

## Corporate social responsibility: turning the best of intentions into good business

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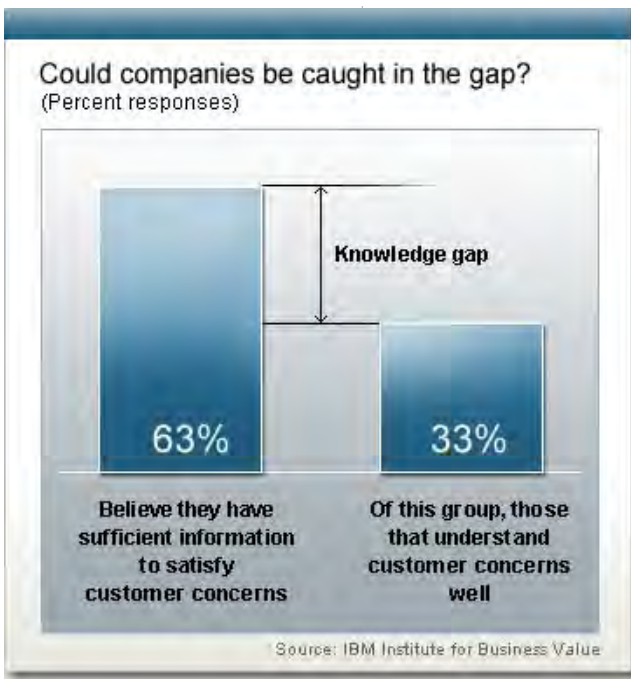
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Corporate Social Responsibility (or CSR, for short) may have started decades ago as basic compliance with laws or as simply an attempt to avoid litigation. But in the 21st century, it's well on its way to becoming the next engine of growth for companies—if only they can figure out what their customers consider “responsible.”

Put simply, CSR is the way that companies do good in the world, benefiting society through their own economic, environmental and social actions. A recent study by IBM's Institute for Business Value shows that corporate leaders are taking a fresh, strategic look at their companies' effects on the planet and society. But as yet, many may be flying blind. Over two-thirds of business leaders surveyed by IBM are focusing on CSR activities to create revenue streams, and nearly two-thirds believe they have sufficient information to satisfy customers' concerns. However, less than a quarter of businesses actually understand their customers' CSR concerns well, and even fewer are asking them.



Despite this gap, business leaders who integrate CSR with overall strategies and operations can gain long-term results and clear business benefits. According to the Economist, “the simple solution is that businesses should concentrate on the sweet spot where initiatives are good for both profits and welfare.”<sup>1</sup> And executives are starting to agree: in this recent study of 250 business leaders, IBM found that over half of them believe their CSR activities are giving them an advantage over their top competitors.



### Here's why

CSR can help companies **attract and retain the best talent**. In fact, 44% of young professionals said they would discount an employer that had a bad reputation, while nearly half said corporate social responsibility should be compulsory.<sup>2</sup>

CSR allows a company to **differentiate itself from the competition**. Toyota, having been the first to successfully market a hybrid, has so completely captured the “green car” company identity with the Prius that its direct competitors can't even break into the market successfully.

CSR can help a company **enter new, developing markets**. For example, GlaxoSmithKline invested to develop specific drugs for ailments affecting poor nations, enabling them to more effectively work with those governments and to ensure that its patents are protected.



### The time is now

Companies have had CSR initiatives for years. But two factors have accelerated the pace: climate change as a worldwide concern and the Internet allowing people to connect and form activist groups much more quickly. As global warming heated up as an issue, the consequent press attention has advanced an awareness of a broad array of challenges from the need for better access to healthcare to safer products.

The ethical consumer, once small in number, has emerged as a mainstream force—with the ability to scrutinize not just your products but your operations, suppliers and partners. And businesses need not look further than the next headline to see the devastating effects on brand and reputation if they fail in these growing obligations.

### Did you know?



**Since 1990, the Web has spurred the growth of more than 100,000 new citizen groups devoted to social and political issues.**



## What's a company to do?

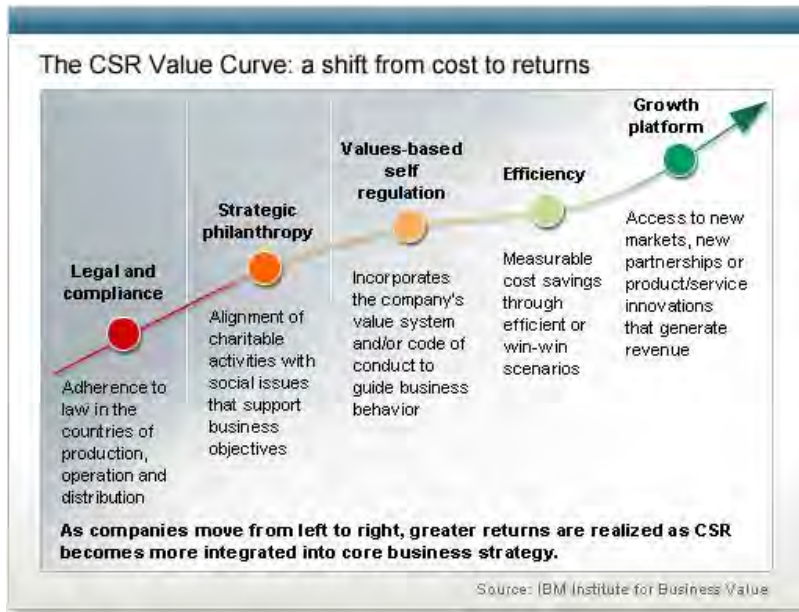
How do you ensure that these newly empowered stakeholders work with you, if not for you? Probably the best opportunity companies have to expand the reach of their CSR initiatives is to actively engage their constituents: customers, employees, NGOs and business partners. It's better to be open—sharing information on your own terms—than to be pried open.

Developing a CSR strategy is an opportunity to rally the company. CSR is one of the few initiatives that generate enthusiasm from all levels. And it will be needed. With the demands for information growing, employees will need to be able to have a real dialogue with customers to ascertain their concerns and doing so will require a corporate transparency with a single view of the truth.

### Did you know?

#### **Some of the ways IBM can help companies realize CSR goals:**

- Carbon footprint assessment
- Green data centers
- Stakeholder management
- Online collaborative "jams"
- Environmental procurement strategy
- Information transparency strategy



Did you know?



**IBM's survey shows that only 30% of companies are fully engaged in strategic philanthropy—a surprising number considering its fundamental capability for reputation building.**

## Where to start?

The “value curve” shown here illustrates the shift from CSR as a “cost” of doing business to CSR as a strategy for growth, with a variety of stages in between. To figure out where to begin in making CSR a strategic focus, executives must know where their company is today on this curve, and where it wants to be.

The maximum benefit of CSR occurs when all of the activities along the curve are integrated into a single company strategy and employees at all levels are completely engaged.

Moving from mere compliance to revenue growth and brand differentiation shifts the priorities for companies who can integrate CSR into their strategy, operations and decision-making. Yet, as will always be the case in business, a big part of the answer comes from determining what, exactly, customers and other stakeholders want.

Did you know?



**IBM's survey shows that only 30% of companies are fully engaged in strategic philanthropy—a surprising number considering its fundamental capability for reputation building.**

1 “Corporate social responsibility: The next question,” economist.com Special Reports, January 17, 2008

2 Vorster, Gareth, “Corporate social responsibility is more important than salary when choosing a job,” Personnel Today, 2 August 2007



## Corporate Social Responsibility:

Interview with **George Pohle**, IBM Global Business Services and **Mike Barry**, Marks & Spencer

**LEAH ZENNARIO:** Merck is setting targets to cut greenhouse gases. Burlington Coat Factory is supporting local winter coat drives. Fresh & Easy Neighborhood Market is planting trees. These are just a few of the headlines off of the Corporate Social Responsibility newswire. Hello, I'm Leah Zennario from IBM with a look at how "doing good" can also help companies do well, according to a new study by IBM's Institute for Business Value.

**GEORGE POHLE:** The study that we just conducted was to examine the corporate social responsibility policies of around 250 companies. Corporate social responsibility is basically a description of the role that a company plays serving many different stakeholders, and in particular, the role that the company plays in supporting society.

**LEAH ZENNARIO:** That's George Pohle, vice president of business strategy consulting for IBM's Global Business Services. He says corporations are starting to view Corporate Social Responsibility, or CSR as it's often known, in a whole new light.

**GEORGE POHLE:** More than two thirds of the companies we spoke with see CSR really as a new revenue generation play or at least the ability to create stronger connections and retention of market share with their core customers. So it's very much a growth play as opposed to a risk mitigation play.

**LEAH ZENNARIO:** Businesses have been practicing CSR for decades...but several factors have pushed it to the top of the agenda. Perhaps none has had a greater impact as the Internet.

**GEORGE POHLE:** What it's done is that it's allowed consumers two things: one is greater visibility into the actions that companies are actually taking so they know more about what companies are doing today than they ever have in the past.

The second thing that it's doing is it's allowing consumers to band together to create advocacy groups much easier than they could ever do in the past and to exert influences on corporations once they've banded together.

**LEAH ZENNARIO:** So in a sense, your stakeholders now have a greater say about your brand. Yet among the companies George Pohle's team surveyed, three-quarters said they didn't understand the expectations that their customers had about their CSR activities.

**GEORGE POHLE:** And beyond that, only 16 percent of them had engaged the customers in any way to find out more about what the customers were looking for.

**LEAH ZENNARIO:** One company, Marks & Spencer, the British retailer which sells everything from makeup to mattresses, does know what its customers are looking for. They take corporate social responsibility very seriously. Last year, they launched a 100 point environmental and social program called Plan A— because there is no Plan B. Plan A impacts every aspect of the company's operations starting with some 2,000 factories and 20,000 farms. On the supplier side, Plan A focuses on the traceability of products and collaboration and includes a supplier exchange to share information and best practices. Here's Mike Barry, who heads Corporate Social Responsibility for Marks & Spencer.

**MIKE BARRY:** We, on balance, are quite open. I think this is such a new exciting innovative area, the whole area of profitable, sustainable business, that we share a reasonable amount with our suppliers, knowing that our competitors will get hold of some of it. And it's like the wild west out there in terms of ideas. It's all up for grabs.

**LEAH ZENNARIO:** Two ideas proved quite interesting. Farmers who learned how to use anaerobic digestion to create biogases from farm wastes are now selling green electricity to Marks and Spencer, along with their beef. And a manufacturer in Taiwan that can turn plastic bottles—once headed for landfill—into polyester for clothing, is talking to a polyester plant buyer, who is in turn talking to Marks and Spencer.

**MIKE BARRY:** So it's all about about what we call "closing the loop," taking different parts from the business model, bits that used to be isolated from each other, never spoken to each other and linking them up. The man over there with waste bottles is talking to the man over there with the polyester plant who is talking to our buyers. The man over there is running a farm who was just chucking waste into landfill is now using that waste to create green electricity and selling to our stores.

**LEAH ZENNARIO:** And perhaps most important of all, CSR is about talking to your customers. And that's always a good thing.

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**IBM Corporation**

New Orchard Road, Armonk, New York 10504, USA