



Corporations

The Visible Hands of the
Market for Social Good



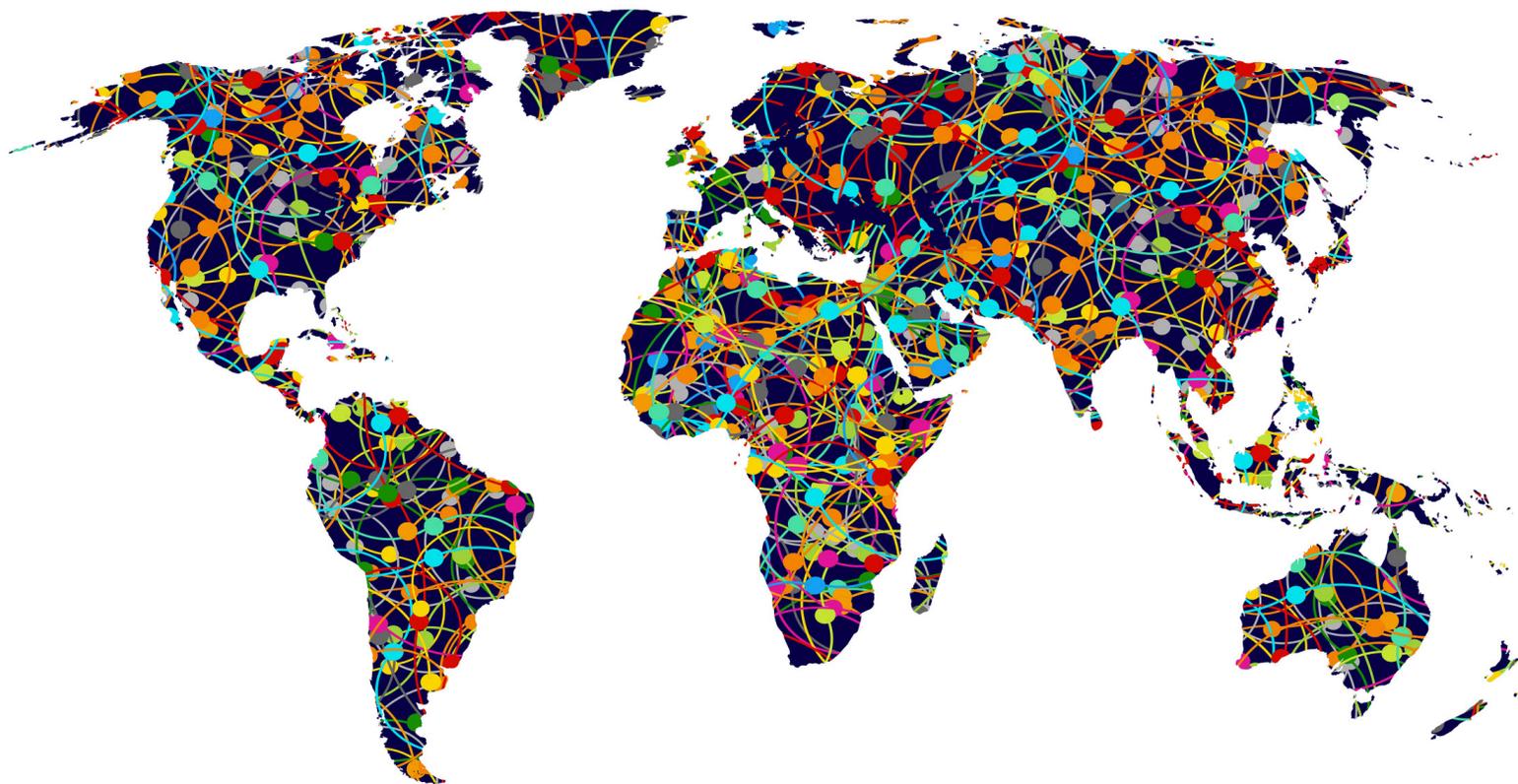
This paper examines the societal pressure for social good with a focus on the current state of corporate philanthropy and corporate volunteerism in the context of increasing commitments to impact investing.



Corporations: The Visible Hands of the Market for Social Good

Executive Summary

Millennials are increasingly drawn toward both brands and employers that promote social good. Corporate managers are thus paying more attention to bridging the economic and social goals through Corporate Social Responsibility (CSR) initiatives spending over \$25B a year. Capital markets on the other hand are shifting resources toward Impact Investing, currently estimated to be \$500B in assets. This study examines the societal pressure for social good with a focus on the current state of corporate philanthropy and corporate volunteerism in the background of increasing commitments to impact investing. Furthermore, corporations across industries were called to action to implement more inclusive CSR initiatives that generate sustainable social good. This study addressed several benefits to corporations ranging from public reputation to employee recruiting, satisfaction, and retention, to increased revenues. Finally, the strategic need to align corporate function such as marketing, HR and CSR were explored, demonstrating the importance of cause-based marketing, improved employee morale through corporate volunteerism and philanthropic commitments to like-minded nonprofits. The study incorporates potential implications for management theory and practice in using the invisible hand of the market for social good for competitive differentiation and sustainable success.



The larger question is, in the face of global competition, how can corporations create social structures that are productive, creative, cooperative and sustainable? Corporations mirror a society where social pressures and incentives shape social good.

Prologue

“I am just a banker doing God’s Work,” said Goldman Sachs CEO Lloyd C. Blankfein in an interview in November 2009. He went on to say, *“Goldman Sachs has a social purpose. We help companies to grow by helping them to raise capital. Companies that grow create wealth. This, in turn, allows people to have jobs that create more growth and more wealth. It’s a virtuous cycle.”*

The mantra of the invisible hands of the markets creating the wealth of nations has led many to mistakenly believe that the unbridled pursuit of profit fulfills the social purpose of businesses. Adam Smith acknowledged that it is not just the markets but also the social fabric that guides the invisible hand. In *Theory of Moral Sentiments* (1759) he posited that it was human nature to exchange not only goods for profits but also favors out of sympathy. Without these social exchanges and the resultant social ties, capitalism turns mercenary.

The CEO of Kraft, Irene Rosenfeld, explained how *“to build and sustain brands people love and trust, one must focus—not only on today but also on tomorrow. It’s not easy...but balancing the short and long term is key to delivering sustainable, profitable growth—growth that is good for our shareholders but also good for our consumers, our employees, our business partners, the communities where we live and work, and the planet we inhabit.”* This view is becoming more relevant and widely accepted as society continues to evolve into a more socially conscious, proactive environment, driven by globalization and social media. Corporations are spending more on CSR. They believe that these investments will have a far-reaching impact on their triple bottom lines – economic, environmental and social.

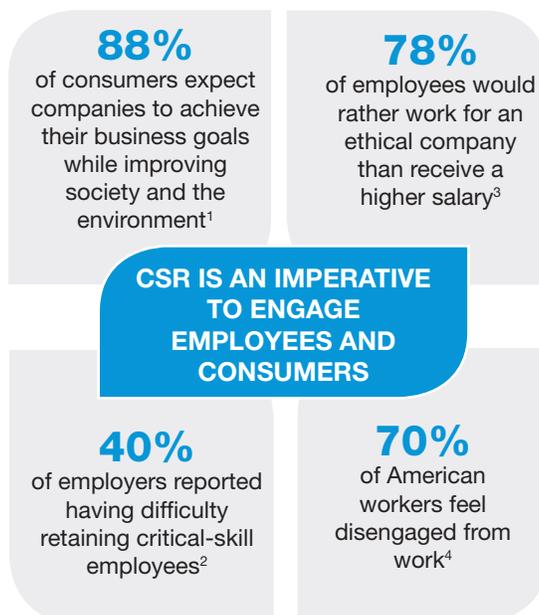
The larger question is, in the face of global competition, how can corporations create social structures that are productive, creative, cooperative and sustainable? Corporations mirror a society where social pressures and incentives shape social good. These pressures guided corporations to create solutions for the good of the community – a set of initiatives commonly put under Corporate Social Responsibility (CSR). It expands the realm of corporations from competition to include exchange of goodness. These social interactions increase the participation of stakeholders and multiply the direct and indirect forces that propel the growth of corporations.

Similarly, the question arises, who would make corporations accountable? Who would serve as catalysts and sponsors of social good? Impact investors is a broad class of investors who positively promote social responsibility. These savvy investors work alongside the corporations to make Adam Smith’s invisible hands work smoothly through free enterprise, social learning and social incentives.

The CSR Imperative

Millennials are driving corporate managers to bridging the goals of profit maximization and generating social good. Reputation Institute's CSR RepTrak 100 Study found that 73% of consumers desire more long-term CSR from corporations they engage with. Within firms, studies show a crisis in employee satisfaction and retention: Gallup's 'State of the American Workplace' Report showed that 70% workers feel disengaged and Towers Watson's 'Global Workforce' Study found that 32% of businesses experienced higher employee turnover in 2012. Thus, most profit-driven corporations are implementing new CSR strategies to directly address changing trends of consumer brand loyalty and human resources from employee recruiting to employee satisfaction to employee retention tied toward social good.

FIGURE 1: THE CSR IMPERATIVE FOR CORPORATIONS



1. Forbes 2. Towers Watson 3. Deloitte 4. Gallup

CSR Goals

Corporate Social Responsibility (CSR) is the increasing drive of companies to incorporate stakeholder issues related to community concerns into their programs and actions. Currently, the two largest forms of CSR are corporate philanthropy and corporate volunteerism. Corporate philanthropy has been a much more dominant force for many years, but active corporate volunteerism is starting to capture much of the CSR landscape. Often, corporations fight to achieve the delicate balance of building their social good reputation while also maintaining their bottom line focus.

The largest categories of CSR, corporate philanthropy and corporate volunteerism, have substantial effects. Corporate philanthropy seeks to support social causes in communities of interest, while corporate volunteerism seeks to fulfill the social needs of employees while improving the community. Corporate philanthropy now contributes \$15 billion annually to nonprofits throughout the United States. Corporate volunteerism studies show that over 40% of companies do corporate volunteerism and over 28% of employees actively volunteer.

As shown in **Figure 2**, CSR activities cover many areas across a company's sphere of influence. These activities affect not just a company's internal processes, but its effect on its stakeholders and the community as a whole.

A domain where CSR is delivering value is in the "market for social good." In this arena, firms aim to compete for customers, employees, and investors by satisfying an explicit or implicit demand for

FIGURE 2: CSR ACTIVITIES



Source: World Economic Forum

products, services, and practices that address the common good. While many corporations continue to pursue this strategy, there is only anecdotal evidence to support it broadly, and some researchers show that it may in fact destroy economic value. In this context, challenges include the difficulty of discerning whether addressing customers' social values translates into a higher price point or increased volume, and understanding how best to protect a socially responsible brand from imitation by competitors.

Companies promoting CSR should be seen as motivated more by altruism than self-interest. Similarly, firms are judged by the competence and warmth they demonstrate when helping the communities. For example, in a disaster situation, it is preferable for individuals to view the company as a community member, rather than as a provider of goods and services in exchange for benefits. As an example, having executives assist victims personally is viewed far more positively than just donating money. Thus, it is not just the thought that counts, but the way CSR efforts are carried out.

Target CSR Market

American corporations spend over \$25B a year on CSR worldwide. A recent study analyzed the relationships between company size and support for employee volunteering. Survey data from a size-stratified sample of 990 randomly selected businesses indicates that large companies support employee volunteerism in a more formalized and strategic manner than small companies. This behavior includes having formal policies and programs, as well as exercising greater influence over the causes that benefit from employee volunteering. Additionally, large companies are more likely to tie other forms of charitable support to employee volunteering. Larger companies tend to be more proactive and structured in their CSR programs. This trend may be due to greatly increased benefits with relatively low incremental costs to implement strong CSR programs as they gain substantial brand awareness and better manage their employees while supporting causes they care about.¹

Another study found that positive impacts of CSR are more pronounced for firms that are highly sensitive to consumer perception, where individual consumers are the predominant customers. This is due to the increased consumer brand loyalty that results from CSR. The study also demonstrated a positive relationship between contributions and customer satisfaction.²

Research shows that both large corporations and those that are consumer facing tend to be most active in and benefit most from CSR. Our research analyzed Fortune 200 companies across industries to see the current prevalence of corporate volunteerism and philanthropy.

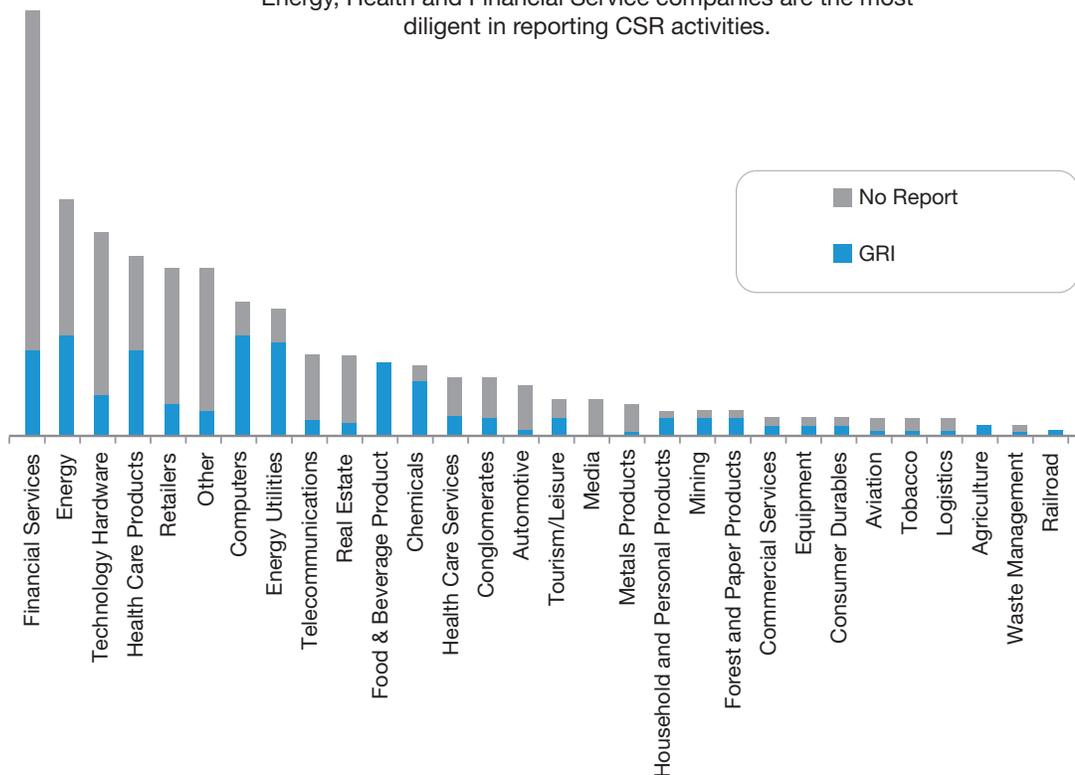
Industry Analysis

The target market for CSR initiatives includes large corporations, typically Fortune 1000 companies, as well as business-consumer facing firms. This aligns with the fact that the appeal of CSR is primarily directed to millennial consumers with sensitive, changing product preferences.

It is interesting to note that the top performing industries in the CSR space are the commercial banks and pharmaceutical companies. This may be due to the fact that commercial banks deal with loans and individuals' personal financial matters, which require a caring customer service mindset in order to differentiate. Similarly the pharmaceutical companies must "do good while doing well," which

FIGURE 3: CSR by S&P 500 COMPANIES

Energy, Health and Financial Service companies are the most diligent in reporting CSR activities.



prompts them to overcompensate for their high margins on medical need products. Both personal finance and medical products are areas sensitive to consumers, where companies that seem to care are leaps ahead in the race to profits.

As shown, (see **Figure 3**), all but a few industries spanning the S&P 500 index have at least 1 company in the Global Reporting initiative. Other companies which have not committed to this framework are still motivated to engage in CSR for other reasons described earlier. This is especially true in certain industries that have endured public controversy, such as financial services, energy, and food and beverage products.

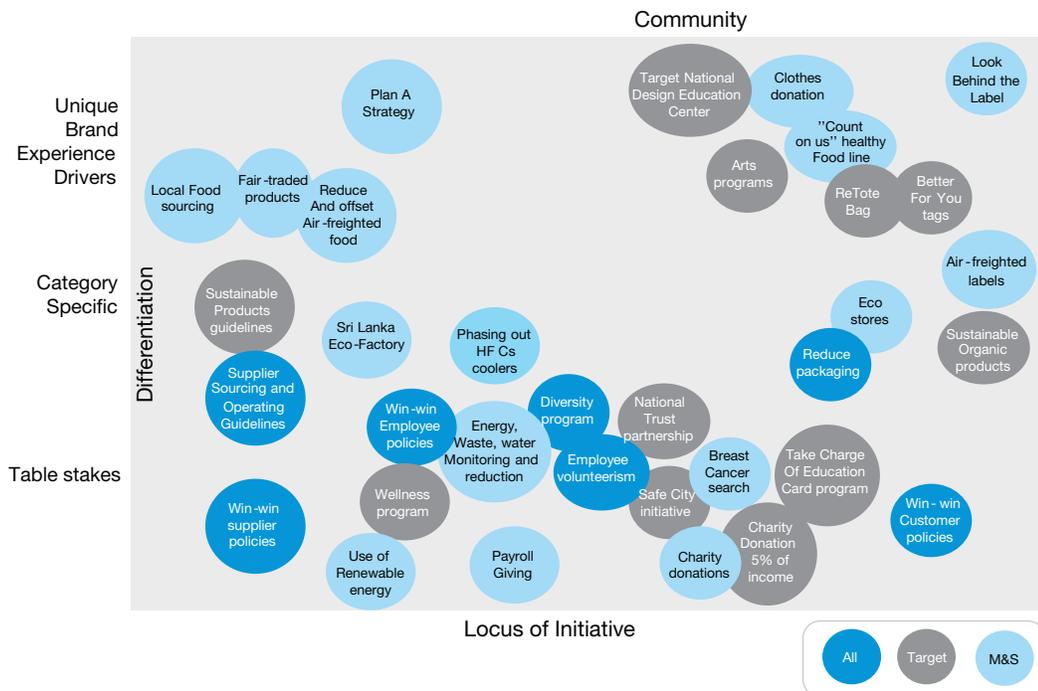
The Global Reporting Initiative (GRI) drives sustainability reporting by all organizations. GRI produces a comprehensive Sustainability Reporting Framework that is widely used around the world, to enable greater organizational transparency.

This framework sets out the principles and standards organizations can use to report their economic, environmental, and social performance and impacts. It may be more insightful to compare companies within the same industries such as Retail.

As shown, (**Figure 4** below) there are many different ways for corporations to engage in CSR. They can engage suppliers, employees, the community, customers, or combinations thereof, and can differentiate their activities within these groups as well. These bubbles represent actual examples of CSR initiatives utilized by three major retailers: Best Buy, Target, and M & S.

Interviews with corporate executives showed that companies use CSR to address both sustainability and social impact goals. Their activities can affect areas all across their business models, from company infrastructure, value chains, and even business models. While pursuing these

FIGURE 4: CSR ACTIVITIES – RETAIL INDUSTRY EXAMPLE



Source: Adapted from Fruitful Strategy Inc.

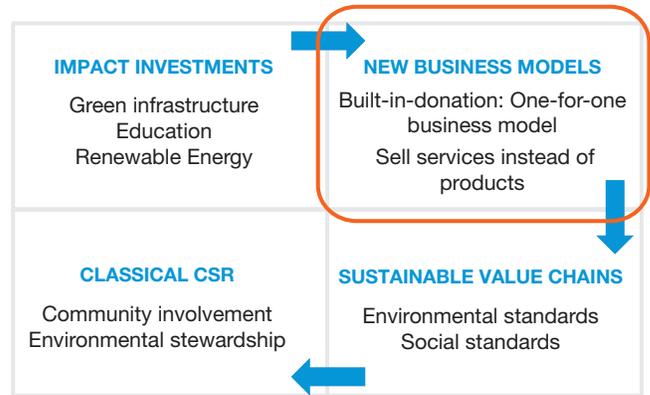
goals, companies are incentivized to maximize their social and environmental return on investment through their financial and logistical commitments to CSR.

Corporate social interventions take many forms and span across industries, public sector areas, and activities. This gives corporations the ability to tailor their CSR activities to their core competencies and areas of professional and/or personal interest.

In analyzing the financial considerations of CSR, it is useful to denote shifts in thinking from more conventional mindsets to new ones that value CSR not just as an ethical

FIGURE 5: CORPORATE CSR OBJECTIVES

Corporations seek to achieve multiply their returns on CSR - financial and social



Source: Cisco Systems Inc.

FIGURE 6: TYPES OF CORPORATE SOCIAL INTERVENTIONS

	Knowledge development	Service / product development and delivery	Capacity enhancement and skills development	Capacity enhancement and skills development Behavior change programs	Enabling systems and infrastructure development	Policy development and implementation
DESCRIPTION	Discovering, developing, interpreting or sharing knowledge to solve existing or expected problems	Providing goods and services to fulfill unmet needs of constituents	Helping organizations or individuals strengthen their capabilities	Sharing information and providing motivation to assist individuals to change their behavior for positive social benefits	Establishing systems and infrastructure that facilitate social change Promoting or resisting a change in government, multi-lateral, or corporate policy	Promoting or resisting a change in government, multi-lateral, or corporate policy
EXAMPLES	Medical research Policy research Traditional wisdom	Soup kitchens Performing arts Anti-malaria bed nets Hybrid seeds	Vocational training Technical assistance	Seatbelt campaigns Drunk-driving awareness Handwashing	Networking opportunities Convenings Definition of common standards IT systems	Grassroots campaigns Lobbying Litigation

Source: McKinsey & Co

An important factor in this shift comes from a more long-term view that acknowledges the role of sustainability considerations and CSR in helping ensure long-term profitability.

consideration, but as a set of decisions beneficial to the whole business model. An important factor in this shift comes from a more long-term view that acknowledges the role of sustainability considerations and CSR in helping ensure long-term profitability. The framework has also become less rigid and theoretical, and more nuanced and practical.

These proposed changes to corporate mindsets related to CSR have to do with the relationship between corporations and their investors. Prevailing mindsets that investors and capital markets are mostly concerned with only short-term financial returns with CSR as an afterthought should be replaced with those that address the role CSR and sustainability concerns have on company financial performance both in the short and long term.

FIGURE 7: MEASURING SOCIAL OUTCOMES

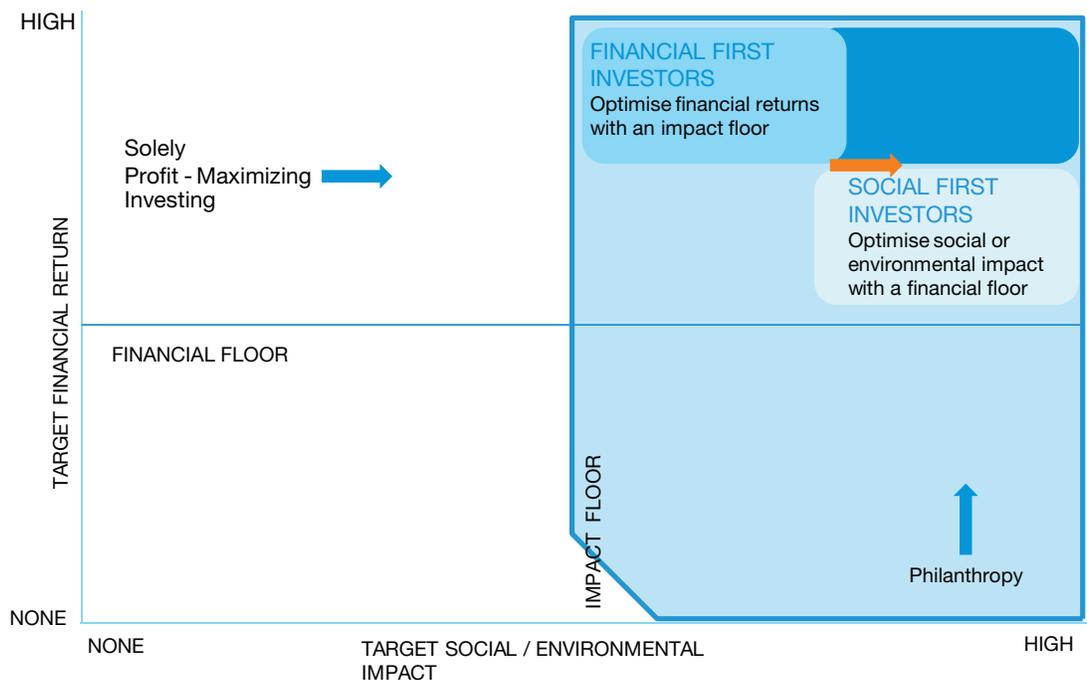
SECTOR	MEASURABLE SOCIAL OR ENVIRONMENTAL OUTCOMES ILLUSTRATIVE EXAMPLES
FINANCIAL SERVICES	Number of micro-insurance products sold to people with AIDS and infected with HIV
AGRICULTURE	Increase in productivity or crop yield as a result of improved technology or training
ENERGY	Number of individuals at the base-of-the-pyramid who gain access to electricity
ENVIRONMENT	Tons of CO2 equivalent offset as a result of organization's product or service
EDUCATION	Participation rates of girls in secondary education in sub-Saharan Africa
HEALTH	Readmission rate of diabetes patients using innovative product for monitoring health
HOUSING	Reduction in the rate of homelessness among major US cities
WATER	Number of individuals at the base-of-the pyramid who gain access to clean water

Source: World Economic Forum

World Economic Forum reports that Corporations use multiple measures to evaluate the impact of their CSR efforts around the world.

There are several key barriers to impact investing. These mainly stem from the lack of thorough and accurate understanding of the quantifiable financial effects of SG for companies. Most investors may be more concerned with maximizing financial returns, and SG is considered by some to interfere with that goal, even if primarily in the short term. Committed impact investors are looking to address these issues.

FIGURE 8: IMPACT INVESTMENT MODEL



Impact Investors target both financial and social returns

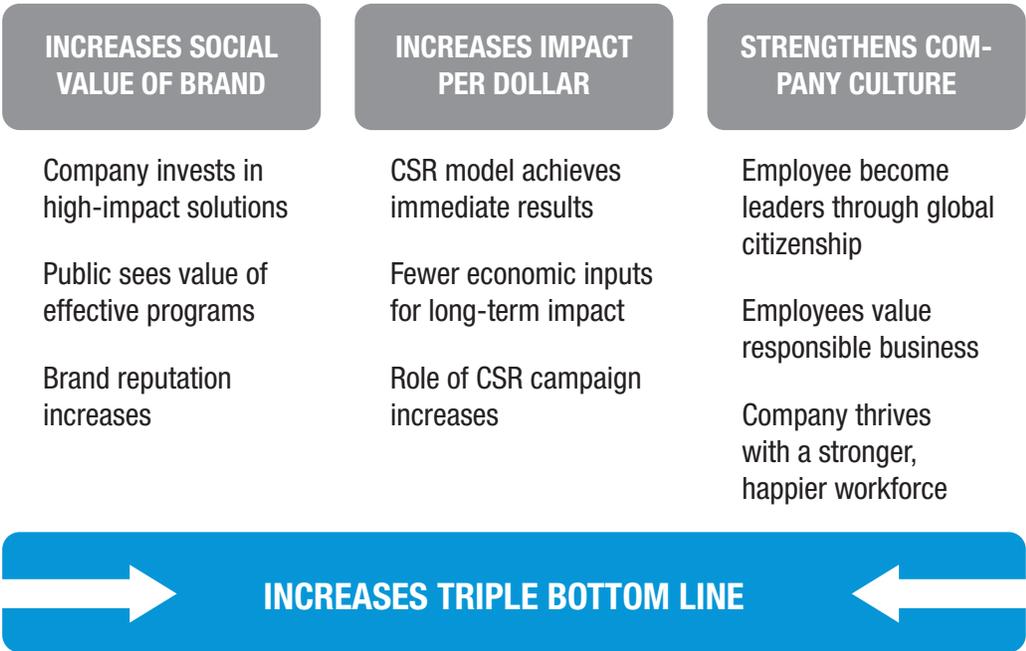
Source: Monitor & Co.

As depicted, the vehicles used by impact investors vary across opportunities that help ensure a social return on investment, as well as a financial one. There is a shift away from large, publicly-traded companies to private companies through the four left-most vehicles. Private companies, which are less answerable to shareholders, may have more freedom to pursue social impact as part of their core value proposition. Thus, impact investors are incentivized to target those that provide the best triple bottom line.

When prioritizing both financial returns and social and/or environmental returns, impact investors may prioritize one factor or the other by maximizing that factor while setting a minimum constraint for the other. Figure 8 depicts the two possible scenarios for this: first, impact investors can set a minimum social impact threshold and maximize financial returns therein, and second, they can set a minimum financial threshold and maximize social and/or environmental

returns. This process is made easier with clear standards for the social and/or environmental returns of a given company or portfolio targeted by such an investor – the standards for social and environmental impact vary across industries and areas of concentration. Thus, it is up to the impact investor to measure these factors in ways that are both easily understood and compelling.

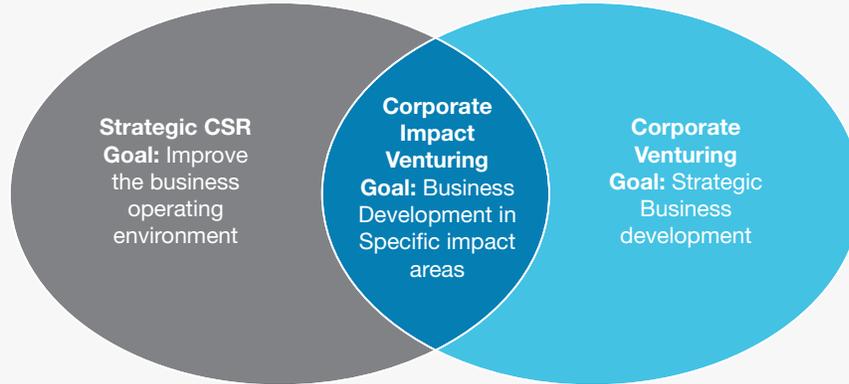
FIGURE 9: CORPORATE IMPACT INVESTMENT MODEL 1



Source: Adapted from Target, Inc.

Investments in CSR initiatives can have several different benefits for companies that improve the triple bottom line. These include increased employee satisfaction and retention, increased positive social branding, and increased impact per dollar invested.

FIGURE 10: CORPORATE IMPACT INVESTMENT MODEL 2



Source: Cisco & Co.

As shown in the above diagram, CSR goals can be closely aligned strategically with business development goals for a corporation. Identifying the overlap in such goals will help companies to use CSR to benefit their strategic business development goals and vice versa.

Corporate Philanthropy & Volunteerism Programs

When analyzing the potential of corporate giving and volunteer programs, it is important to note both the various types as well as the benefits of these programs to corporate bottom lines. There is no general standard for employee giving programs, but companies typically offer at least one of the following:

- Matching gifts – Grants in which companies match donations made by employees
- Volunteer grants – Grants which companies provide to nonprofits as a way to recognize employees who volunteer with those organizations
- No strings attached annual grant stipends – A set dollar amount which every employee is able to allocate to a nonprofit of their choosing

- Matches for fundraising walks, runs, etc. – Similar to matching gifts but allow employees to raise money from friends and family which is then matched by their employer

Today, corporate volunteerism accounts for a very small percentage of the 10 billion volunteer hours contributed annually by the 65 million Americans who volunteer in their communities. A recent study of employee giving programs shows that 65% of Fortune 500 companies offer matching gift programs and 40% offer volunteer grant programs.

Corporate Volunteer Programs tended to be much more qualitative in the past, and were primarily concerned with event planning. Now, these programs have become much more formalized and structured with companies like Soceana seeking to be the one-stop-shop software as a service platform for corporate volunteerism. This program enables personalized matching of employees to volunteer roles, data metrics and analytics for 10Ks, Annual Reports, and Sustainability Reports of logged and tracked volunteer hours, and an engagement platform with employee-led event planning to build a social good community.

While pharmaceutical companies and commercial banks tend to be the most actively involved in corporate social responsibility initiatives, there are 5 key reasons why all companies, especially large B-C corporations, should be driven toward CSR to better their bottom line and long-term success: 1) Company reputation, 2) Employee-recruiting, 3) Employee and consumer satisfaction, 4) Employee retention, and 5) Increased sales.

Reputational Benefits

Consumer-brand loyalty is an increasingly important area of focus for companies. Research demonstrates that corporate philanthropy can generate positive moral capital among communities and stakeholders. This moral capital can provide shareholders with insurance-like protection for a firm's relationship-based intangible assets, and this protection contributes to shareholder wealth.³ Additionally, research shows that a citizenship portfolio helps a company build reputational capital, and thus enhances its ability to negotiate more attractive contracts with suppliers and governments, to charge premium prices for its products, and to reduce its cost of capital. Citizenship programs also mitigate risk of reputational losses that can result from alienating key stakeholders.⁴

Within the healthcare arena, a study showed that if drug stores focus more on strategic philanthropy, customers will be more socially connected with and loyal to the store. The results also show that the impact of

strategic philanthropy on customer loyalty is modulated by customer demographics and context factors such as cause significance and customer experience quality.⁵ It costs more to gain a new customer than to keep an existing customer, so loyalty is one of the easier ways to grow revenue. Loyal customers also serve as a volunteer army of word-of-mouth advocates. Goldman Sachs referenced studies which show that consumers identify "being socially responsible" as the most likely factor influencing brand loyalty at 35%, compared with lower price (20%), easily available products (20%), product prestige (3%), company shares your values (14%) and quality (6%).

CSR programs are becoming more open and streamlined with companies like Soceana seeking to create communities of corporations, volunteers, philanthropists and nonprofits.

FIGURE 11: CSR BENEFITS TO CORPORATIONS

Better Talent Acquisition	Improved Employee Satisfaction	Enhanced Corporate Reputation	Better Consumer Loyalty	Higher Return on CSR
Offer more fulfilling careers	Increase Employee Retention	Publicize Social Good Track Record	Increase Consumer Engagement	Increase Sales and Employee Productivity

Source: SOCEANA

Investments in CSR initiatives can have several different benefits for companies that improve the triple bottom line. These include increased employee satisfaction and retention, increased positive social branding, and increased impact per dollar invested.

Recruiting Benefits

Research conducted by Cone Millennial Cause group found that 80% of a sample of 1,800 13-25 year olds wanted to work for a company that cares about how it impacts and contributes to society.⁶ The Millennial Generation, which will comprise over 50% of the workforce by 2020, are driven toward both brands and

employers that are socially responsible. In a survey by the nonprofit Net Impact, 72% of students about to enter the workforce said that “a job where I can make an impact” was important to their happiness; most would even take a pay cut to achieve that goal.⁷ Companies must align their recruiting strategies and CSR goals in order to attract and retain top talent.

Employee Satisfaction Benefits

CSR initiatives are crucial to employee satisfaction, as well. A study of 3,658 employees who volunteers demonstrated how Employer-Supported Volunteer (ESV) benefits are positively related to hours volunteered by the employee. Volunteer hours predict employee perceptions of skill acquisition, and such perceptions are positively related to perceptions of job success and employer recognition.⁸ Since employees prefer to work for companies that demonstrate community involvement, volunteer programs help recruit and retain highly qualified employees.

Volunteer programs are also an effective means for developing and improving job related skills. Among the numerous skills enhanced through volunteer programs are written and verbal communication skills, time-management, negotiations, teamwork skills, budgeting and planning, and people management. Additionally, a survey of 156 companies found that employee morale was up to three times higher in companies that were actively involved in volunteer programs.⁹ A natural benefit of increased employee satisfaction is employee productivity.

Maslow’s hierarchy of needs, which focuses on the stages of growth in humans, demonstrates that individuals must achieve first physiological needs, then safety, then belongingness and love, then esteem, and finally self-actualization and self-transcendence needs. These various stages show the typical pattern that human motivations generally move through, and hybrid organizations tend to target each of these areas individually. Through providing stability and the necessary fiscal means, as well as creating bonds and similarly-driven individuals in the company, socially-responsible firms create a culture of openness and friendship, and employees are finally able to be creative in the company approaches to important societal and environmental issues. They are also able to trust that they are positively making a difference through their role in pursuing the ideals set forth by the company.

Employee Retention Benefits

Another benefit of CSR initiatives is that of increased employee retention. Retaining critical skill employees seems to be a growing concern of employers, so building a tight-knit office community is essential. Research showed mediated effects that suggested employees' attitude towards the volunteerism program ultimately predicted outcomes (e.g., intentions to stay) through its effect on organizational identification.¹⁰ A positive impact on the bottom line comes from lower employee turnover as total costs from turnover can range from 90-200% of an employee's annual salary. Companies want a unified, passionate workforce. GE found that its Ecomagination initiative had a positive and unintended side effect; employees became more energized and broke down silo barriers to help contribute to the cause. According to Kellie McElhaney in *Just Good Business*, "GE's CSR program turned out to be one of the highest-impact internal unification strategies that the company has ever implemented." Building a corporate culture rooted in social good lends a hand to building a team made to last.

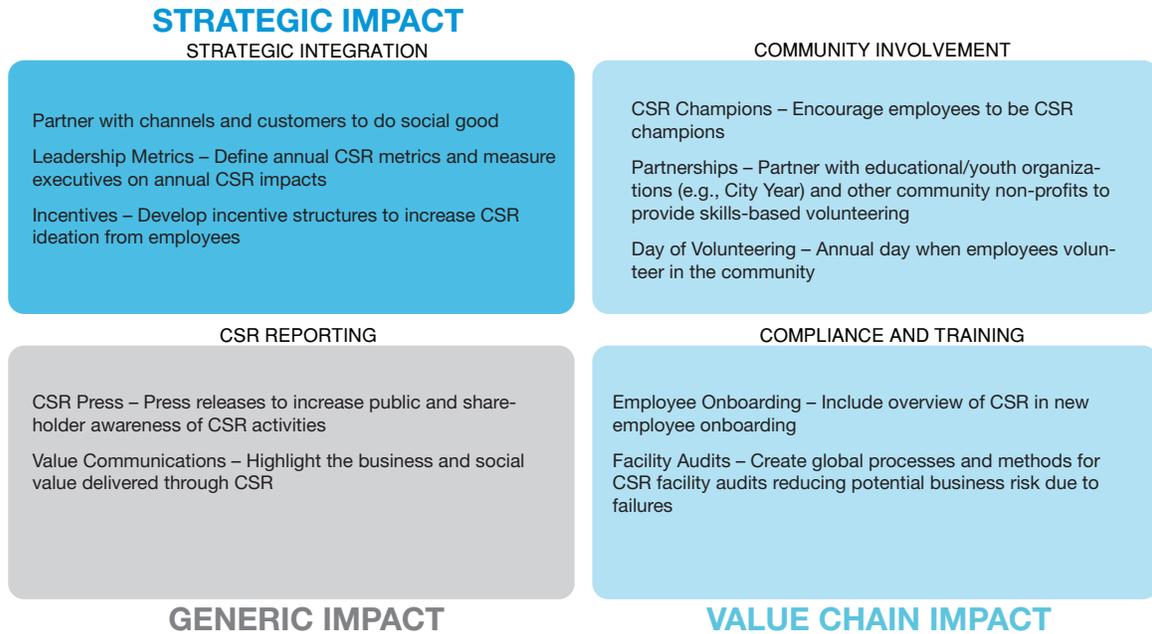
Direct Economic Benefits

Finally, CSR initiatives directly impact company bottom lines with both positive consumer perceptions and increased sales. A study examined the impact of corporate philanthropy growth on sales growth using a large sample of charitable contributions made by U.S. public companies from 1989 through 2000. Applying Granger causality tests, researchers found that charitable contributions are significantly associated with future revenue, whereas the association between revenue and future contributions is marginally significant at best.¹¹ Additionally, another example of a bottom line benefit associated with volunteer programs is provided by a survey in-

volving 188 companies in which a strong connection was observed between volunteer programs and both return on assets and return on investments.¹² Interestingly, an experiment was also done to examine the influence of corporate social responsibility and price on consumer responses. Scenarios were created to manipulate corporate social responsibility and price across two domains (environment and philanthropy). Results from a national sample of adults indicate that corporate social responsibility in both domains had a positive impact on evaluation of the company and purchase intent. Furthermore, in the environmental domain corporate social responsibility affected purchase intent more strongly than did price.¹³ Thus, CSR is such a powerful tool, if used correctly, to sway consumer-purchasing decisions and positively impact company bottom lines.



FIGURE 12: STRATEGIC CSR OPPORTUNITIES



Source: Adapted from Strategy & Society, Michael E. Porter and Mark R. Kramer, HBR, December 2006

In their Harvard Business Review article, Porter and Kramer applied the competitive advantage framework to enable corporations generate social good. See **Figure 12**. They urged corporations to develop CSR activities that deliver social impact and long-term value for shareholders.¹⁴

Strategic CSR Perspectives

Today, with the omnipresence of social media and mobility into the forefront of all realms of individuals’ lives, transparency is increasing; awareness of both societal issues and companies addressing these needs is growing. Where programs exist, they frequently are neither tracked nor evaluated, suggesting that companies are not using these programs as strategically as they might.¹⁵ Research shows it is important to distinguish among ethical, altruistic and strategic forms of CSR. On the basis of a thorough examination of the arguments for and against altruistic CSR, the study concurs with Milton Friedman that altruistic CSR is not a legitimate role of business. It also proposes that ethical CSR, grounded in the concept of ethical duties and responsibilities, is mandatory. Finally, it concludes that strategic CSR is good for business and society and advises that market-

ing take a lead role in strategic CSR activities.¹⁶ Today, companies are implementing more strategic marketing through consumer-facing philanthropy. For example, Amazon smiles leads to better consumer exposure - Amazon donates 0.5% of the price of the consumer’s eligible AmazonSmile purchases to the charitable organization of their choice, reminding them of their proactive social responsibility on a regular basis. Companies are also starting to better align their core competencies and CSR initiatives to explore which social impact initiatives lead to the highest brand loyalty. Drawing on social identity theory, one study tested willingness to purchase sponsoring firms’ products and the relation to consumers’ identification with a Non-Profit Organization (NPO). The results found a positive relationship between consumers’ identification with an NPO and their intentions to purchase sponsors’ products.¹⁷

Corporate Philanthropy versus Corporate Volunteerism

In addition to strategic marketing and mission-alignment, it is also important to direct energy to specific areas within CSR. As referenced previously, corporate philanthropy has been a more structured process for a much longer time than corporate volunteerism. However, corporate volunteerism seems to be rising steadily as an effective way to really integrate the corporate social responsibility department with human resources and public relations departments. One survey supported this by demonstrating that over three times as many individuals view “volunteering with help of employees” as a more impressive means of showing support for the community than “giving a large sum of money.” While the public generally dismisses corporate contributions as a tax advantage for the company or an attempt to draw attention to the company, the public is less likely to view the donation of corporate time and talent as self-serving. Thus, a long-lasting community volunteer program is more likely to improve the image of the corporation than financial contributions.¹⁸ Corporate volunteerism is also a much more cost-effective manner of generating positive public perception, as impact is measured by utilizing employee time rather than fiscal resources. This feature of corporate volunteerism not only enables fiscal savings, but also a more proactive public view. Additional research also identified five strategy dimensions to assess the value created for the firm by CSR programs: centrality, specificity, proactivity, voluntarism and visibility.¹⁹

CSR should be used as a strategic lens in all investments, just like an investment in the future, e.g. quality improvement. It is a protected pool of capital that generates social good while also mitigating legal and reputational risks. Both corporate philanthropy and corporate volunteerism have strong benefits for large business–consumer corporations within all industries. These range from better public perception and reputation to improved corporate culture and positive bottom line impact.

Corporate volunteerism would continue to grow as corporations leverage social media to increase collaboration across CSR, HR and marketing departments.



Epilogue

Adam Smith acknowledged that it is the social fabric that guides the invisible hand of economics. He argued that it was human nature to exchange not only goods, but also ideas, assistance and favors...out of sympathy. Without the obligations and strong social ties, capitalism turns rapacious and politics prevails. This realization guided corporations to create solutions for the good of the community – a set of initiatives commonly referred to as CSR. Corporations mirror a society where social pressures make us all good citizens and good human beings.

Corporations are traders of ideas and social favors, and are not simply the competitors for goods that traditional economic thinking would make them. Employees bring to work a network of trusted relationships and favor those ties over others in their social lives. Corporations should help expand these networks of trust. In sustainable societies, idea flows create culture, support productivity and allow for creative output. Corporations should promote volunteerism and philanthropy that reinforces the social fabric.

Corporate strategies should go beyond winning over competition to include social status, social pressures, and exchange of ideas and favors. Only when these social forces interact with competitive forces can we create a stable workforce and a sustainable society. Financial and social incentives underpin the pattern of social interactions and exchanges. Together they make Adam Smith's invisible hands work smoothly, and create a smart, sustainable world.



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Corporations: The Visible Hands of the Market for Social Good



Tess Michaels is the founder of Soceana, a software company that enables corporations to multiply the impact of their investments in corporate social responsibility.

Tess is a social good advocate and an active Red Cross volunteer. She is a member of the Class of 2015 at University of Pennsylvania who has served in leadership positions in Penn Student Government, Biotechnology Society and Wharton Finance Club. She has published her award-winning research on Epigenetics of Aging.

Tess has a patent-pending for a Currency for Social Good, a novel business method that reinforces Soceana's value proposition.