leading their industries, yet

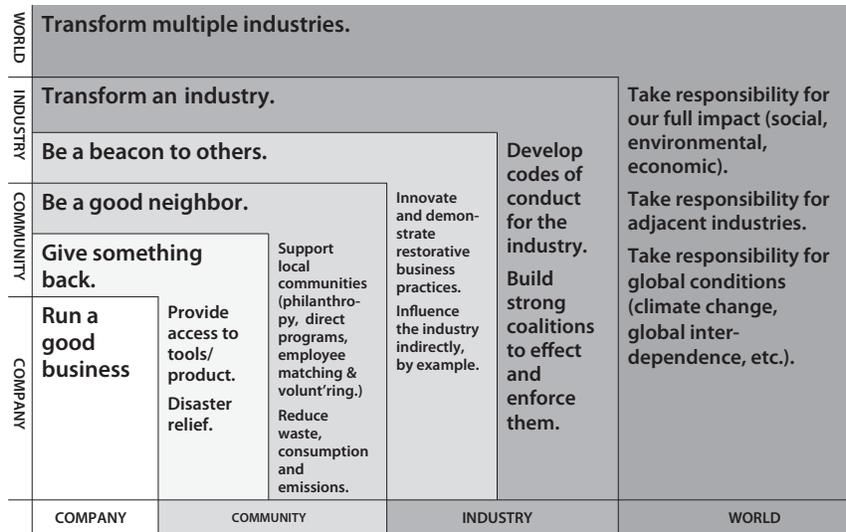


FIGURE 6. A CSR landscape

their CSR programs do not match these desires. Most corporate CSR falls into the category of being a good neighbor and simply giving back to the community. Giving back to the community is not a bad or inadequate endeavor. But the firm’s CSR strategy should match the space in which the senior management says they want to play.

Figure 6 illustrates the levels of CSR, from having an impact on the company by helping run a good business to having an impact on the world by transforming multiple industries.

Aligning Core Objectives and Competencies

To be effective, CSR goals must be aligned with two things:

- Core business objectives
- Core competencies of the firm

The first step for a company is to align its CSR goals with its specific business objectives for a particular time period. Aligning CSR goals with business objectives is not as easy an exercise as it may appear. Although

there may be many legitimate business objectives, to develop the most efficient and successful CSR goals, the company must prioritize its primary objectives for the time frame. Business objectives can and should change over time, and they should be routinely reexamined in relation to the CSR strategy.

Aligning CSR strategy with the firm's core competencies is the next step for creating effective fit with CSR initiatives. This step requires focus and discipline. But regardless of the amount of effort involved, the time spent will be worth it. Creating a CSR strategy will unify your efforts, giving them much more power than if they remain a random mishmash of disparate initiatives. And once your CSR strategy is in place, you'll be able to move to the next step: leveraging the power of branding your CSR—the topic of the next chapter.