The Challenges of Corporate Social Responsibility

As the digital and physical worlds blend in all areas of our lives, and consumers interact with companies in much more direct ways than was possible in the analogue past, companies can no longer afford to think of themselves as entities separate from the societies where they operate.

Instead, organizations of all kinds now find themselves considering their role as corporate citizens—including the potential impact of their policies and practices with regard to social and environmental issues—in a new light.

In addition to their shareholders, companies now have increased accountability to their consumers and the global and local communities in which they do business; *corporate social responsibility* (CSR) means finding ways to compete, grow, and innovate profitably while remaining mindful of your organization's place within, and obligations to, society.

The importance of CSR goes well beyond "feel good" issues or simple compliance with the law.

By taking a strategic and nuanced approach to corporate social responsibility, your company can build social capital *and* a healthier bottom line while avoiding potential pitfalls and making positive contributions to the lives of your customers, shareholders, and the world.

Understanding the Challenges of Corporate Social Responsibility

Climate change. Social justice and human rights. Income and resource inequality. Environmental sustainability.

The issues on the minds and in the hearts of people around the world don't stop at the lobby doors.

Corporate social responsibility and its equally important companion, environmental, social, and corporate governance (ESG) principles have risen to new prominence in a world where how you do business—and how your business activities reflect your company's values —can profoundly impact brand reputation and long-term viability.

Companies that prioritize ESG principles not only mitigate risks but also foster trust among stakeholders, including customers, investors, and employees.

Embracing transparency and accountability in ESG initiatives can lead to enhanced brand loyalty and sustainable growth, aligning business goals with societal expectations.

Today's consumer is no longer content to know only what a company's selling, or the services it offers.

They are, in large part, also very concerned with the policies and practices companies hold with regard to prominent social and environmental issues—and for companies with an undeveloped, ill-considered, or (perhaps worst of all) absent response, those consumers are happy to take their interest, and dollars, elsewhere.

In fact, a 2019 survey by research and development firm Clutch found:

- 71% of those surveyed said it's important for companies to take a stand on social issues.
- 71% ranked environmentally responsible business practices as among the

most important attributes for a company, compared to 68% for corporate social responsibility, 68% for economic development, and a surprisingly low 44% for price alone.

- 75% of respondents said they'd likely start shopping at a company that supported issues they agreed with.
- However, nearly 60% of people said they'd likely *stop* shopping at a company supporting an issue they *disagreed*
- Age is a factor in how consumers prioritize CSR initiatives. 70% of Gen Xers and 54% of millennials said they'd probably stop shopping at a company supporting issues they disagreed with, while just 37% of Baby Boomers said the same.

When Consumers Talk, Savvy Businesses Listen

Consider this: In 2011, less than one in five companies on the S&P 500 had published formalized documentation of the business practices they'd developed in relation to corporate social responsibility.

By 2014, 75% were publishing their CSR activities, and by 2018, the number had climbed to 86%.

Of course, it's not just meeting consumer expectations that drives the need for responsible corporate citizenship.

Contributing to important causes or reducing your environmental footprint makes a direct positive impact on the communities your company serves.

And taking the time to develop considered stances on the issues that matter most to consumers, staff, and stockholders can create a chain of intangible but ultimately beneficial results that can improve profitability, corporate culture, and competitive advantage in the long run.

No two CSR plans will look alike, because no two organizations are identical.

Most effective CSR plans incorporate business practices that address the company's internal goals for benchmarks such as sustainable business sourcing, addressing environmental concerns, or developing and documenting the ways in which the firm's business ethics support human rights, diversity in the workplace, balance operating costs against the importance of employee engagement and work-life balance, etc.

But the most effective CSR initiatives *also* account for external evaluations based on ESG principles, since adherence to corporate governance, important issues like sustainable development, and social behaviors (including how a company interacts with its customers, creditors, and suppliers) are all used by savvy investors in determining whether sinking their funds into a company is a responsible investment.

Some of the elements that commonly appear in CSR plans include:

- Direct employee engagement to provide healthier, happier, and generally more positive working conditions, with a keen awareness of work-life balance and the need for diversity, transparency, and accountability.
- Enhanced training for disenfranchised groups.
- Direct investment in community organizations, such as food banks, community job centers, etc. with additional support via employee volunteerism.
- Environmental responsibility initiatives that seek to address environmental concerns and reduce negative environmental impact through business activities such as sustainable supply chain optimization, sustainable development, etc.
- Proactive responses to unexpected disruptions from global economic, political, and environmental disasters. For example, the rapid shift to support remote workers and define "the New Normal" during the COVID-19 pandemic, or working with sustainably sourced suppliers in the local community to ensure business continuity during disruptions caused by the Amazon Rainforest Fires.

> *CSR activities can generate both hard value (for example, in the form of cost savings from going paperless with cloud-based data management and robotic process automation) and soft value (e.g., attracting more skilled talent via quality of life perks and a progressive and inclusive work environment) for organizations who perform them.*

Overcoming Common Challenges of Corporate Social Responsibility Planning

Having grasped the importance of developing and incorporating CSR initiatives as part of your business practices, the next step is meeting and overcoming the challenges that commonly accompany doing so.

1.The Demand for Transparency and Disclosure

Stakeholders of all kinds, from consumers to suppliers to team members, investors, and local community organizations, are increasingly demanding greater transparency and accountability from companies with whom they do business.

Businesses need business practices that prioritize effective ways to collect, organize, analyze, and manage their data for clear, accurate, and complete reporting of financial and business activities.

2.Pressure from Investors

In addition to accountability and transparency, those looking to invest capital are more likely than ever to invest in companies with high marks for corporate responsibility and sustainability (with regard to both social and environmental concerns).

They rely on resources like the Global Reporting Initiative to monitor and evaluate companies for completeness and veracity in their sustainability reporting.

As millennials and Gen Z move to occupy the investor space from Gen X and Boomers, it's likely corporate social responsibility will become even more important in securing investment, so companies need CSR plans designed with longevity, flexibility, and responsiveness in mind.

3. Corporate Culture and Differing Priorities

It's crucial for a company to present a united front with regard to business ethics and its stances on political, environmental, and social issues.

But companies can struggle to get everyone onto the same page, especially when different business units have different priorities and goals that may align with corporate goals for the bottom line, but not necessarily its CSR initiatives.

Education initiatives, training, and a unified approach to internal business practices and controls can help secure employee engagement, as well as support from the C-Suite.

4. Connecting CSR to the Value Chain and Profitability

CSR activities can generate both hard value (for example, in the form of cost savings from going paperless with cloud-based data management and robotic process automation) and soft value (e.g., attracting more skilled talent via quality of life perks and a progressive and inclusive work environment) for organizations who perform them.

But showing how CSR contributes positively to developing products and services that meet regulatory compliance requirements, company goals for profitability and performance, and consumer expectations requires an investment in digital software solutions that bring disparate data sources together and provide measurable value via insights and improved financial reporting.

For example, companies who centralize their procurement with a cloud-based, centralized automation and data management solution like PLANERGY can collect, organize, and analyze data streams from across their software environment to connect spend to business practices to value in a number of ways.

With full spend transparency, guided buying, and built-in support for vendor relationship management and contract management, it’s much easier to track internal process optimization data, analyze and improve sustainable sourcing practices, and achieve greater savings and direct/indirect value through strong and strategic relationships with “green” suppliers.

5. If It Ain’t Broke…Fix it Anyway

Now, as ever, the only certainty in business is uncertainty.

What’s working today can quickly become a plan for disaster in the blink of an eye, as the world quickly discovered in the wake of the COVID-19 outbreak that fundamentally altered the world's economy and the lives of people all over the globe.

True corporate responsibility requires a plan to address your company's approach to not only current hot button issues, but the challenges that lie on the horizon.

The economic incentive for proactive, rather than reactive, CSR activities is powerful:

- In 2014, pharmacy chain CVS stopped selling tobacco products as part of its commitment to better health for consumers and proper alignment with its own ostensible purpose as a seller of health-related items. The company sacrificed an estimated $2 billion dollars in sales, but just two years later had a stock price 66% higher than before it dropped tobacco.
- A 2018 study from research firm Accenture found 63% of consumers worldwide buy from companies aligned with their values—and 62% want companies to take a proactive stand on environmental and social issues.
- Babson's 2015 report, *Project ROI: Defining the Competitive and Financial Advantages of Corporate Responsibility and Sustainability*, found CSR initiatives could:
  - Increase price premiums by up to 20%
  - Reduce employee turnover by up to half.
  - Slash systemic risk by 4%
  - Increase a company's market value by up to 6%

Corporate Responsibility Helps Your Business Thrive

Doing business is about much more than trading cash for goods and services.

By taking control of your organization's CSR plan and investing in the tools, training, and technology required to demonstrate your commitment, ethics, and values, you'll make it clear to customers, investors, suppliers, and staff that your company takes corporate responsibility very seriously—and introduce improvements that can help your business create positive change while still turning a profit.

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