

CORPORATE SOCIAL INITIATIVES

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ABSTRACT

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Abstract:

“Corporate social responsibility (initiative) is a voluntary commitment to improve community well-being through discretionary business practices and contributions of corporate resources”. From its beginning when approach to corporate social welfare projects used to be bound to ad hoc selection of social cause and straight forward provision of money, today it has significantly changed and it become a strategic procedure that should be aligned with corporate objectives. Empirical studies and real life examples have shown that the benefit of corporate social programs are: market differentiation, attracting and retaining customers and employees, increase in profit margin, decrease of costs, community support and positive brand and corporate image. Studies have shown, as well, significant gap between companies’ selection and communication of social initiative and social strategies believed by public and executives to be most effective. From this aspect negative feature of societal marketing programs are in most cases results of poor social cause selection leading to bad reputation, lack of synergy between corporation, non-profits and the cause. Minimization of negative aspects can be achieved through profound strategic planning and top level long term commitment to the cause. To truly understand and make corporate social initiatives work companies should evaluate their social programs by using 5R’s framework considering risk related to initiative, renewal possibilities, regulations, relationship building opportunities and reputation consideration. Emphasis should be put on: selection of the right cause and definition of expected outcomes, parties involved and transparent communication between the same, measurable results and long term top management commitment to the cause. With this approach companies can tailor their social initiative programs and “sustainability” of corporate strategies to meet consumer and society requirements regarding return to community in form different than provision of goods and jobs.

TABLE OF CONTENTS:

I. HISTORICAL OBESRVATION:..... 6

II. CURRENT TRENDS:..... 7

The New Approach:..... 8

III. CORPORATE SOCIAL INITIATIVES:..... 11

IV. BENEFITS OF CSI: for corporations 13

Market Differentiation: 17

Strengthened brand positioning: 18

Motivate and Attract Employees: 18

Community Support:..... 19

Decreased Operating Costs:..... 20

Cooperation between Companies: 21

Increased Appeal to Investors and Financial Analysts: 22

V. BENEFITS OF CSI:for non-profits 23

Access to a Wider Audience:..... 23

Financial Contribution: 24

VI. HOW TO MAKE CSI “WORK”..... 25

Identifying the Right Issue or Cause:..... 29

Selecting the Right Partner: 30

Establishing the Relationship:..... 31

Checking the Legalities: 31

Communicating the Partnership Message:.....	32
Integrating the Campaign:.....	32
Tracking the Results:	33
VII. THE PITFALLS OF SOCIAL CAUSE MARKETING	33
VIII. THE CHANGING FACE OF CSI.....	36
IX. CSI ESSENTIALS.....	37
X. CONCLUSION:.....	39
REFERENCES:	41

“Corporate social initiative (CSI) can be defined as company’s incentives involving the provisions of money, resources and/or publicity to socially beneficial cause in a way that seeks to create association in the mind of consumer between the cause and the company or one of its brands “(Kotler 2002).

I. HISTORICAL OBSERVATION:

Prior nineties, corporate decisions regarding selection of the social issues to support were based on the maxim “doing good just to look good”. At that time organizations had fixed annual budgets for giving and funds were allocated to as many non-profit organizations as possible. Reasoning for such behavior was based on thought that this way company would satisfy most of stakeholders and would secure visibility for its dedication to causes supported. Commitment to the cause was short-term and interaction with non-profit partners was over after the check was issued. Decisions which social issues to support were primarily influenced by preferences of the senior management and directors of boards, than by need to support strategic business goals and objectives. Only few attempts were made to integrate social initiative programs with corporate goals and business units such as marketing and others. Also, there was a tendency to avoid issues that might be associated with core business products that might be perceived as in self interest. In terms of evaluation of giving programs, very little has been done. No official reports on corporate responsibility and quantifiable

outcomes for the business or the social cause were produced and marketers or management just trusted that “good happened”.

II. CURRENT TRENDS:

Present corporate social programs trends points out to corporate shift to making long-term commitments to specific social issues and initiatives. At same time corporations are providing more than cash contributions. Apart from sourcing funds and philanthropic budgets, corporations are forming strategic alliances with non-profits, and whole programs are executed in manner so they advance business goals (Smith 94). Main reasons for such shift, as identified by the Smith, has its base in alteration toward favorable legal regulations in nineties, benefits that can be received from non-profit partners in terms of expertise and support and one additional post-Smith aspect, “moral marketplace factor,” suggested by David Hess, Nikolai Rogovsky, and Thomas W. Dunfee (2002).

In his work “*The New Corporate Philanthropy*”, first of key points Smith identified that contributed to favorable shift was a Supreme Court decision in the 1950s that removed legal restrictions and unwritten codes which up to that time had restricted, corporate contributions and involvement in social issues.

Second point that caused the shift was delivered from real life situation which Smith cited. In 1989 *Exxon Valdez* oil spill brought severe critique regarding the philanthropy of the past and that decade, where corporations tended to support

social issues least associated with their line of business, and used to give to a variety of causes, and turn over management of their giving to separate foundations. In affect of situation when Exxon critically needed access to environmentalists for expertise and support, management was “without ties to environmental leaders nurtured by the foundation” (Smith 94). A final landmark that Smith identified was “the emergence and visibility of models that proposed a new view of the role of a corporate foundation and its relationship to the for-profit arm”. His standpoint was that not only should philanthropic initiatives of the foundation support business objectives but that business units, in return, should provide support for philanthropic activities in the form of resources such as marketing expertise, technical assistance, and employee volunteers.

Another force driving the shift was the new “moral marketplace factor,” suggested by David Hess, Nikolai Rogovsky, and Thomas W. Dunfee. Authors’ emphasis was on importance of “perceived corporate morality in choices made by consumers, investors, and employees which have direct impact on organization performance” (Hess, Rogovsky, and Dunfee 2002). One of examples of moral marketplace factor is customer decision to purchase specific products because its tie to humanitarian project, or employee decision to work only in company with sound environmental policy.

The New Approach:

As said in the nineties decisions regarding the selection of social issues supported become more aligned with need for “doing well and doing good” and mutual

interest and benefits of corporations and partners. New corporate practice focused on issues that fit well with corporate values and business goals of the corporation. Current examples indicate that companies involved in corporate responsibility programs are integrating these social actions and messages into their corporate mission and culture. One of the benefits of such behavior is reinforced corporate message. As said by American Express CEO Harvey Golub: *“Good Social Works = Good Business. Not only is it appropriate for the company to give back to the communities in which it operates, but it is also smart business. Healthy communities are important to the well-being of society and the overall economy. They also provide an environment that helps companies such as American Express grow, innovate, and attract outstanding talent.”* (2000) and Ford Motor Company CEO William Ford: *“There is a difference between a good company and a great company. A good company offers excellent products and services. A great company also offers excellent products and services but also strives to make the world a better place.”* (2001).

Today corporations are establishing real partnerships with supported organizations and they are trying to involve more than one department such as human resources, operations and marketing in the process. This way more “value” for both parties involved and community is being delivered from corporate social programs. When it comes to selection of issues to be supported, mainly ones that community, customers, and employees care most about are being selected. Short term commitment to the cause is replaced with long term commitments. Setting campaign goals for corporation and supported partner, measuring outcomes and

measuring direct impact of the campaign on cause become essentials.

Main reason for such practice are, as said by Starbucks CMO, *“is to provide transparency of business practices, measurements of performance, and benchmarks for future reports and to increase public awareness of corporate responsibility performance by company”*(2001).

According to KPMG, a U.S. professional services firm, a 2002 survey of the Global Fortune Top 250 companies indicated a continued increase in the number of American companies reporting on corporate responsibility. In 2002, 45 percent of these companies issued environmental, social, or sustainability reports, compared with 35 percent in their 1999 survey.

Nowadays majority of companies have special reports on giving, with sections usually labeled “Corporate Social Responsibility,” “Corporate Citizenship,” “Community Development”, or some other variation of the same.

Overall results of above stated practice are more generated benefits for all parties involved in corporate social programs, resulting in more programs being supported every day.

When we look in trend of corporate giving we can see constant increase from the past decades. It is likely that such trends will continue in the future as well.

According to *Giving USA*, charitable giving by for-profit corporations has risen from an estimated \$9.6 billion in 1999 to \$12.19 billion in 2002, and Cone/Roper’s Executive Study in 2000, exploring cause initiatives from the corporate perspective, found that 69 percent of companies planned to increase future commitments to social issues.

III. CORPORATE SOCIAL INITIATIVES:

To describe major efforts under the corporate social responsibility umbrella, the term corporate social initiatives CSI is used and it offers the following definition:

“Corporate social initiatives are major activities undertaken by a corporation to support social causes and to fulfill commitments to corporate social responsibility” (Kotler 2002).

There are six different social initiatives that company can pursue:

1. Cause Promotions: a corporation provides funds, in-kind contributions, or other corporate resources to increase awareness and concern about a social cause or to support fundraising, participation, or volunteer recruitment for a cause. The corporation may initiate and manage the promotion on its own, it may be a major partner in an effort, or it may be one of several sponsors.

2. Cause-Related Marketing: in this case a corporation commits to making a contribution or donating a percentage of revenues to a specific cause based on product sales. Generally this offer is for an announced period of time, for a specific product, and for a specified charity. In cause related marketing, a corporation is typically partnered with a nonprofit organization, creating a mutually beneficial relationship designed to increase sales of a particular product and to generate financial support for the charity. Studies indicate that this is most often type of social initiatives and many consider it s as a win-win-win situation, as it provides consumers an opportunity to contribute for free to their favorite charities or cause as well.

3. Corporate Social Marketing: a corporation supports the development and/or implementation of a behavior change campaign intended to improve public social aspects such as health, safety, the environment, or community wellbeing.

Corporate social marketing has focus on the *behavior change*, which differentiates it from cause promotions where focus is on supporting awareness, fundraising, and volunteer recruitment for a cause. In this case corporation may develop and implement a behavior change campaign on its own, but more often it involves partners in public sector agencies and/or nonprofit organizations.

4. Corporate Philanthropy: is the most traditional of corporate social incentives. It involves a direct contribution to a charity or cause, most often in the form of cash grants, donations, and/or services. In past it represented responsive and ad hoc actions. Recent trends indicate tying philanthropic activities to the company's business goals and objectives.

5. Community volunteering: a corporation supports and encourages employees, retail partners, and/or franchise members to volunteer their time to support local community organizations and causes.

6. Socially Responsible Business Practices: a corporation adopts and conducts discretionary business practices and investments that support social causes to improve community well-being and protect the environment. This type of social incentives is usually tied to corporate vision and mission.

IV. BENEFITS OF CSI: for corporations

“Doing good “is one motivation for companies to adopt some of corporate social initiatives but no matter what, central objective of every business entity is to generate revenue and to make bottom line more attractive for potential investors. For companies’ committed to corporate social responsibility programs following benefits can be realized:

Attracting and Retaining Customers:

When it comes to purchasing choices among similar products, a company’s perceived social responsibility can be of the crucial importance for customers. Results of 2002 Cone Corporate Citizen study on 1,033 American adults, report that 84% of the sample agrees that they „would be likely to switch brands to one associated with a good cause, if price and quality are similar“, 92% “would have a more positive image of specific product or company when it supports a cause consumer cares about” and 87% “are more likely to remember a company that supports a cause”.

In different study 87% of sample consumer thinks that it’s important for companies to support causes and charities.

2000 Cone/ Roper Cause-Related Teen Survey reports, “nearly nine in 10 teens would be likely to switch brands and 85% would be likely to switch retailers for one that are involved in CSI”. In the 1999 Millennium Poll on Corporate Social Responsibility, a global opinion survey, two in three citizens wanted companies to

go beyond their traditional business and profit-making roles, to contribute to broader societal goals.

Furthermore, 91% of surveyed Americans say they would be likely to consider switching to another company's products or services if they were to find out about a company's negative corporate citizenship practices, 85% would speak out against that company among my family and friends, 83% would refuse to invest in that company's stock, 80% would consider selling my investment in that company's stock, 76% would boycott that company's products or services reports Cone.

From these statistical evidences it would be straightforward to announce that companies that engage in CSI attracts and build long term relationship with customer. Problem with these types of surveys is that they only ask consumers abstract and hypothetical questions. As a result consumers answers can be influenced by a desire to give a response that are socially desirable.

To determine real effect of CSI more profound studies, which are based on real life purchasing behavior are need. In this manner 2000, Corporate Social Responsibility Europe survey of 12,000 consumers in 12 European countries, reports that, "in a one year period, two in five consumers bought a product because of its links with good causes, or a product labeled as social, ethical or environmental. One in five consumers said they would pay more for such products". Another survey conducted by PR week 2006, shows, in fact, that about 64% consumers have "voted with their checkbooks," and purchased one brand over another because they know that it supports a cause they believe in.

From these studies it is possible actually conclude that CSI programs have potential to influence consumer purchasing behaviors.

CSI programs can be used to target and attract new group of customers. BMW, a brand traditionally associated with males, in one program decided to support a breast cancer foundation. This program was designed to grab the attention of relatively neglected customer base-women. In BMW campaign driving test cars generated a \$1 per mile charitable donation, and results were increase in sales of hundreds more vehicles in that period. No reports on who actually were major customers in the period of this campaign, male or female, were available. From these survey results we can conclude that in fact CSI activities can and will attract consumers and when it comes to purchasing decision they can be that “tipping” factor. Knowing these outcomes an additional question can be raised.

Most companies are faced with a choice of spending some of their marketing budget on either a social cause or a more commercial promotional venture. How the beneficial effect of a social-cause affiliation compares with the effects of other types of affiliations such sponsorships or affiliation with celebrity?

On example if take two products with same value proposition, same quality and equally priced, and one is affiliated with a social cause and other with some other type of the affinity, we would be able to directly compare consumers responses to each and see which direction of action would yield overall better results. This type of research might be hard to conduct in real life but some experimental studies on the subject have been conducted.

One study had examined hypothetical affinity partners for a well-known U.S. beer

and a well-known U.S. brand of chocolate milk. The results showed more positive response appearing when social-cause marketing partners were present in the profiles. Also those profiles that contained social-cause affinity marketing partners scored better for trustworthiness than those containing sports/entertainment affinity marketing partners (Bloom, Hoeffle, Keller, Meza, 2006). No direct affect on sale was reported. Interesting point was to see that in one case when commercial affinity was World Cup Soccer sponsorship, positive response and trustworthiness were equally high for both marketing programs.

Same study reports when deciding what cause to support, products which had high “fit” with social cause supported, such as when beer company supports designated driver program, generated more positive responses by consumers. Different study reports that 51.3% of its sample said that it doesn’t matter if there is no logical connection between the company and the cause overall (PR week 2006). Rational connections may not be significant on the exterior, but if a program is “tied to business, it’s easier to make that connection with core customers, attract new customers, and remind loyal customers that there’s a reason they’re loyal” (Kotler 2002).

Summarizing above stated surveys and studies we can say that CSI can and will effect consumer purchasing decision and it will attract new and retain old consumers. Comparing CSI to other affinity programs we can assert that CSI will yield higher trustworthiness but if the other affinity program is in the field of consumer interest it can be viable as well. Solution when deciding on what kind

of cause to support is to choose cause program that is of high concern for target group of consumers.

Market Differentiation:

As seen CSI can be a powerful tool in attracting and retaining customers. In many cases, cause-related marketing can help create an alternative and unique approach to brand advertising. In a crowded marketplace, CSI can aid companies to distinguish themselves from their competitors by offering to consumer opportunity to contribute to something more than the company's profit margin. CSI programs allow national and international companies to identify with their local markets and to win loyalty of local consumers by linking themselves with the cause that is of high interest to community.

Potential problem arises when two or more companies that compete in the same commodity markets are both implementing social cause related programs or one is implementing other type of affinity program or just heavily advertises its products. In this case theoretically we can say that company that choose affinity program that is closer to interest of target group shall be the one that will have more potential benefit from the campaign. If companies are implementing same type of cause related program such as overall popular "pink ribbon" cancer research donation, again theoretically benefits of such campaign would be mutually exclusive. No academic opinion exists regarding this matter. Solution and best recommendation for companies in this case or when starting a CSI

program is to look for a cause of interest for target group but also for the cause that was not supported by the every store in the local mall.

Strengthened brand positioning:

In the book *Brand Spirit*, Hamish Pringle and Marjorie Thompson make a strong point that linking a company or brand to a relevant social cause can reinforce brand position. They argue that consumers are going beyond “the practical issues of functional product performance or rational product benefits and looking more into emotional and psychological aspects of brand personality and image.

Bloom, Hoeffler, Keller, and Basurto as well argue that “marketing initiatives containing a larger amount of social content have more positive effect on brand judgments and feelings than initiatives that are similar in size and scope but contain less social content. By “social content” they mean activities in the marketing initiative that are meant to make tangible improvements to social welfare. Thus a social initiatives program would be higher in social content than other marketing programs and if implemented it would strengthen brand position.

Motivate and Attract Employees:

Companies that support social causes have better chance to attract and retain quality employees. Benefits for company can be seen through increased employee morale, loyalty and job performance.

In the 2000 Cone/Roper Executive Study, 85% of U.S. executives point out that

“one of the most important long-term objectives of cause-related marketing programs was to increase employee loyalty”. Supporting evidence comes from 1999 Cone/Roper Cause- Related Trends Report which indicates that 87% of employees at companies with cause programs have strong sense of loyalty to their employer. Also another study reports that “when deciding between two jobs with identical location, responsibilities, pay, and benefits, 72% of surveyed employed Americans would rather work for a company that supports charitable causes” (Harrison 2002).

When company implements a cause related program head of a company should be visible as a main promoters of such actions. Survey in one American manufacturing company which is involved in CSI programs indicates that 70% of employees said that it is very important for them to know that CEO was driving force behind cause related program (PR week 2006).

Significance of such actions, as stated in the study, is that “when the passion comes from the top it ensures that adequate resources – both financial and emotional – will be applied to the program”. In this case CSI program will be building block of corporate culture, helping organization to attract and retain good staffers. When we apprehend how expensive it is to lose an employee, we can see that CSI will have a considerable bottom-line benefit.

Community Support:

One of the critical stakeholders for every organization is the community in which it operates. Losing support of the community can have damaging bottom line

effects. Today it is hard to imagine on example building a new plant in suburbs without governmental and community support. One of the ways to obtain this kind of support for company is to become proactive and socially responsible members of the community. CSI that has direct benefits for a local community would be a great way to go. Again if we look in the 2000 Cone/Roper Executive Study, 87% of the sample reported that gaining community support was an important long-term objective of cause-related marketing programs. Real life example comes from Home Depot which by 2002 opened 1600 stores across USA. On this subject their CEO said "We believe that if we can tell our story about our commitment and support of local communities' through our corporate responsibility programs, it makes it easier to get government approvals for a new store site". Concluding, company which is implementing CSI programs should try target local community in which it operates and make their efforts public. Direct benefit will be support of community and local government which can be of crucial value for the firm when it comes to executions of future strategic plans and goals. Again when choosing what corporate responsibility program to implement, we should look for one that might leave greatest impact on community and resonate for the time to come.

Decreased Operating Costs:

CSI programs can decrease operating costs and increased revenue for companies. Examples of such are companies which adopt environmental initiatives to reduce waste, reuse materials, recycle, and conserve water and electricity.

At Cisco Systems, for example, an energy conservation initiative called “Cleaner Air and Millions in Savings” is saving to the company about \$4.5 million per year in operating costs. In addition, these energy savings will eventually qualify the company for an estimated \$5.7 million in rebates from the local energy supplier, Pacific Gas & Electric.

Further reduction in costs can be seen in advertising expenditures, as a result of increased free publicity. The Body Shop, for example, is known for its commitment against using animals for cosmetic testing. According to an article by the World Business Council for Sustainable Development, *“The Body Shop was launched on the basis of fair prices for fairly produced cosmetics. Anita Roddick, its founder, generated so much favorable publicity that the company did not need to advertise: a win-win on the cost-benefit front, leaving aside the do-gooding”*.

Cooperation between Companies:

Through joint CSI activities two or more companies can create added value networks. In 2006 worldwide popular front man of Irish music band U2 and social activist, Bono Vox crated Product Red campaign as part of the Global Fund organization with goal of fighting AIDS in Africa. Driving force behind project were companies, Apple, Emporio Armani, American Express, Gap, Converse sneakers and Motorola, which all created special red marked products for this purpose. When such product purchased part of the profit was redirected to the Global Fund. In 2006 18 million US dollars were contributed to the Global Fund

through red campaign (Global Fund 2006). Benefit for companies involved was realized through joint promotional activities of red campaign. One marketing campaign was created and it endorsed all companies and cause as well. Also companies associated themselves with a celebrity that is an icon for millions. Bearing a red sign was an association for customers on all products by all companies that were involved into project.

Increased Appeal to Investors and Financial Analysts:

There are indications that involvement in corporate social initiatives can even increase stock value. Reasoning behind such statement is that companies that are less exposed to social, environmental, and ethical risks are more highly valued by the market. Today there is practice by some mutual funds and large pension funds to only make investments in those companies deemed socially responsible. Such actions can have direct impact on stock prices of such organizations. The study by the University of Southwestern Louisiana, "The Effect of Published Reports on Unethical Conduct on Stock Prices," further demonstrated that publicity about unethical corporate behavior can lower stock prices. Another study conducted at DePaul University concluded that the 100 companies making *Business Ethics*' list of 100 Best Corporate Citizens had a better financial performance than the remaining companies on the S&P 500. Also PR week 2006, reported that from their sample 14.7% consumers purchased company stocks because it supported a cause they believe in. Based on mentioned sources findings we can conclude that

CSI programs have potential to increased appeal to investors and financial analysts.

V. BENEFITS OF CSI: for non profits

When a corporation supports the cause from the top and puts its all marketing might and people behind it than such actions can provide significantly more benefits for both parties. Mission-based benefits are much more important than the straight financial philanthropic contribution, and social initiative in first place must advance a nonprofit mission.

Benefits of social initiatives for the non profits are:

Access to a Wider Audience:

The PR Week/ Barkley Public Relations Cause Survey indicate that the key tangible benefit of cause related programs is introduction of the cause to new audiences. Non profits usually have established donor base and group of followers loyal to the cause. Both groups are usually quite small and limited and the main problem of non-profits is how to increase them. For many nonprofits, part of the reason corporate social initiatives are so important is because they can at no cost expand the group's charitable message outside its established donor base, and introduce the nonprofit to a new demographic. On example people who previously didn't take notice of certain issues, trough corporate social initiatives might get familiar with cause and offer some kind of contribution to the non-

profits. Partnerships with corporations can also enhance the credibility of nonprofits with other sponsors who will perceive that organization as passing a corporate acceptability test. So partnering with one corporation can create a multiplier effect and one partnership might lead to another.

Financial Contribution:

Obvious benefit for non-profits is that through corporate social incentives they will receive financial help. Financial help can come as direct and additional revenue, in form of employee volunteers or it can be in-kind support.

Direct Revenue: In this case corporation makes direct financial contribution to the non-profit which can be used to cover any of critical operating cost. These types of contributions are not usually tied to specific activity or program of the non-profit.

Additional Financial Support: Apart from direct revenue non-profits can receive additional support through some of CSI. This is realized usually through purchase-trigger donation of cause related marketing programs or customer contribution programs. Such support is not controlled by the corporation, and in this case it only represents a facilitator between customers and non-profit.

Employee Volunteers: Corporate voluntarism represents a significant contribution to the non-profits. In one hand direct and additional financial supports will yield money to the non-profit, but in some case human muscle and brain power can be as equally important as contribution in the form of cash. Such contributions can

be in form of consulting services, marketing activities, experiments, field work and such. After effect of employee voluntarism can provide a long term benefits to non-profits

In-Kind Support: In addition to a financial contribution, many corporations also provide valuable in-kind contributions such as goods to non-profits. Such contribution can decrease start up costs and be highly valuable for the non-profits.

VI. HOW TO MAKE CSI “WORK”:

In order to manage and make social initiatives work in real life settings, corporation must take in account specific issues called 5R’s and evaluate their social incentive according to them. (Beardsley, Bonini, Mendonca, Oppenheim 2007). 5R’s relate to risk, renewal, regulation, relationship and reputation.

- Risk: when choosing which of social cause to support corporation in first place should evaluate how the cause affects them or industry in global and then evaluate their position and prospect of achieving set targets for social initiative strategy. One of widely used examples is Monsano Company which had initiative to introduce genetically modified food to Europe with economic and technical advantages in mind, only to acquire public refusal, expensive PR devastation and significant reduction of the market for genetically modified foods.

- **Renewal:** closely following current social cause trends and environment company can at same time avoid “societal sticks and enjoy carrots”.
Meaning that through social initiatives company can explore newly created opportunities and renew themselves with new markets and products. One of the examples is Toyota which in light of growing interest for environment friendly products and gas emissions introduced Prius, which have proven to be hit product on the car market.
- **Regulation:** in every industry strategic decision are affected by the certain regulations. Example how social cause can influence regulation process is in telecommunication industry where social concerns of fair competition and affordability tightened regulation of mobile phone pricing. Companies should use their social initiatives to influence policy debates and impel regulatory agendas.
- **Relationships:** Involvement in social cause can led to new relationships with different stakeholders which should be explored in strategic purposes. Example of importance of such relationships was already mentioned in Exxon Mobil oil spill situation.
- **Reputation:** positive reputation of company is build over time but a single negative slip can lead to negative one. Transparencies of business conduct and trust have to be imbedded in corporate culture and social initiative should be used as additional tool to support it.

Summarizing 5R's main focus of approaching CSI is to carefully select which social cause to support how it get affect future regulations and which collaborators to use.

Up to day academic and real life studies have shown that CSI are favorably accepted by the customers and community but some other corporate actions might be more important for them. In one study conducted on the sample of American consumers and employees following corporate actions and characteristics were valued the most:

- 98 % valued quality of products and services as most important,
- 97 % valued fair-priced products and services,
- 93% employee benefits,
- 93% laws and regulations,
- 92% human rights and manufacturing,
- and finally 80% support of a social issue (PR week 2006).

Another study by McKinsey Quarterly reports significant gap between social initiatives used most frequently by companies, PR and media 49%, lobbying of regulators and government 48%, advertising and marketing 22%, with initiatives believed by executive and public to be most effective such as increase in transparency 36%, development and implementation of ethics policies and other corporate responsibility programs 35%, engagement with collaborators such as non-government agencies 33% (McKinsey 2007). Looking in these results we can conclude that companies before select certain social cause to support first should be good corporate citizens across all of their business practice and build up

their social reputation. It might be wise for corporations to try to improve some and work on intra-corporate issues such as quality and pricing of products first, and then when these primary elements are satisfied look in possibility of CSI implementation.

Nevertheless once and if a corporation decides to pursue one of CSI programs it has to choose right cause to support and implement and follow-through all stages of it. Following standards were recommended by the Business in Community organization to help organization to understand what it will take to implement successful CSI program from the perspective of corporation and non-profit as well.

Integrity: adhering to the highest ethical standards in all CSI activities and relationships;

Transparency: ensuring that communications between the partners and with consumers are legal, decent, honest, truthful and clear;

Sincerity: providing strength and depth to a relationship with a nonprofit organization or cause;

Mutual Respect: appreciating the intrinsic value the nonprofit organization brings to the CSI partnership;

Partnership: ensuring that both sides share the risks and rewards; and

Mutual Benefit: ensuring that all parties' objectives are being met.

If a corporation decides that it can meet and respect these standards than it is a time to move toward implementation phase. In order to be successful, CSI programs require planning, preparation, commitment, monitoring and follow-

through.

Critical issues in this period are:

Full support by top level:

In order for any strategic initiative to be successfully executed it should have support from top level meaning CEO and board members. If CSI is not supported by them it is likely that it will never see day light in first place and secondly even if it is initialized it will never get enough attention. CSI are strategic decision and it is not up to PR or corporate responsibility departments to communicate them. CEO has to take proactive role and stand behind CSI initiatives.

Identifying the Right Issue or Cause:

Corporation can choose to support almost any issue or cause, but to harvest most of benefits of CSI it would be wise to choose those issues that aligns with companies product and services, its existing or potential markets or its geographical market. Corporation should also try to fit issues with their strategic business goal, corporate value and message and evaluate public “social” opinion. On example if company is producing hybrid cars it might consider supporting reduction of green house gases. When choosing what cause to support companies should also try not to choose a cause that have been already “overused” in CSI programs by other companies. For instance, in 1999 year alone it was estimated more than 300 companies hitched their wagon to breast cancer concerns. Such actions might undermine benefits of the whole campaign. Another important point

is that when choosing issue or cause generally, there is a tendency for business to focus on symptoms, as opposed to core problems. Coming back again to breast cancer issues, as mention earlier, so many companies are being “concerned” about it but rarely any of them focuses on example on the lack of affordable and adequate healthcare for women. Focusing on programs that deal with the core problems opposed to symptoms can yield visible and tangible outcomes for the campaign and it can be source of differentiation from other CSI programs supported by other companies.

Selecting the Right Partner:

When right issue or cause is selected company should start screening for non-profit partner. This process is highly critical for success of the whole campaign and it is important for both entities to understand each other’s goals and objectives, as well as their mutual commitment to the relationship.

Special attention should be put on:

- Non-profits reputation and public perception of it in the company’s target market/audience.
- The organization’s potential to become involved with controversial political or social issues that may reflect negatively on its corporate partner.
- The composition of the organization’s board of directors so relationship with key personnel can be developed.

- The organization's leadership and financial management, so corporation can be assured that project will be implemented without impediment.
- The organizations standing with local and national regulators, taxing authorities, and other government and non-governmental "watchdog" groups, again to make sure that there will not be any legal obstacles.
- The organization's ability to reach and engage the intended target markets.

Establishing the Relationship:

Profit and non-profit organization in their basic are quite different. Profit companies may prioritize its bottom line responsibilities to its shareholders, while the nonprofit's priorities may value more with its mission and reputation. There is high possibility of culture clashes, communication styles and reporting practices. For company CSI program might be just another marketing tool, but for non-profit partner it is a vital lifeline. Both partners have to acknowledge these differences and do the most to overcome them. Only close cooperation between the two can yield positive outcome for the both.

Checking the Legalities:

Legal framework for the partnership and obligations of both parties should be established. An issue such as formal agreement between company and charity that gives it permission to use its name has to be sealed. For instance, Smith Kline Beecham reportedly paid \$2.5 million few years ago in a settlement with state attorneys general, who accused the company's consumer health care division of

falsely implying the American Cancer Society had endorsed its products. In fact, it was reported, the company paid a rights fee to use the society's seal, which it then featured in ads for its smoking cessation products (ACS).

Before implementing campaign it should be double checked does it meets all local and national laws and regulations? Also legal shielded from liability resulting from wrongdoing of the one organization should be put into practice.

Communicating the Partnership Message:

As for any other marketing communication activities, CSI message should be simple, clear and compelling to their target audiences. Issues such as the logic of the partnership, the impact consumers' purchases will have on the organization or cause, and how the campaign will affect the community, improve people's lives or make the world a better place should be explained as well. It might be important to make the point that customers do not bear the cost of CSI programs if that is the case.

Integrating the Campaign:

Real life examples have shown that the most successful CSI programs are those that extend beyond the marketing departments and become accepted by the entire company. Company should accept program and incorporate it in its mission goals and cultural values. Initiative for such behavior should from the top of organization and spread down to all levels. Examples of such conduct can be on

providing paid leaves for employees which decide to participate in the community services.

Tracking the Results:

Tracking the results of investment in CSI might be one of the hardest parts of the whole project. Still it is important to define some parameters that will be used as measurement criteria and milestones for alteration and execution of the whole campaign. Academia suggests adopting quantitative and qualitative criteria for the measurement purpose. “Quantitative criteria might include money raised to support the cause; number of media impressions issued in support of cause, or increased product sales. Qualitative criteria are more subjective and can include informal consumer or employee feedback, testimonials of those who have benefited by the partnership, or company events or recognition”. Periodic and final results of CSI project should be explained and communicated to stakeholders, and future plans and commitment to the cause by the corporation announced.

VII. THE PITFALLS OF SOCIAL CAUSE MARKETING

For corporation as beneficial as associating with social cause program is, still there are some drawbacks. Major pitfall is difficulty for corporations to precisely state how well partnerships work and what tangible outcomes of CSI programs have produced. Even if we recognize increases in sales or employee performance and customer retention scores, how sure we can be they are not results of some

other marketing activities or payment initiatives?

Today, when consumers are being constantly bombarded with stimuli from multiple mediums CSI programs are sometimes prone to consumer cynicism, if perceived as self-serving. On example in 1997, the American Medical Association (AMA) agreed to endorse nine products of Sunbeam's Corporation "Health at Home" line, including blood-pressure monitors and thermometers. In return, Sunbeam paid percentage of sales to the AMA in the form of "royalties," to be used for the AMA's research and education programs. Problem emerged when consumer groups and medical professionals questioned whether the AMA would evaluate honestly the efficacy and premium pricing strategy of Sunbeams products. Also there were suggestions that the AMA was violating its own code of ethics by recommending a product in which it had a financial interest.

In after affects the chair of AMA's board of trustees revoked contract and Sunbeam's chair responded by suing the AMA for breach of it and the AMA ended paying Sunbeam \$9.9 million for breach-of-contract.

If a CSI program is driven by the need or desire to increase a businesses' return on investment, social causes are being selected not on the basis of the potential good that can be achieved but, rather, on aspiration of the free publicity and prospect of increased sales, that a particular affiliation might bring to the company. Such practice should be avoided at all cost. As we have seen from AMA example campaign that in its essence should have been beneficial for both parties due to the public response, damaged reputation and brought financial loses for both entities.

If we go back to Bono Product Red for Global Fund project examined in previous sections, even it was reported that it contributed \$18 million from sales in one year to the fund, public critique was that in same period a promotional campaign for same project with goal of raising awareness about “red” products and goals of project had budget of \$100 million. Its more than obvious that money spent on promotional activities would do more good for the Global Fund, than money collected, at least in short term. In long term, if public is not remind constantly about project trough promotional activities, than money collected would probably would be even smaller, what brings as to catch 22 situation, where promotional activities have greater budget than contribution funds collected, and where absence of promotional activities causes contribution collected to be even smaller. Problem observed here is that CSI campaigns have perspective to have greater project promotional budgets than potentially collected and contributed resources to the social cause.

Another pitfall of CSI programs comes in the form of already mentioned band-wagon practice. Cause are being selected on the basic how much attention they can bring to company and ones that are doing sound social welfare project, but are not so much present in the media receive a disproportional amount of interest from donors. Result is that huge amount of company just supports the cause that has already has been supported over and over by other organizations.

To overcome these pitfall corporations should carefully choose which cause to support and which non-profit to sponsor. If not suitable non-organization exists company might consider establish their own foundation all trust to pursue that

specific goal. Also once the cause has been set, they should stick with it and make long term commitment to it instead of once off cause promotional activities. Benefits of the social cause related programs do not come over night. There are some indications that companies should witness real benefits three to five years after a program starts. "Companies have to earn accolades regarding their action before they can talk about how great (the company) effort is," says Cone's DaSilva. As for measurement of return on investment, even if at the moment it is not possible to track them with great precision, statistics have already shown that CSI activities will not pass un-noticed by the customers and investors.

VIII. THE CHANGING FACE OF CSI

CSI have significantly changed from past decades. Today social responsibility programs are becoming an important segment of marketing activities and corporate image, but some organizations are pushing boundaries even further. There are businesses so closely tied with their social efforts that it appears that they are an outlet for the non-profit organization. One example is, as self-described "socially responsible long distance telephone and credit card company," Working Assets, a for-profit company headquartered in San Francisco. Working Assets donates one percent of customers' telephone charges and 10 cents for each credit card transaction it processes to nonprofit organizations working for peace, human rights, economic justice, or the environment. An annual ballot listing

participating organizations is sent to Working Assets customers, to determine how the unrestricted general-support grants are allocated. During its first year in 1986, Working Assets donated \$32,000 to non-profit organizations. In 1997, donations totaled nearly \$3 million; by 2005 some \$4 million was donated. Today, the company claims to have donated a total of \$50 million to various causes through its CSI efforts. Second example has emerged with development of new technologies. Since 1997, iGive.com, a giving mall, has offered customers the opportunity to shop from over 400 affiliated merchants and to direct up to 26 percent of every purchase (although the typical donation is three percent) to more than 18,000 nonprofits. After the purchase, iGive.com gives customers a chance to choose which cause to support. Up to now iGive.com has helped distribute nearly two million dollars to a total of 30,000 charitable causes. Stated companies are examples how in future CSI programs might become an essential part of corporate politics and image, and how company can come closer to their customers through empowering them to choose what causes to support. At the moment there are no indications that every company will follow stated examples, but there is possibility that CSI programs might innovate corporate business plans and customer relations programs.

IX. CSI ESSENTIALS

Several key ingredients are needed if companies associating with social cause are to realize potential benefits of such actions:

- Existence of synergy between CSI program, and one or more of the company's strategic business objectives.
- Real and full senior-level commitment, which will help sustain the company's efforts and promote socially responsible corporate image.
- Take a note that CSI does not mean only provision of money to selected cause, but other corporate involvement in the cause through employee volunteerism, expertise sharing and open approach can yield overall better results for the cause and parties involved.
- Benefits of CSI programs do not come overnight and a sustained, multi-year commitment to a social cause or nonprofit is a must.
- Constant communication between parties and media through news releases, newsletters and such, shall secure public attention. Special focus again, should be put on choosing of social cause where ones perceived as self-serving shall yield negative public response.
- CSI programs must have measurable results. If a cause program is to be taken seriously as a business strategy then activities and results must be measurable.
- CSI should be innovative and social cause should not be selected on basic "it's cancer awareness week, so let's do it". A social cause program should

maintain freshness by constantly evolving and reaching out toward solving of specific problems that corporation actually might do something about.

X. CONCLUSION:

From its beginning corporate social initiatives have significantly changed. Once an ad hoc act which was over after the check was issued, today become an important marketing and strategic tool which can significantly contribute to corporate objectives. Empirical studies have shown that the benefits of CSI are broad as attracting and retaining customers and employees, to cost reduction, community support, positive brand and corporate image. On other hand negative aspects are usually in form of negative public opinion and insignificant contribution to social cause and most of time are caused because of bad planning, difference between public social demand and corporate cause selection, lack of commitment, lack of result and milestone measurements and poor synergy between cause, non-profit and strategic objectives of company. When implementing CSI program organization should evaluate their approach to social initiative by using 5R framework considering risk related to initiative, renewal possibilities, regulations, relationship building opportunities and reputation consideration. Emphasis should be put on: selection of the right cause and definition of expected outcomes, parties involved communication between the same, measurable results and long term top management commitment to the cause. In future CSI have potential to become an essential part of corporate sustainability

strategy and image and involving final customer in process of cause selection and support shall become increasingly important.

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