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# Corporate societal responsibility 2009



Building blocks  
Employee perspectives  
Management messages

A survey conducted by Krauthammer in partnership with the Rotterdam School of Management, Erasmus University, Rotterdam, and the University of Amsterdam

*living performance*

# Executive summary

“It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest.

We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.”

Adam Smith, *The Wealth of Nations*, 1776.



# Corporate societal responsibility (CSR)

## Dinner's on its way. (Or is it?)

Humourist Irma Bombeck once confessed that, to reassure her hungry family that dinner was underway, she would bake an onion in the oven.

CSR is – potentially - a little like Bombeck's dinner. Its vital signs surround us. Every self-respecting multinational has its table laid.

At face value, it's good news for those who are - rightly - concerned about People, Planet and Profit. A heartwarming smell suggests dinner is coming. Is it?

In this survey, conducted with experts from the Universities of Amsterdam and the Erasmus University of Rotterdam, Krauthammer examines the CSR kitchen – from the point of view of *employees*.

What do employees expect from their company's CSR policy? How well are those expectations met? How much do they know about their organisation's efforts? By what communication methods?

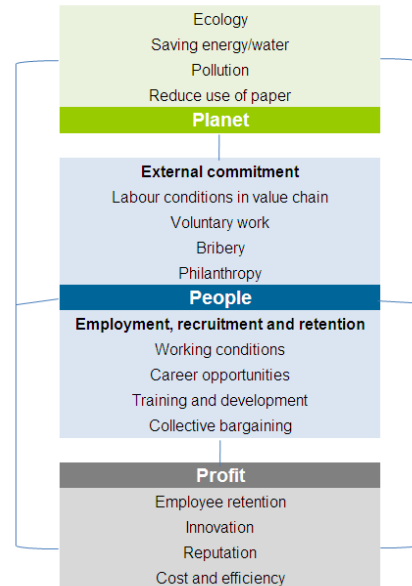
How might CSR policy influence the decisions of new recruits to join a company? How motivated are people to participate? How far do they trust their organisation's motives?

We find that dinner in many cases consists of far more than an onion. Still, it could be a pretty basic meal for many. Furthermore, the way the kitchen is communicating with its diners is not only crucial, but often failing to do itself justice.

## What is CSR?

Like many slow-cooking concepts, CSR has several definitions. They have in common the notion of engaging in economically sustainable business activities - beyond legal requirements. Ultimately, corporate *social* responsibility becomes corporate *societal* responsibility; companies strive, ideally with industry bodies, NGOs and government, to promote CSR beyond their own organisations or industries.

This survey examines 16 areas of CSR practice:



## How widespread is it?

The United Nations Global Compact (UNCG) was established in 1999 by U.N. Secretary General Kofi Annan. It assembles companies, UN agencies, labour organisations and civil society in support of 10 principles covering human rights, labour, the environment, and corruption. Today, over 4,000 organisations from over 100 countries are members, pledging to abide by and integrate the UNCG principles into their conduct.

In 2007, 64% of the Fortune Global 100 published a Corporate Social Responsibility report outlining their economic, environmental and social performance.<sup>1</sup> Something is cooking. Why?



## 6 reasons why CSR is a business must-have

- 1 Consumers, clients and investors demand it.** Observers report purchasing shifts towards products and services whose supply chains measure up (the Economist Intelligence Unit predicts that “as incomes rise in the longer term, consumers will increasingly prioritise welfare, sustainability and sourcing, especially in wealthier developed markets”<sup>2</sup>). And companies will increasingly seek partners whose CSR practice meets their aspirations. We reveal employee attitudes to a set of crucial indicators related to how companies fuel their engines. Respondents are potential consumers or recruits – so let us take their views seriously!
- 2 CSR builds brand equity.** “Corporate actions that violate social expectations damage, even destroy, brand image among networked stakeholders who are affluent enough to buy branded products and services” say researchers.<sup>3</sup> We ask, do employees trust the motives of their employers? Are CSR initiatives motivated by column inches, or a deeper moral conviction?
- 3 CSR can attract and retain talent.** The recruitment and retention of high potentials, especially new entrants to the workforce, can be positively influenced by CSR, many claim. Good practice can optimise working conditions. And it can nourish the ‘personal societal responsibility’ of employees. In “Corporate Social Responsibility - a necessity not a choice”<sup>4</sup> accountant Grant Thornton identifies recruitment and retention of talent as the main reason for privately held business to engage in CSR. We examine to what extent employees attribute their motivation to join/stay in their company to its CSR policy.
- 4 CSR makes financial sense.** A meta-analysis has revealed a link between the “corporate social performance” of companies (CSP) and their “corporate financial performance” (CFP)<sup>5</sup> Another proposes that, whilst CSR costs can be “minimal”, organisations may benefit.<sup>6</sup> Especially in terms of saving resources, taking care of wasteful practice clearly benefits the bottom line - as well as the three ‘P’ perspectives.
- 5 CSR holds the key to the crisis.** The focus on financial incentives for consumers and corporates alike, a lack of regulation in many markets, and a general ‘short-termism’ are at the root of much of our current problems. Longer-term systemic approaches to CSR - involving all relevant actors – will be vital.
- 6 In conclusion – Corporate Social Responsibility means Corporate Sustainability.** So how proactively are companies seen to be engaged? Are they happy to simply avoid legal action? – (so their activities don’t technically qualify even as corporate *social* responsibility?) Or are they standard-setting pioneers, exercising corporate *societal* responsibility? Our research team declines 16 specific and observable practices into four levels of proactivity.

Around 50% of companies are operational or even exemplary. and around 50%, are distinctly below par

## Top 9 findings

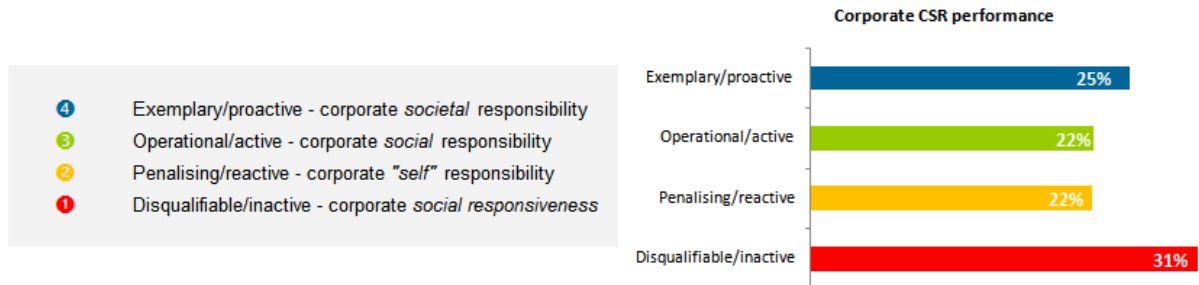
- 1 Employees are doing it for themselves - and are watching.** People are actively engaged in 'PSR' or 'personal societal responsibility' – at home. Waste separation is most common – (65% practice it). And people are busy in the kitchen. 73% buy food because it is in season, 53% because locally sourced. However, only 13% deliberately choose non-meat. Still, 33% do select 'fair trade' or organic options. Only 18% choose environmentally-friendly transport or use green electricity. 35% make formal donations to NGO's, however. *And PSR practitioners are particularly critical of CSR.*
- 2 A glass half empty and half full.** Corporate performance is divided. Around 50% are operational or exemplary. The other 50% are not. Companies are most exemplary in the Human Resources area of People, (employment, recruitment and retention) - 39%. Only 21% are so when it comes to the Planet, however. And only 23%, when it comes to Profit.
- 3 Hungry for more.** In all areas – People, Planet and Profit – there are serious gaps between the practice employees seek and experience. Less-experienced employees (younger?) are the most dissatisfied. Company size, or international status, has little effect on satisfaction levels.
- 4 What I really want...** Excellence is most demanded in the *People* dimension. Specifically "training" (96% expect it systematically, with external trainers), and "fair labour agreements", (79% want a "broad collective labour agreement giving space for individual solutions"). The next most-wanted practices concern the *Planet*: 60% of people want their company to practice the belief that "the economy and ecology are one, taking responsibility", and *Profit*: 59% want it to practice the credo that "long-term competitive advantage depends on the efficient use of resources". The latter three practices – labour agreements, an integrated economy/ecology and the efficient use of resources, also display the biggest gaps per dimension...
- 5 People - family first.** In the dimension of People, regarding internal commitments (employment, recruitment and retention), we have seen that 39% of companies are exemplary. Particularly in offering training. In *external commitments*, (labour conditions in the value chain, employee voluntary work, bribery, philanthropy) only 17% make the grade, however. And 39% are disqualifiable. And despite publicity given to the dirty undercarriage of supply chains, 14% are still sourcing products based purely upon price and fitness for purpose, without considering labour conditions and 23% have no formal policy against bribery.
- 6 Planet – hot air?** Only 21% of employees believe their company is exemplary - 27% report disqualifiable behaviour. 80% want measures to save energy and cut greenhouse gases – as well as technological solutions, or ideally, collaboration with NGOs. Only 34% report this. As we see, the biggest gap is in the responsible practice of the belief that economy and ecology are one. 60% of people expect this - only 26% experience it.
- 7 Profit – comes at a price.** In assuring societally responsible profit, 23% of companies are considered exemplary. Yet 32% are disqualifiable, employees say.
- 8 This isn't why I married you.** CSR plays a minor role in recruitment and retention, we find. However, 91% of employees want "fair wages for all – including top salaries", ultimately with "joint strategies for competence development with trade unions". Yet what *most* (51%) want, is the latter practice – which lies beyond simple financial reward. One or the other practice is reported 50% of the time; interestingly, given the publicity surrounding bonus payments to underperforming financial bosses. If employee retention is top of the corporate agenda, it is not showing. And younger talent appears more alert..
- 9 CSR = PR (and nothing else)?** Apparently not – 34% of employees believe that their company's main reason for investing in CSR is because of sincerely-held values and principles.



## Findings at a glance

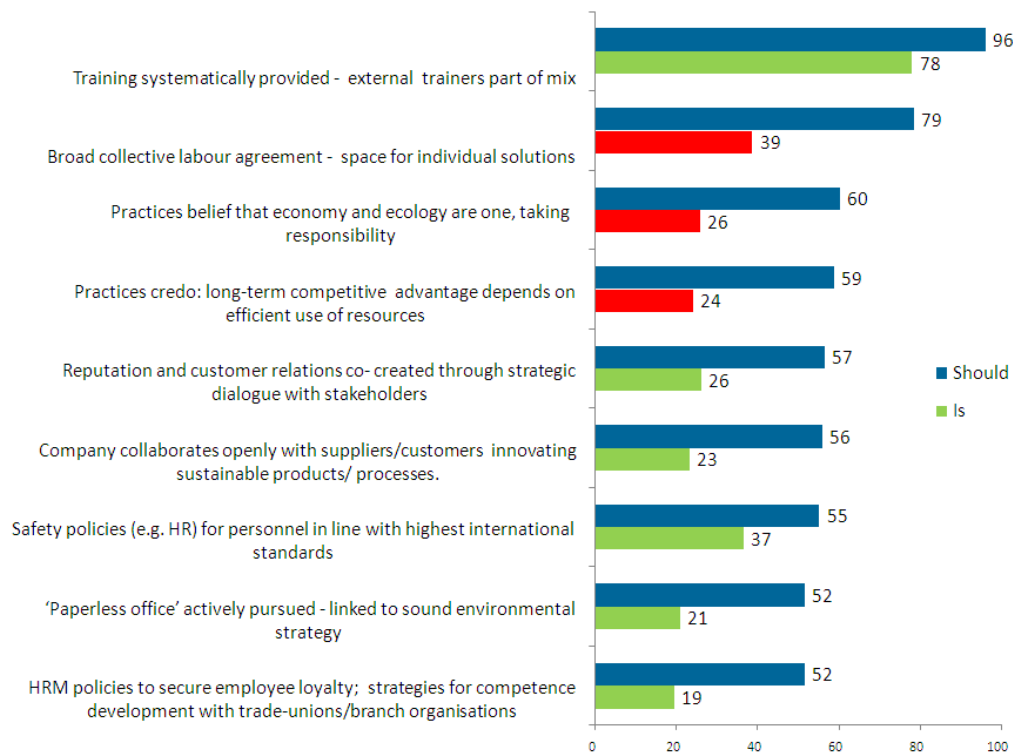
### People, Planet and Profit – 4\* levels of corporate performance

Our research examined employee wishes and experiences regarding CSR practices in 16 areas related to Planet, Profit and People. They scored on four levels, using the following scale and with the following results overall:



### The 9 most wanted practices – and the gaps

These practices were demanded by over 50% of employees and all show shortfalls. For three, (marked red), the gaps are amongst the most significant of all surveyed. (Note - for safety policies and the paperless office, employees sought a 'level 3' practice). The dual message of 'practice most sought-after' and 'least satisfactory performance' can help organisations focus.



## More detail by area

### People

#### Employment, recruitment and retention:

*'Human resource' issues - training and development, working conditions, career opportunities and collective bargaining.*

Overall, 39% of companies are exemplary when it comes to internal HR conditions, (the best performance across the CSR spectrum). On the other hand, 24% are largely inactive.

Companies perform best in "training and development". 80% of employees considers their employer exemplary. The other three categories score far less well.

The biggest shortfall lies in 'collective bargaining'. Nearly 80% seek a 'broad collective labour agreement with room for individual solutions' - less than 40% get one.

And despite publicity given to dirty supply chains, 14% are still basing product sourcing purely upon price and fitness for purpose, without considering labour conditions. 23% have no formal policy against bribery.

#### External commitment

*Labour conditions, employee voluntary work, bribery and corruption and philanthropy.*

Overall, 39% of companies are disqualifiable when it comes to external manpower. Only 17% are exemplary.

Employees were pretty unanimous about good practice in HR issues (see previous). Less so when it comes to *external* social issues. Only for "labour conditions in the value chain", and to a lesser extent, "philanthropy", do people clearly seek exemplarity.

Looking at 'exemplary' or "level 4" practice, people are most dissatisfied with "labour conditions in the value chain". 47% expect their company to have its own code of conduct, creating industry-wide/international codes and standards. Only 23% of companies measure up, however.

### Planet

*Ecology, energy and water saving, paper use and waste disposal.*

Only 21% of employees believe that their company is exemplary. 27% find it disqualifiable.

Environmental issues are clearly those in which employees consider their organisations least active. And yet, a substantial number wants results. Most think their organisation should do at least as much as it is doing, or more.

Looking at 'exemplary' or "level 4" practice, the largest gap between actual and expected behaviour lies in the way that the company practices a belief that economy and ecology are one, taking responsibility. 60% of people expect this - only 26% experience it.

80% of employees want their companies to have measures to save energy and cut greenhouse gases – as well as technological solutions, or that at best it should be collaborating with NGOs. Only 34% see this.

### Profit

*Employee retention, innovation, reputation, efficient use of resources.*

23% of companies are exemplary when it comes to making a profit. 32% are judged disqualifiable.

Looking at 'exemplary' or 'level 4' practice, the largest gap lies in how the company practices the credo that "long-term competitive advantage demands efficient use of resources". 59% of people seek this practice, only 24% experience it.

80% of employees believe their company's innovation should be at least designed to facilitate waste reduction and recycling. Or at best, open collaboration with suppliers and customers to innovate sustainably. Only 38% of companies function at either level. Finally, 91% want "fair wages for all – including top salaries", ultimately with "joint strategies for competence development with trade unions". One or the other policy is reported 49% of the time. And what most (51%) want, is the latter practice beyond simple financials. If employee retention is top of the corporate agenda, it doesn't show. And younger talent are more alert..



## Making CSR connections

**Links between CSR policy, talent retention and recruitment:** Although CSR only plays a minor role in recruitment and retention according to this survey, people agree their companies' CSR activities are important for customers and stakeholders and that they, as employees, help to promote the positive image.

**Awareness, information, motivation:** People know the headlines of CSR policy, rather than the details or origins. Headquarters and external communications are the main vectors. At a lower level, the grapevine is mute and line managers relatively inactive.

**Motives for investment:** According to 34%, "sincerely-held values and principles" are the main driver for CSR investment, followed by "conformity to legal constraints". If employees devised CSR strategy, they would prioritise "working conditions".

## Diving deeper

- ➔ **CSR - a preoccupation of the young?** Less experienced employees are less happy with their company's performance.
- ➔ **Whales only need apply?** When it comes to People and Planet, people working for larger companies have higher expectations. Generally, however, people's level of satisfaction with their companies' performance isn't affected by its size.
- ➔ **Do as I do, please -** Employees who practice PSR are more switched on and more demanding of their employers.
- ➔ **Organisational citizenship – the light is shining?** Contributing to corporate CSR raises the awareness and satisfaction levels of employees regarding their company's practice.
- ➔ **The more I know, the better it seems.** Being *informed* about corporate CSR also raises people's satisfaction levels
- ➔ **CSR – what Planet are you on?** People's level of satisfaction with the CSR practice of their organisations differs significantly between regions, - especially for issues related to Planet.
- ➔ **Manufacturers make for better CSR.** Manufacturers are better perceived by their employees when it comes to CSR performance, than other sectors – and their employees have higher standards, too.



## Topline conclusions, management messages

**Help people to help.** Your employees are busy with PSR – (Personal Societal Responsibility). How easy do you make it for them to practice it at work – for example – consistently and visibly encouraging all to preserve energy by switching off lights and computers? Or by procuring Fair Trade catering products, or recycled paper? How about enabling people to separate their office waste? (The “efficient use of resources” is a red spot in employer practice - and many measures have an economic as well as moral benefit).

Next, how do you involve employees in defining policy? What monitoring and reward systems are in place?

These ‘details’ can transform the workplace from a hindrance to people’s PSR, into a natural - and motivating – help. Supporting people’s PSR also promotes their *organisational citizenship* – making them more alert to other opportunities to contribute to workplace health. This, research suggests<sup>7</sup>, enhances employee performance in other important areas – which benefit the organisation.

**Check your CSR performance, and take action.** Your employees are potentially very dissatisfied. Two hypotheses:

*They do not know what you are doing.* If measures are installed, what do your employees know? Recalling, too, they know, the more satisfied they are likely to feel.

- ➔ **So find out what employees know and think.** [Surveying](#) awareness and satisfaction levels gives a clear point of departure. Transparently sharing the results - positive and negative - is an excellent trustbuilder.
- ➔ **Build the case.** Storytelling is underused. It is nonetheless a powerful mechanism to enliven abstract concepts, helping employees identify with messages and setting the grapevine buzzing. Attention not only to the *external* communications regarding CSR but *internal* communications is called for.
- ➔ **Activate the internal network – at all levels.** People’s information comes from the top. Are line managers playing their role in anchoring CSR? Other strong evidence suggests that it is their relationship with their *managers*, rather than their organisations as a whole, that employees most cherish.

*They know what you are not doing.* What more could be done and how?

- ➔ **Go to our [full report](#) for precise prescriptions.** Rather than hollow directives, this survey gives custodians of CSR a concrete set of indicators for the practices associated with each level of performance. Our invitation – determine your level, set goals for a shift.
- ➔ **Start with the people dimension.** “Charity begins at home”. So can CSR. If you lack a policy, investigate opportunities in the internal People – (employment, recruitment and retention) – dimension of CSR. Use as a springboard for rapid expansion into the other dimensions.
- ➔ **Finally, check your filter! CSR needs you!** If your organisation does not consider itself a candidate for CSR, because “it is not in the ‘right’ sector” (e.g. a ‘service’ organisation), or is “a PME”, do think again.

“For more regarding the distinction between inactive/re-active/active/pro-active: see R. van Tulder with A. van der Zwart (2006) ‘International Business-Society Management: linking corporate responsibility and globalization’, London: Routledge. For more regarding the 4-level concept see the 4LS Evaluation Krauthammer Observatory 2008, ([www.krauthammer.com](http://www.krauthammer.com)), and ‘Quel Manager êtes-vous?’ D.Eppling, L.Magnien, Editions d’Organisation (2005).

**Now please go to the [full report](#) to discover specific levels of practice, in 16 areas related to People, Planet and Profit.**



## Sources

- 1 Understanding and developing strategic corporate social responsibility, Peter A. Heslin, Jenna D. Ochoa, © 2008 Elsevier Inc.
- 2 World food, beverages and tobacco outlook © 2008, Economist Intelligence Unit
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- 5 Corporate Social and Financial Performance: A Meta-analysis, Marc Orlitzky, Frank L. Schmidt, Sara L. Rynes © 2005 SAGE Publications
- 6 Corporate social performance, corporate financial performance, and organisation size: A meta-analysis, Wu, M.L. © 2006 Journal of American Academy of Business
- 7 Business Psychology and Organisational Behaviour, Eugene McKenna, ©2006, Psychology Press,

## About the authors

**Krauthammer** – a consultancy-based training and coaching company - supports the competitive advantage of its clients through the installation of exemplary behaviour and impact – where behaviour is defined by ‘observable activity’. Our vision is to bring out the best in our people, and in the leaders, managers, salespeople and negotiators of our clients - going beyond, to all stakeholders. Krauthammer was established in 1971. 160 consultants are now in its employ, working from 24 embedded offices in Europe, Asia Pacific, the United States and South America. We deliver interventions over 51 countries and in 15 languages to a portfolio whose scope of established clients ranges from small ambitious companies to a number of Europe's most prominent multinationals. The research project was managed and the commentary written by Steffi Gande, Co-Head of Research at Krauthammer.

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