

# HR Compliance Law Bulletin

Practical and Effective HR Management Advice

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## Spotlight

### Corporate social responsibility may prove to be recession proof and smarter than ever

by Nancy Hatch Woodward

There has never been a better time to demonstrate the business case for corporate social responsibility (CSR). “Through the years we weren’t in a recession, the arguments we made for why companies should adopt standards of CSR was because it would help the company improve its relationships with key stakeholders: the local community, employees, and customers,” says Santiago Zorzopulos Reich, senior consultant with Ethical Leadership Group, headquartered in Charlotte, North Carolina. “Now that a recession has happened, we are no longer just theorizing that CSR supports business initiatives; we have to prove that it contributes to the success of the enterprise.” Fortunately, that is exactly what has happened, he says. “We are seeing expansion and growth in these programs at a time we aren’t seeing it in most other corporate initiatives.”

#### CSR strategies

CSR strategy should be driven from the core values, says Paula Ivey, president of The CSR group LLC in Austin, Texas, and it works best when companies use a “stakeholder model.” This approach leads to organizational integration of CSR. Philanthropy and employee volunteering are strategically aligned with the business and

are components of a much bigger, broader, and more holistic strategy that takes into account everything from what we call “CSR Evolution” to supply chain responsibility, she says. While CSR must be strategically aligned with the business and driven by core values, it must also be authentic.

Reich agrees that the most successful approach is to focus on stakeholders. He gives the example of Wal-Mart, which is now one of the global leaders on environmental responsibility and is also relentless about driving cost out of the supply chain. “This is why companies that sell to Wal-Mart are now being asked to demonstrate what their environmental footprint is and how they are working to reduce it. It isn’t because Wal-Mart officials have read *Silent Spring*; it is because they have seen large and replicable cost-saving initiatives throughout the company,” says Reich.

#### The business case

From an HR perspective, employee retention and recruiting are key drivers for CSR. Students graduating from college today are much more enlightened about these issues and have much higher expectations of the companies for which they work, says Ivey. But those are not the only reasons for CSR. Along with retailer and customer demand,

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says Ivey, other key elements of the business case are:

- cost savings and efficiency;
- access to socially responsible investors;
- increased market share;
- brand equity;
- risk management;
- reputation management;
- stakeholder expectations management; and
- preparation for the changing regulatory environment.

### Stakeholders

Employees are key stakeholders who care about what their companies are doing in terms of CSR, but with a caveat, says Reich. It can be hard to justify why employees are being laid off while the company is spending money on environmental or community initiatives. Companies have to address this head on and explain the business case for CSR.

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*From an HR perspective, employee retention and recruiting are key drivers for CSR.*

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Customers care as well. The “2010 Corporate Social Responsibility Perceptions Survey” from Penn Schoen Berland, Landor Associates, and Burson-Marsteller, found that, even during this recession, more than 75% of consumers believe it is important for companies to be socially responsible. The more affluent your customer base, the more they care about what they buy, says Reich. They look at buying as a political act—not Democrat or Republican—but about how they are using their wallet to make choices on how the economy is organized.

For investors, in many ways, CSR is an outgrowth of the corporate governing crisis of a decade ago, says Reich. Part of that is there

are all these fancy financial reports, but sometimes, as an investor, it is difficult to get a grip on what the real profile of a company is. This explains why there is a large and growing group of investors to explicitly include CSR in their investment criteria. The Social Investment Forum, which keeps track of what percentage of assets under management is, reports that 12.2% of the total had an explicit CSR criterion.

### HR as key player

Reich notes that HR has a significant role to play in CSR. At the very least, HR professionals should learn more about CSR as a way to directly link their activities to business objectives, he says. When a Wal-Mart is calling, having CSR skill sets will put the HR professional at the center of the growth and sustainability plans of the company.

*Nancy Hatch Woodward is a freelance writer based in Chattanooga, Tennessee, who specializes in HR and health-care issues.*

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## Supreme Court Docket Watch

### What is in store for 2011

All eyes are on the Supreme Court, which is set to decide a number of employment-related cases in 2011. The case with the highest profile involves a class action against the world's biggest retailer, Wal-Mart Stores Inc. (Wal-Mart),