

As Stocks Fall, CSR Communications Pay Dividends

Have corporate social responsibility (CSR) commitments been pushed to the bottom of the heap along with bleak earnings and share prices? And if so, is communication about CSR less important now that companies have serious economic matters to address? The answers are 1) maybe, but only temporarily, and 2) absolutely not. Here are three reasons why effective CSR communications are more valuable than ever.

- 1. Transparent CSR communication bolsters consumer trust.** In recent years, consumers have been increasingly suspicious of corporations, with trust receding faster than glaciers in Antarctica. An April 2008 Better Business Bureau/Gallup survey revealed a 14-percent drop in U.S. consumer trust during just 6 months—and that was well *before* the current economic meltdown. Transparent, credible, and accountable dialogue and disclosure of social responsibility performance in areas like governance, operating practices, and executive compensation can shore up consumer confidence. In fact, 86 percent of the BBB survey participants said it would be “very” or “somewhat” helpful for businesses to allow credible third-party assessment of their performance—underscoring a key benefit of assuring CSR practices and reports. And, although some executives still get nervous about reporting on CSR performance, a September 2008 survey by KPMG and SustainAbility indicated that the vast majority of CSR report readers formed positive impressions after reading a company’s report.
- 2. Compelling CSR communication keeps employees engaged.** Hiring and salary freezes, layoffs, and other work-related hardships are current realities. At the same time, strong CSR performance is a key factor in decision making for many of today’s employees. In a 2007 NetImpact study, 90 percent of respondents said they would be likely to leave their employer for one they perceive as more socially responsible. This means that while many employees might be reluctant to disappear during the current crisis, those who don’t see evidence of a solid commitment to CSR will be among the first to jump ship when times improve. Compelling and honest dialogue with employees about CSR commitments and performance will help keep them engaged, focused, and motivated in both good times and bad, boosting recruitment, retention, and productivity.
- 3. Clear and responsive communications may retain shareholders.** Effectively addressing social issues like climate change, product safety, governance, and labor practices can reduce financial risks and yield cost benefits. So it stands to reason that investors are increasingly demanding answers—and full transparency—on social issues by filing shareholder resolutions. CSR-oriented investor relations and engagement programs to help shareholders understand a company’s strategies for managing risk and preventing financial hits associated with greenhouse gas, product recall, and ethics liabilities helps to allay concerns and help retain investors during the current crisis.

~ Michelle Bernhart

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