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Minds at Work:

CORPORATE SOCIAL RESPONSIBILITY: EXAMINING CSR EFFORTS IN CONTEXT OF ORGANIZATIONAL PERFORMANCE AND REPUTATION

Presented by Dr. Anne Herman and Dr. Sara Weiner

HOST: *Welcome to Minds at Work, where our job is to help your mind become inspired by your work. I'm your host, Drew Hoffmeyer.*

You may have heard of the terms Corporate Social Responsibility or Corporate Responsibility but what does it mean exactly? How have organizations made efforts to becoming more socially responsible, and how do they measure it? This podcast articulates what Corporate Responsibility is, how it's being measured and how organizations are leveraging it to recruit and retain top talent as well as contribute to the environment and community overall. This podcast is being presented by Dr. Anne Herman and Dr. Sara Weiner.

Dr. Anne Herman: Hello. This is Dr. Anne Herman, and I'm a research consultant for the Kenexa Research Institute. Today, Dr. Sara Weiner and myself would like to discuss the importance of Corporate Social Responsibility in global organizations.

During today's discussion, we will examine existing research from the Kenexa Research Institute. The Kenexa Research Institute, or what is often referred to as the KRI, was founded in 2006 with the strategic goal of scientific advancement in the world of organizational performance and employee behavior. KRI examines the influence of all aspects of the employee experience, for example, onboarding and talent management initiatives on the performance of the employee and the organization. We do this in a variety of ways such as through collaborations with clients, or the initiation and oversight of special human resources research projects to examine special topics of interest.

Now in getting started it is important that we define our terms. "Corporate Social Responsibility," or "CSR," is also referred to as simply Corporate Responsibility in many instances. As such we'll use the term Corporate Responsibility for the remainder of this podcast. Corporate Responsibility consists of clearly articulated and communicated policies and practices of organizations that reflect business responsibility for a wider societal benefit. Another way to think of Corporate Responsibility is the voluntary actions an organization takes to promote positive effects of its operations on the community and environment through charitable or "green" efforts.

Undertaking Corporate Responsibility efforts can benefit not only the organization, but also a broader group of stakeholders, and the communities in which the company operates. Research demonstrates, and good sense dictates, that organizations benefit from a focus on corporate social and environmental responsibility. Furthermore, some organizations are seeing many tangible advantages from committing to a sustainable business practice.

Based on research from Kenexa's WorkTrends™, an ongoing study of employee opinions from workers in many countries that is conducted annually, we can measure and understand how Corporate Responsibility influences employees' perceptions of the organization. In order to do this, we utilized four primary items to examine organizational Corporate Responsibility efforts.

The first item is:

- My company does a good job of contributing to the communities in which we live and work.

The second item:

- My company's commitment to social responsibility (e.g. community support, protecting the environment, etc.) is genuine.

The third item:

- My organization makes business choices that support the environment, such as recycling, energy conservation and vendor selection.

The fourth item:

- My company's corporate social responsibility efforts have increased my overall satisfaction with working here.

The findings of these Corporate Responsibility items were revealing. In response to the first item, *the company's contribution to the local community*, over 62 percent of participants viewed their company favorably, while only 14 percent gave unfavorable ratings. Nearly one-quarter, or 24 percent, of respondents were neutral. The sincerity of the Corporate Responsibility efforts was also rated by survey participants. In response to this item, 59 percent were favorable, whereas 26 percent were neutral and 15 percent of respondents were unfavorable. The responses were slightly less favorable with respect to companies making environmentally responsible decisions. In this case, only 54 percent of respondents rated their companies favorably, while 19 percent rated them unfavorably. Finally, in relation to Corporate Responsibility efforts increasing overall satisfaction, 48 percent of respondents answered favorably, with 33 percent neutral and 20 percent being unfavorable. So while there is definitely room for improvement in creating lasting, genuine Corporate Responsibility efforts that appeal to employees today it should be seen as a strong sign of support by employees for Corporate Responsibility efforts that almost half of them are favorable toward Corporate Responsibility having an influence on their overall satisfaction with their organization.

When looking at the climate organizations are creating in relation to Corporate Responsibility efforts, we also wondered whether employees view their environments as strong or weak. Over 39 percent of respondents indicated that they work in an organization with a strong climate for Corporate Responsibility, while one-quarter indicated that they work in organizations with a weak climate for Corporate Responsibility. More than one-third of participants, however, rated their organizations as somewhat unclassifiable, indicating room for Corporate Responsibility climate development.

Examining the relationship of country and Corporate Responsibility culture also reveals in which countries employees rate Corporate Responsibility efforts most favorably. According to the WorkTrends 2008 data, India and Australia had the highest percent favorable ratings of 54 and 48 percent, respectively. The United States is ranked near the middle at 45 percent favorable, while Japan and Russia had the lowest overall favorable scores at 24 and 22 percent, respectively.

So what do all these data mean? Why do they matter in the context of organizational performance? The answer lies in the relation of having a strong Corporate Responsibility climate and how that relates to how employees feel about their organizations, their intention to stay, and about their organizations reputation and performance. Employees are more engaged, and express higher levels of employee confidence and intentions to stay longer with organizations they are with, when they perceive their organization as having a strong climate of Corporate Responsibility.

Furthermore, having a strong climate for Corporate Responsibility according to our research, relates to a 65 percent favorable score on the overall reputation improvement and 70 percent favorable response rating for performance improvement over the prior year. This is in stark contrast to those organizational climates perceived as weak for Corporate Responsibility. Comparatively, those organizations only see a 25 percent favorable rating for overall reputation and 32 percent favorable rating for performance improvement. So, there is a strong indication that an organization's commitment to Corporate Responsibility communicates not only certain values to an employee, but also may communicate evidence of a long-term strategy and an investment in a strong future organization.

I would now like to turn this over to my colleague Dr. Sara Weiner.

Dr. Sara Weiner: Thanks, Anne. My name is Sara Weiner and I am an executive consultant and a global program director with Kenexa.

First I'd like to introduce another concept, and that is "Corporate Financial Performance," which is a financial measure used by investors, analysts and senior leaders to assess the solvency and future health of an organization. It generally includes measures such as shareholder confidence, market value, stock price, accounting indicators such as return on assets, internal efficiency and management performance, along with perceptions of financial soundness typically captured through surveys.

Another concept broadens financial performance to what's known as the triple bottom line, which includes measurements about people, the planet and of course profit. This means understanding and creating genuine efforts addressing social responsibility, environmental sensitivity and economic viability.

One meta-analysis that aggregated data from 30 years of research showed a universally positive relationship between Corporate Social Performance and Corporate Financial Performance across industries. Therefore, organizational performance is reliant on both Social Performance and Financial Performance.

I think we can all agree that senior leaders serve as the stewards for the overall success of their companies, and we are posing the argument that Corporate Responsibility must be part of their focus to ensure business success.

There are both "pull" and "push" factors that support a focus on CR. The "push" factors include Government regulations and pressure from watchdog groups. However, if management becomes aware of positive outcomes of CR, then voluntary actions could replace the need for government intervention.

Another "push" factor is that many investors today are engaging in socially conscious or ethical investing. They purposely choose organizations with high levels of CR to ensure their investments result in a positive impact on society.

The evidence that Dr. Herman pointed out shows that CR has effects on the "pull" factors of recruiting for top talent. Corporate Responsibility efforts can be leveraged as part of employment branding for job candidates. Some top candidates perceive companies actively engaged in CR efforts as more attractive than other companies. When a candidate views an organization as participating in Corporate Responsibility, he or she has a higher probability to pursue, interview with, and accept a job offer from that firm. Having a strong CR culture in place may make the difference with talented job seekers who have many choices—and may, in fact, supersede other factors. For example, more than 15 percent of U.S. workers said the number one reason for selecting their last job was because of the organization's values and reputation, and CR plays a key role in each of these areas.

In the workplace, CR efforts have been shown to be positively related to favorable responses from employees about senior leadership and overall employee engagement. CR has also shown relationships to favorable responses from employees about organizational values, organizational culture and the orientation that employees have toward customers.

In addition, current employees in strong CR cultures take pride in organizational CR efforts. When employees' values align to the organization's values, they become brand advocates. Organizations can also consider using CR efforts as a forum for building leadership skills among a pipeline of leaders. For example, one company coordinates with nonprofits worldwide to find leadership development opportunities.

Creative ways to facilitate "giving" within a company also reap unexpected organizational benefits. For example, encouraging giving through the support of volunteering, or donating sick or vacation time internally, or contributing to a "tough times fund" available to other employees in need, have all been shown to be linked to increased organizational commitment.

When examining the future of Corporate Responsibility, we must remember that CR efforts are positively related to favorable

responses from employees about senior leadership, employee engagement, overall reputation and performance. Both prospective and current employees care about an organization's values and reputation. The organization must engage in corporate responsibility efforts that are authentic and sincere. If employees perceive efforts are insincere, there will be negative effects on other organizational level perceptions.

Looking to the future, there should be a transition of independent CR efforts to greater integration with overall business strategies. This integration will create sustainable business practices for the long-term. The investments overall in Corporate Responsibility will resonate not only with employees and potential job candidates, but with customers and with communities that will help the organization create a lasting, enduring model of sustainable business success.

We'd like to thank you for taking the time to listen to our podcast focused on Corporate Responsibility today and encourage you to contact us for more information if you are interested.

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