

CSR Today

Rhetoric: *73% of executives say corporate citizenship needs to be a priority for companies*

Reality: 60% report corporate citizenship is part of their business strategy

Reality: 39% report corporate citizenship is part of their business planning process

Reality: 28% of companies have written corporate citizenship policies or statements

Who Are the Respondents?

A total of 751 executives participated in this national survey:

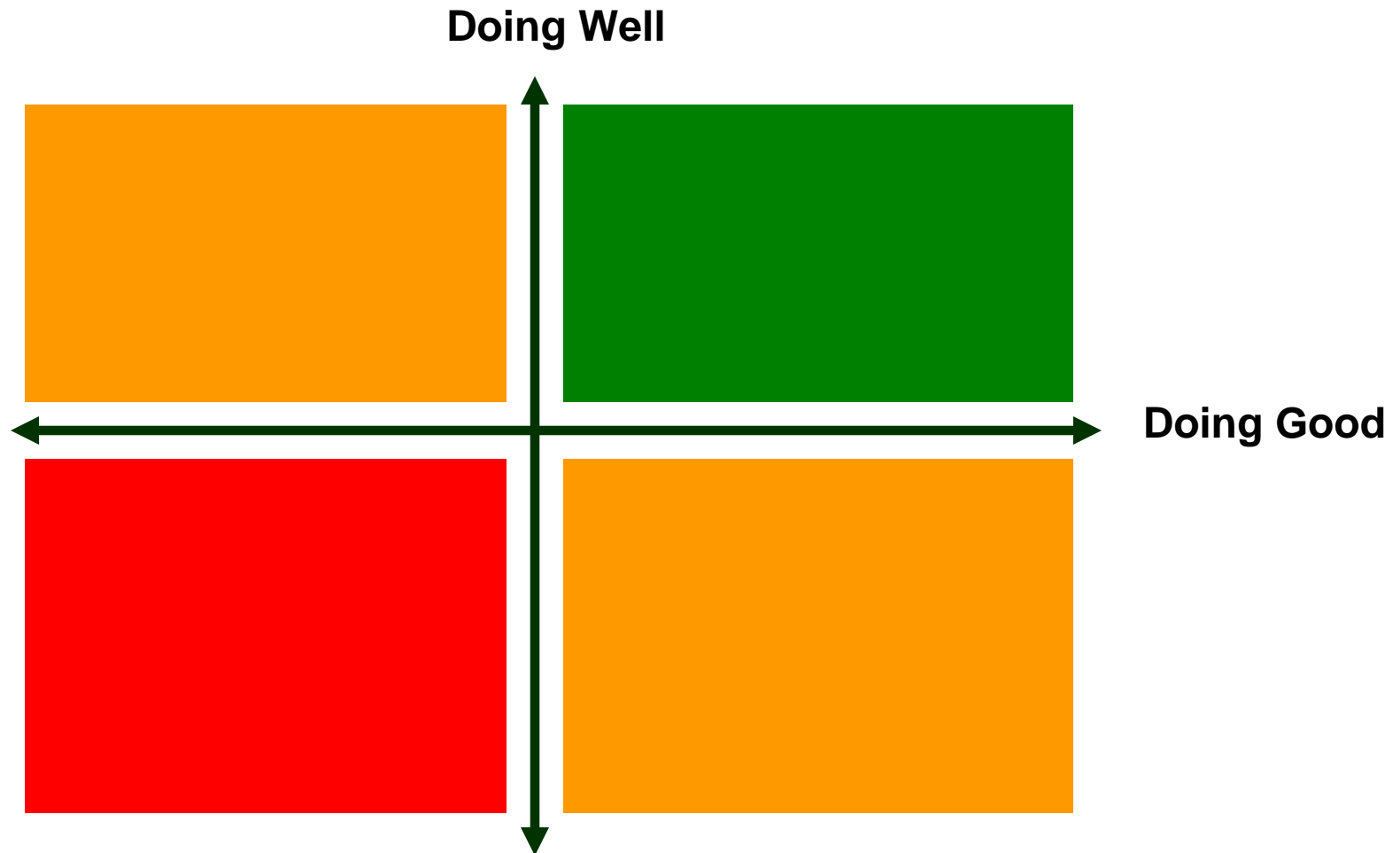
- 53% were CEOs/Presidents
- 34% were Vice-Presidents
- 10% were Directors
- 3% were Senior Executives

To qualify for the survey, respondents had to meet the following criteria:

- Be at VP level and up for small/medium firms or Director level and up for large firms
- Be familiar with their company's corporate citizenship activities



CSR Challenge Today: Doing Well *by* Doing Good



Our Commitment

Social Responsibility
We are actively committed only to the welfare of our customers, their communities and the environment.

- Live, Learn and Thrive Improves Life for 50 Million Children Around the World Every Year
- Grant Application Guidelines

See the Video

PSG supports nonprofit organizations through grants.

Sustainability Product Safety Environmental Responsibility Social Responsibility

Caring for Our Communities Your Privacy Corporate Governance



DOING WELL BY DOING GOOD

STAKEHOLDER REACTIONS TO CORPORATE SOCIAL RESPONSIBILITY



Sankar Sen

Baruch College/CUNY



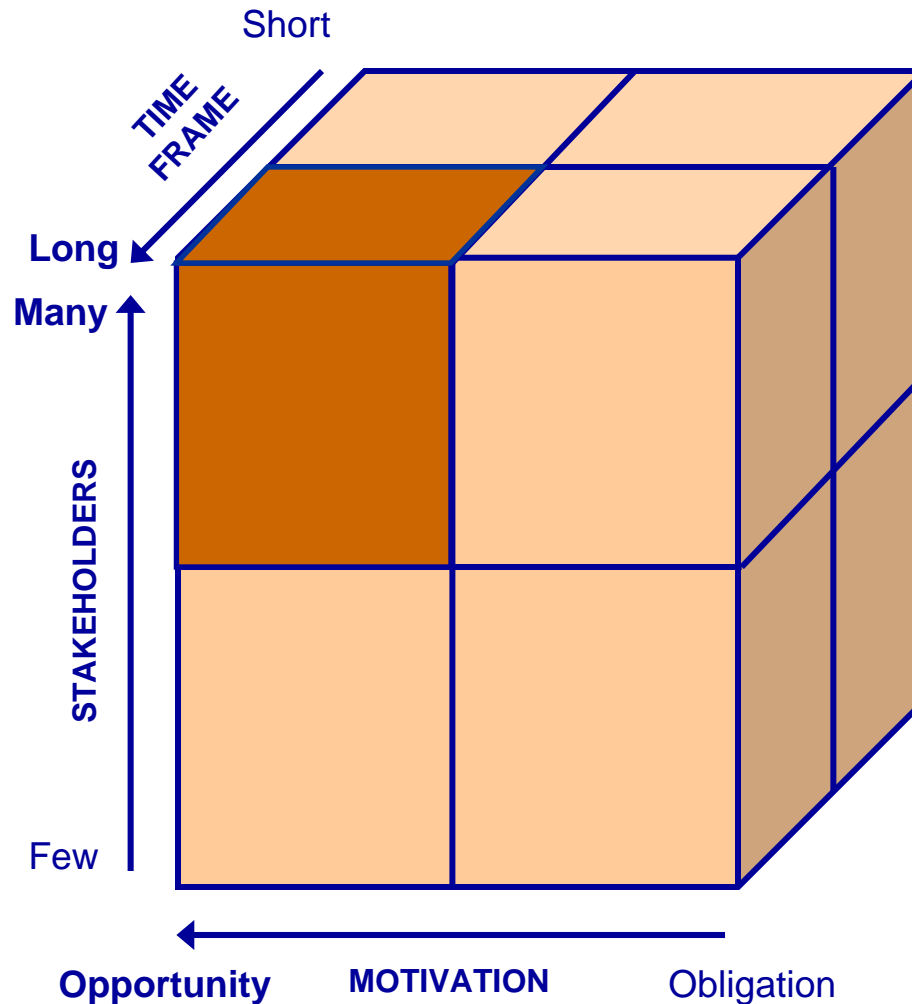
Louvain School of Management

April 16, 2009

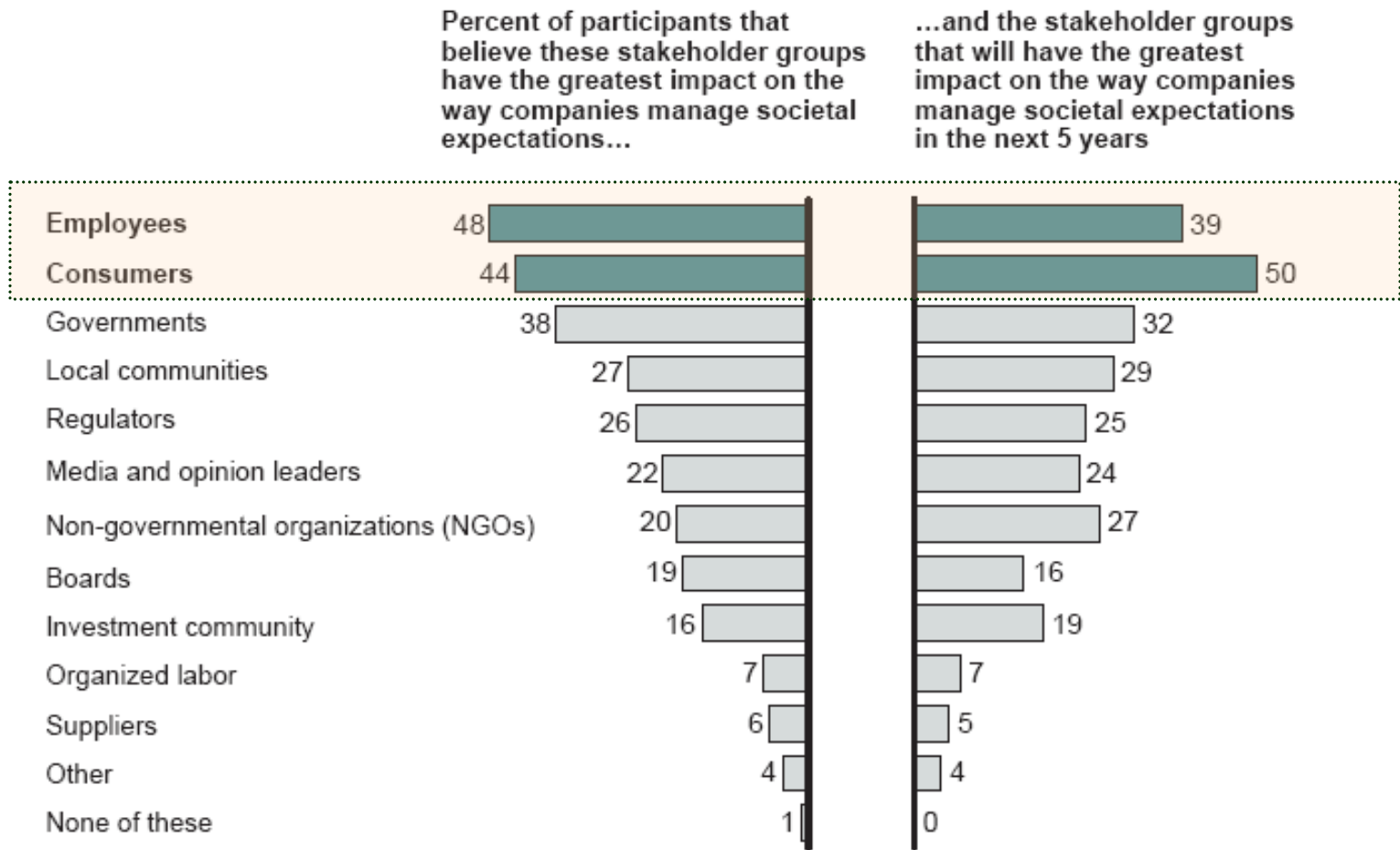


OVERVIEW

CSR Thinking Has Evolved in Three Ways



Stakeholders: Many and of Varying Importance



Source: Feb 2007 McKinsey survey of 391 UN Global Compact participant CEOs

Polls: CSR Matters to Stakeholders

Purchase

87%

are likely to switch from one product to another (price and quality being equal) if the other product is associated with a good cause, an increase from 66% since 1993

75%

of men say they consider a company's commitment to social issues when deciding what to buy or where to shop in 2007, compared to 58% in 2004

84%

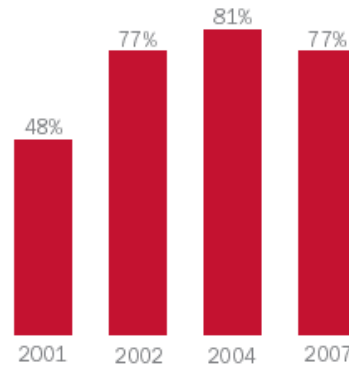
of women agreed with this statement in 2007, compared to 68% in 2004

Cone 2007

Employment

Americans continue to consider a company's commitment to social issues when making the following decisions:

Where to work
LONGITUDINAL INCREASE 60%

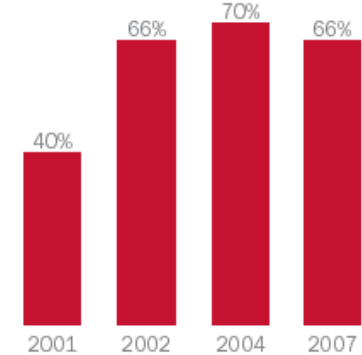


Cone 2007

Investment

Americans continue to consider a company's commitment to social issues when making the following decisions:

Which stocks or mutual funds to invest in
LONGITUDINAL INCREASE 65%



Cone 2007

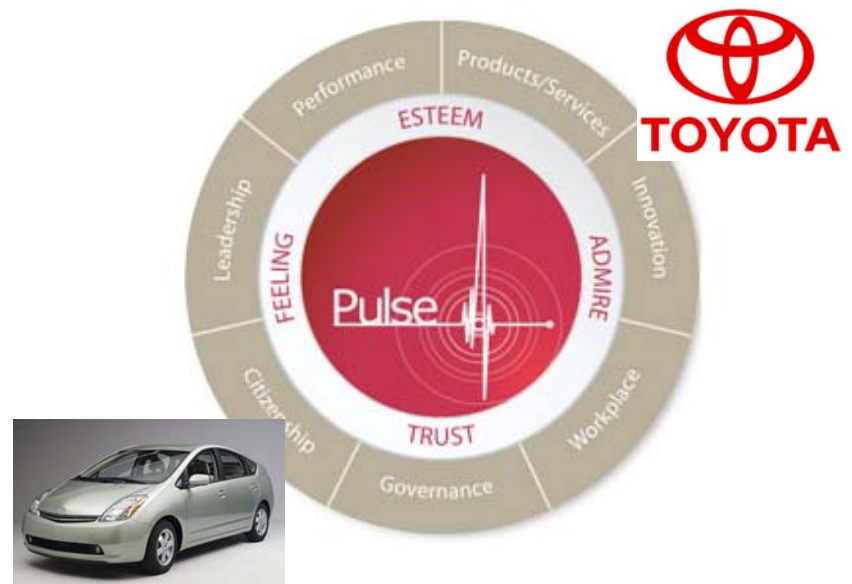
CSR Key Determinant of Reputation

- 60-70% of corporate value tied to intangibles like reputation
- Reptrak 07: CSR second biggest determinant of reputation
- CSR tied to positive company evaluations
 - Serves as “insurance” in crises

92%

have a more positive image of a company that supports a cause they care about

Cone 2007



Link to Corporate Financial Performance?

- Researchers have tried to understand the CSR-CFP link for 35 years
 - *Accounting based*: Return on Assets, Return on Equity
 - *Financial value*: stock returns, market/book value ratio
- Meta-analysis of 167 studies shows that the link is positive but
 - rather weak
 - Mean correlation = .13; Median correlation = .08
 - of unclear causality
 - CFP → CSR stronger than CSR → CFP

Margolis, Elfenbein & Walsh 2008

A Common Sentiment in Our Research

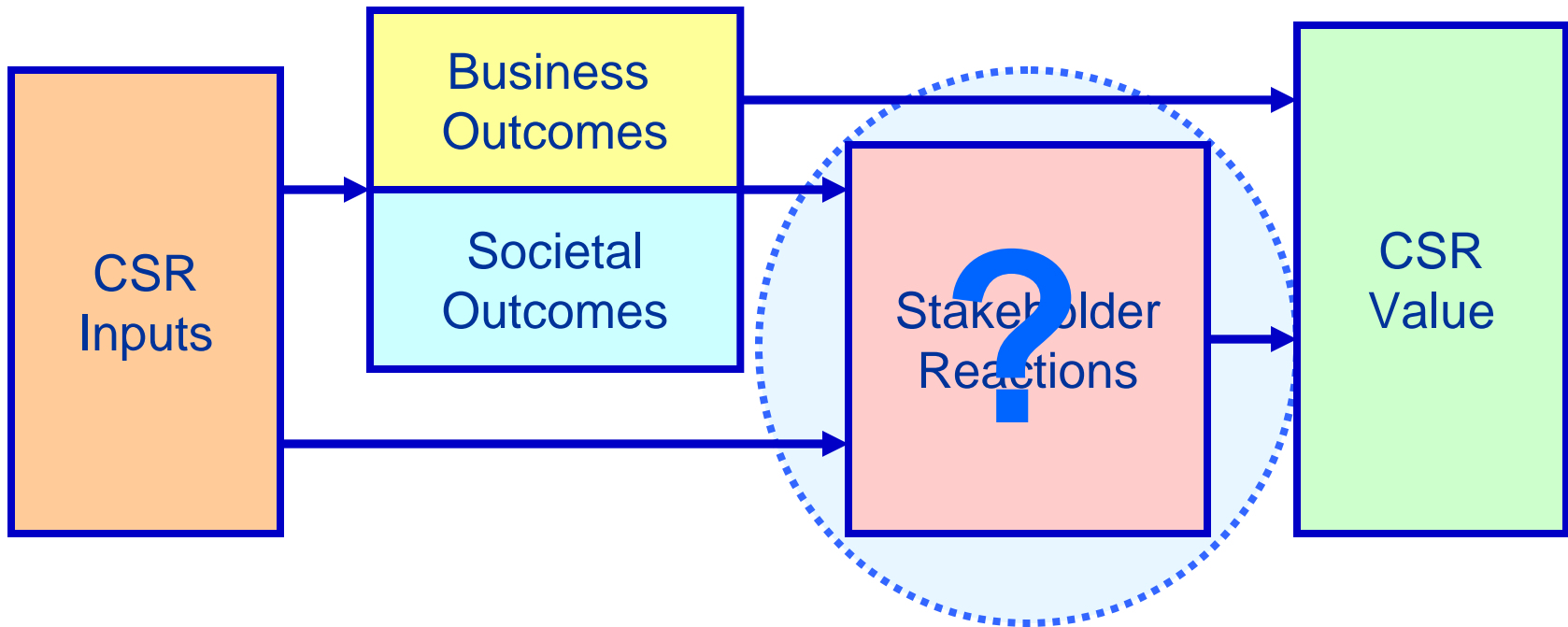
“It’s great to be socially conscious, but I have a life too, and I have a house, and I have to paint it, and I have to keep my bathroom clean...so I don’t really care if Q-Tips gave a million dollars to Alzheimer’s... I just need Q-Tips. So it’s all well and good, but you’re a mother with three kids and a full-time job, what do you care? You’re like milk, orange juice, all right, pick the kids up, or whatever...”



Linda A., 29, Boston

Focus Group Participant

Two Routes to CSR Value



Perception = Reality

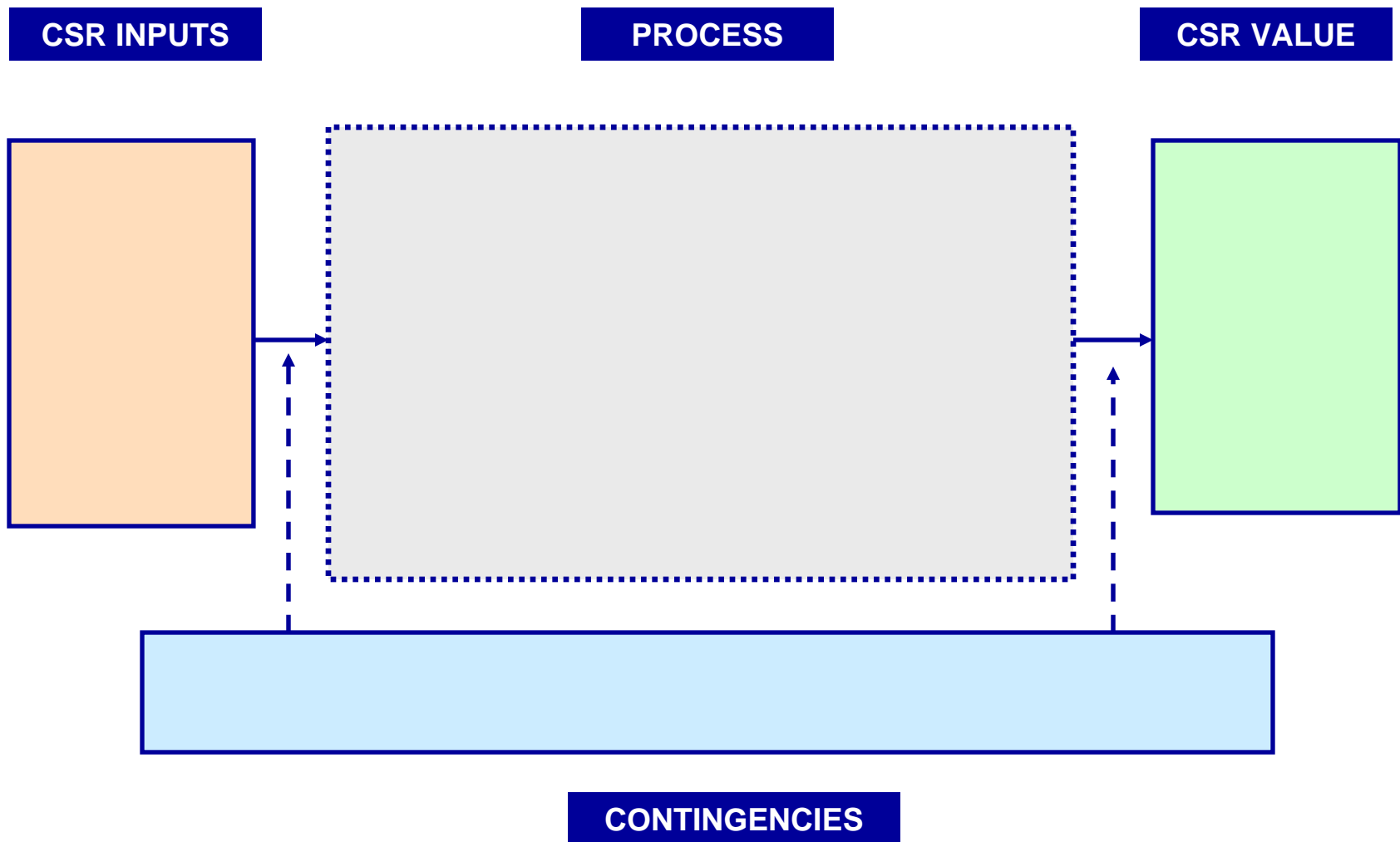
Most Green Brands*	Reason**	Least Green Brands*	Reason**
1. Toyota	Hybrid cars	1. Exxon Mobil	Pollution and profits
2. Honda	Fuel efficient cars	2. Hummer	Gas guzzler
3. Whole Food	Organic foods	3. Ford	SUVs and trucks
4. General Electric	Alternative/renewable energy	4. General Motors	SUVs and trucks/low gas mileage
5. Trader Joes	Organic foods	5. British Airways	Lack of concern for environment
6. Beyond Petroleum	Green advertising	6. McDonalds	Waste
7. Ben & Jerry	Environmentally conscious stance	7. Wal-Mart	Low prices, high pollution
8. Body Shop	No animal testing	8. Shell	Pollution
9. Energy Star	Energy efficiency	9. Nike	Exploitative labor practices
10. Timberland	Recycling	10. Apple	General
11. 7th Generation	Environmentally friendly products	11. General Electric	Pollution
12. Hewlett Packard	Recycling of Their products	12. Nintendo	Scored lowest by Greenpeace
13. Apple	Miscellaneous	13. Range Rover	Gas guzzler
14. Google	Miscellaneous	14. Chevrolet	SUVs and trucks
15. IKEA	Miscellaneous	15. BP	Pollution

*as perceived by Gen Y

**most frequently cited reason

Bentley Green study 2008

Understanding Stakeholder Reactions to CSR



Research Insights Into Stakeholder Reactions

Exploratory

Depth Interviews

Focus Groups

Descriptive

Surveys

Causal

Experiments



CSR Can Produce Deep, Lasting Relationships

“Talk about **Patagonia** - people would just leave the magazines at my door, leave an article about the company - it’s really supposed to be great”

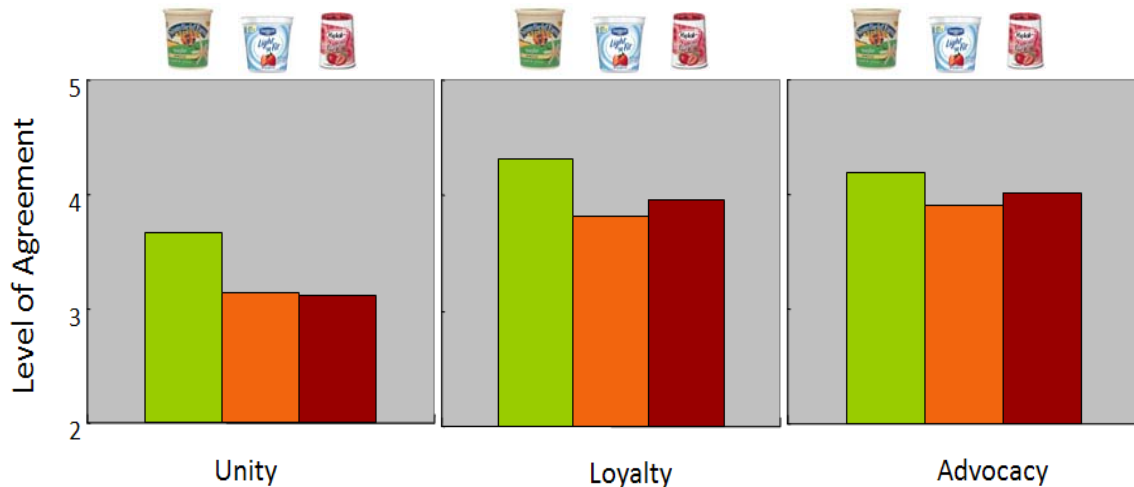
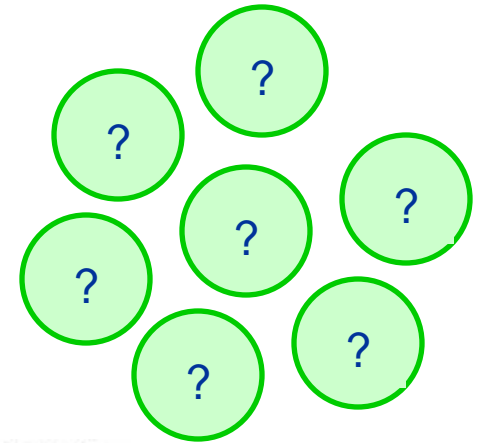
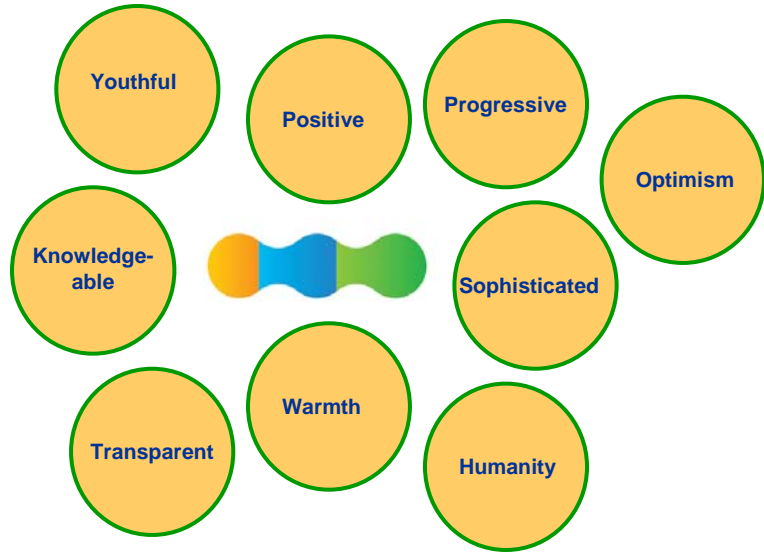
“If I saw something I didn’t like I would still give them [**Good Earth Company**] another chance”

“I will only buy **Stonyfield** and I’ll only buy **Tom’s of Maine** toothpaste no matter how cheap the other stuff is.”

“Even though their product is not unique, I am very loyal to them. If their prices went up relative to similar product, I would still buy it, even if I had to cut down on the total amount”

We have been going through some challenging times at **GAP**. When you ask employees why you are staying, one of the reasons...is the values of this company. And some of those...come from the [CSR] work we do”

Based on Sense of Unity with Company






But Hinges on Three Essential Levers

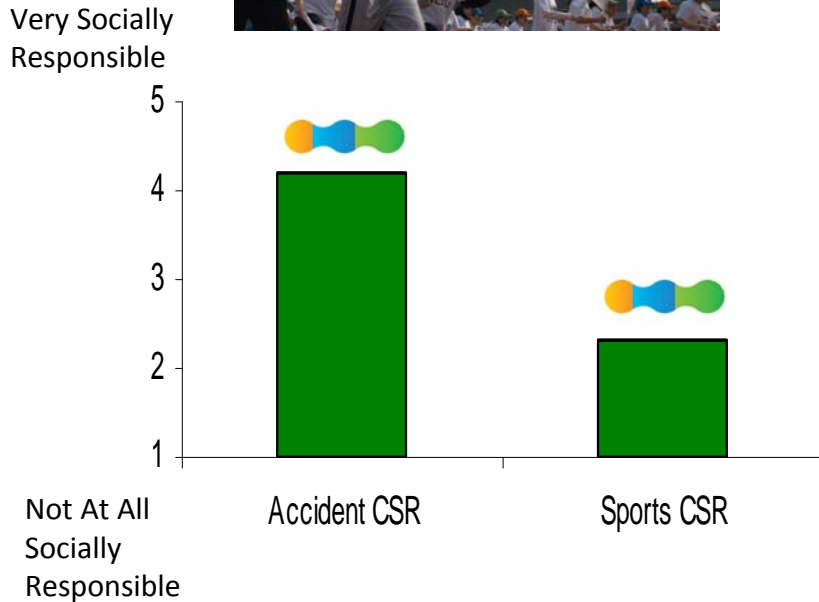
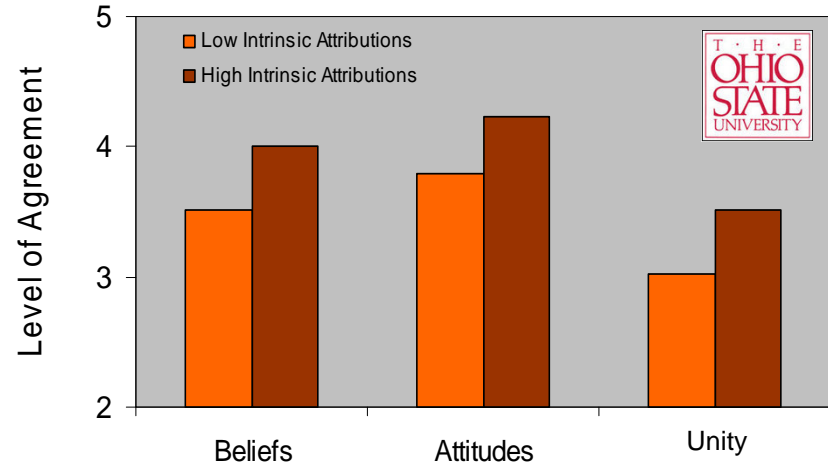
- Awareness
- Understanding
- Usefulness



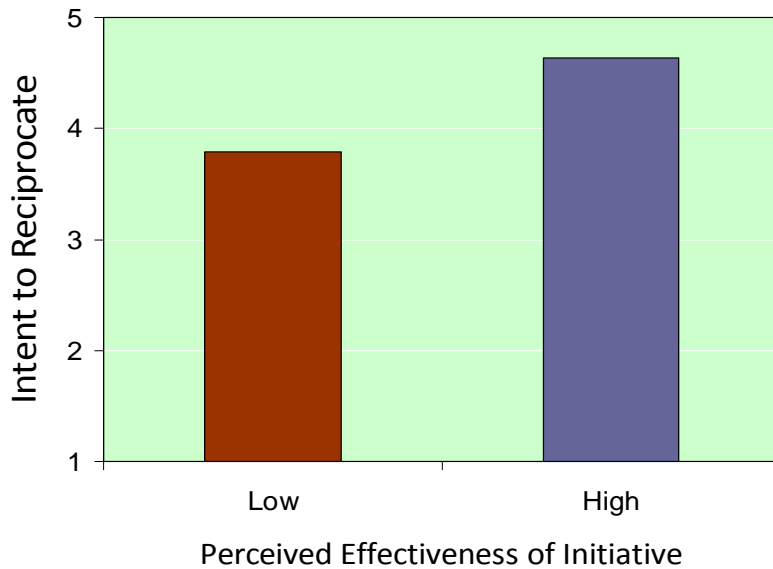
Awareness: Often Low

-  16.6%
-  13.9% among non-participants
-  20% among category users

Understanding: Attributions Are Critical



Understanding: Effectiveness Mattering More



Global 100
Most Sustainable Corporations in the World

2009

The 2009 List by Sector/Industry

The Global 100 list for 2009 (alphabetical by country | by sector/industry)

Company Name	Country	Global Sector
British Land Company PLC	United Kingdom	Financials
Crédit Agricole SA	France	Financials
Deutsche Börse AG	Germany	Financials
Denix Property Group	Australia	Financials
Goldman Sachs Group Inc	United States	Financials
Land Securities Group PLC	United Kingdom	Financials
Land Lease Corp. Limited	Australia	Financials
London Stock Exchange Group PLC	United Kingdom	Financials
Munichener Rückversicherungs AG	Germany	Financials
Privia	United States	Financials
Prudential PLC	United Kingdom	Financials
Royal Bank of Canada	Canada	Financials
Sampo Japan Insurance	Japan	Financials
State Street Corp.	United States	Financials



How did we do last year?

Key Performance Indicators⁽¹⁾

	Year-end 2007	Year-end 2006
Sustainable assets under management (in EUR million)	2,792	2,206
Economic value generated (in EUR million)		
Total assets	1,312,510	1,226,307
Capital and reserves	37,208	38,266
Total income	76,587	73,621
Profit before tax	11,043	9,940
Net profit	9,241	7,692
Personnel expenses: salaries	5,696	5,492
Personnel expenses: other	2,565	2,426
Equator Principles		
Number of projects reviewed	85	46
Green energy		
KWh (in thousands) of electricity purchased by ING that is derived from renewable resources	259,780	102,000
Employee engagement index⁽²⁾	77%	n/a ⁽³⁾
Diversity		
% of women in the international management council	10.2%	7.3%
Customer satisfaction index⁽⁴⁾	71.2%	n/a ⁽³⁾
ING Chances for Children		
Number of children provided with access to education	124,634	52,000

WAINWRIGHT
banking on Values

awards - 2000 to present

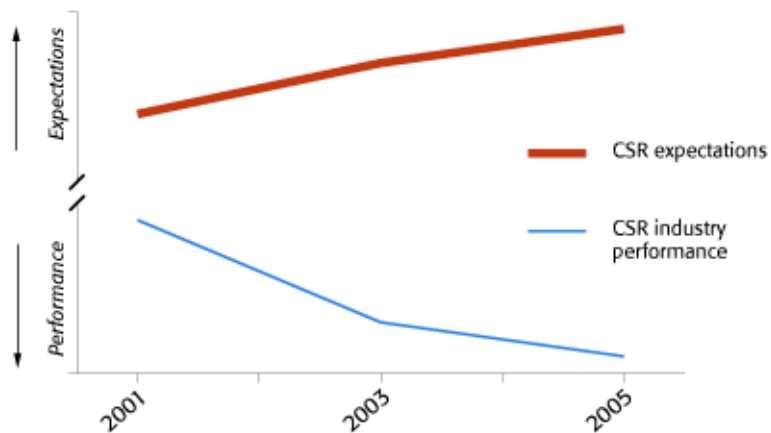
Jewish Alliance for Law and Social Action	2009 JALSA Community Leadership Award
A.C.U. of Massachusetts	2008 Beacon of Liberty Award
U.S. Treasury Department CDFIFund	2008 Bank Enterprise Award
Boston Business Journal Summer Issue 2008	Honorary Bank Challenge Commemorative award 47 LGBT leaders in Massachusetts
Boston Business Journal Summer Issue 2008	Ranked 38 among America's Greenest Publicly Traded Companies
Illiana Boston College of Management	2008 Distinguished Executive Award
American Banker	2007 Community Banker of the Year: The Advocate
The Levine Family Foundation & Grand Circle Corporation	2007 CEO Social Leadership Award
The Boston Globe	2007 "State 100" List
CFO Magazine 100 Best Corporate Citizens 2007	Wainwright Bank ranked 30th Nationwide
The Network.La Real 10 for 10 Celebrating 10 Years of Creating Change	2007 Honoree for supporting efforts to end domestic violence in the LGBT community

⁽¹⁾ The Audit Firm Ernst & Young has audited the 2007 KPIs and has reviewed the 2006 KPIs.
⁽²⁾ ING engagement index is the percentage of ING employees that have indicated that they are proud to work for ING. The research is done by Kenexa (April 2007).
⁽³⁾ Satisfaction scores are based on the American Customer Satisfaction Index (ACSI) methodology, adapted for the financial services market and based on a combination of questions related to overall satisfaction, customer delight and ideal provider. This score is not weighted by market.
⁽⁴⁾ n/a = not available

Understanding: Expectations Growing & Diverse

Societal Expectations on CSR vs Industry CSR Performance Ratings

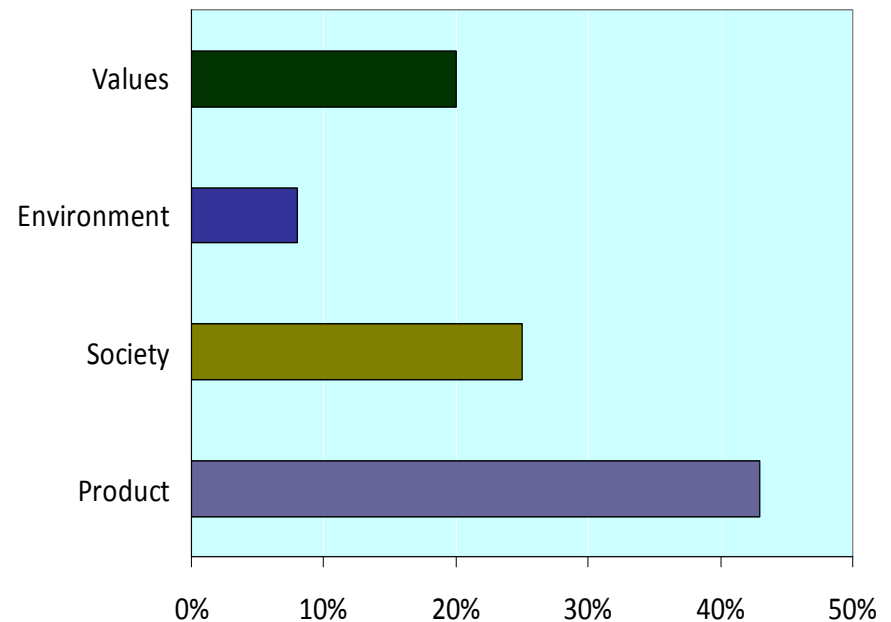
Average of 21 Countries,* General Public ($n=21,713$),
2001–2005



Asked in Argentina, Australia, Brazil, Canada, Chile, China, France, Germany, Great Britain, India, Indonesia, Italy, Mexico, Nigeria, Philippines, Russia, South Africa, South Korea, Switzerland, Turkey, and USA



- “What does it mean for an insurance company to be socially responsible?”

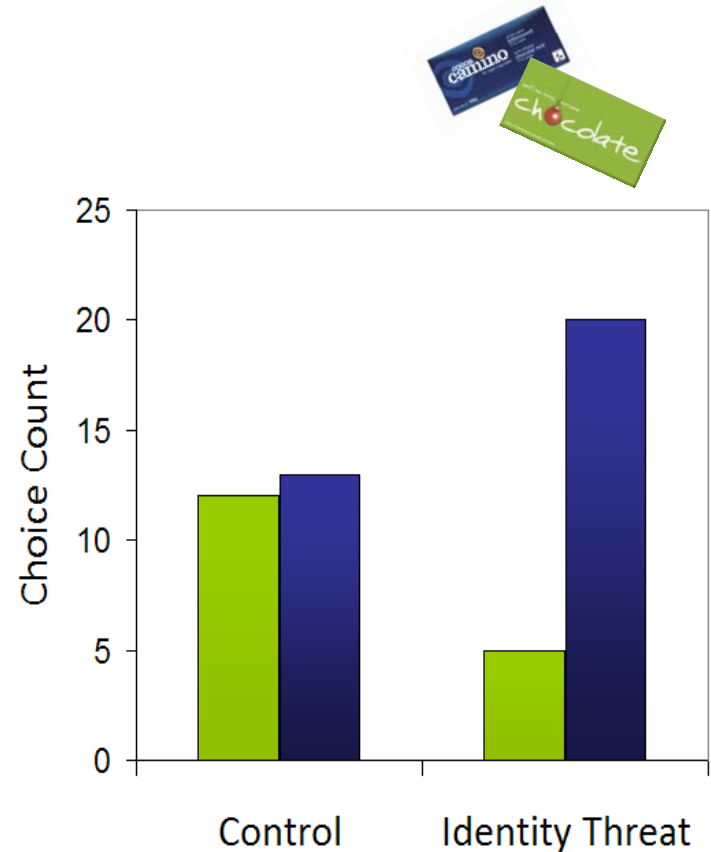
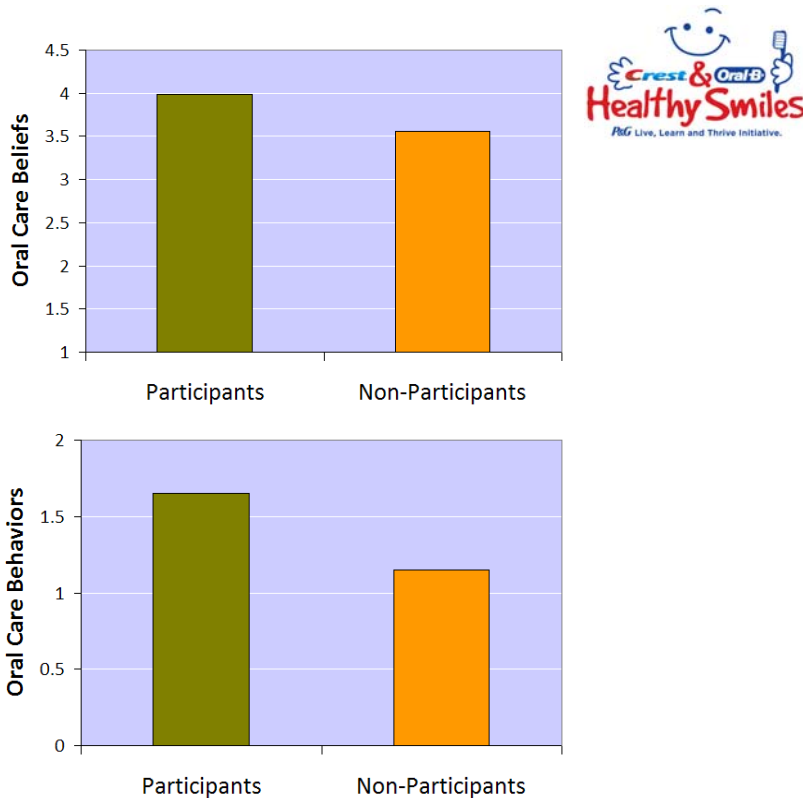


Usefulness: Key Determinant of CSR Value

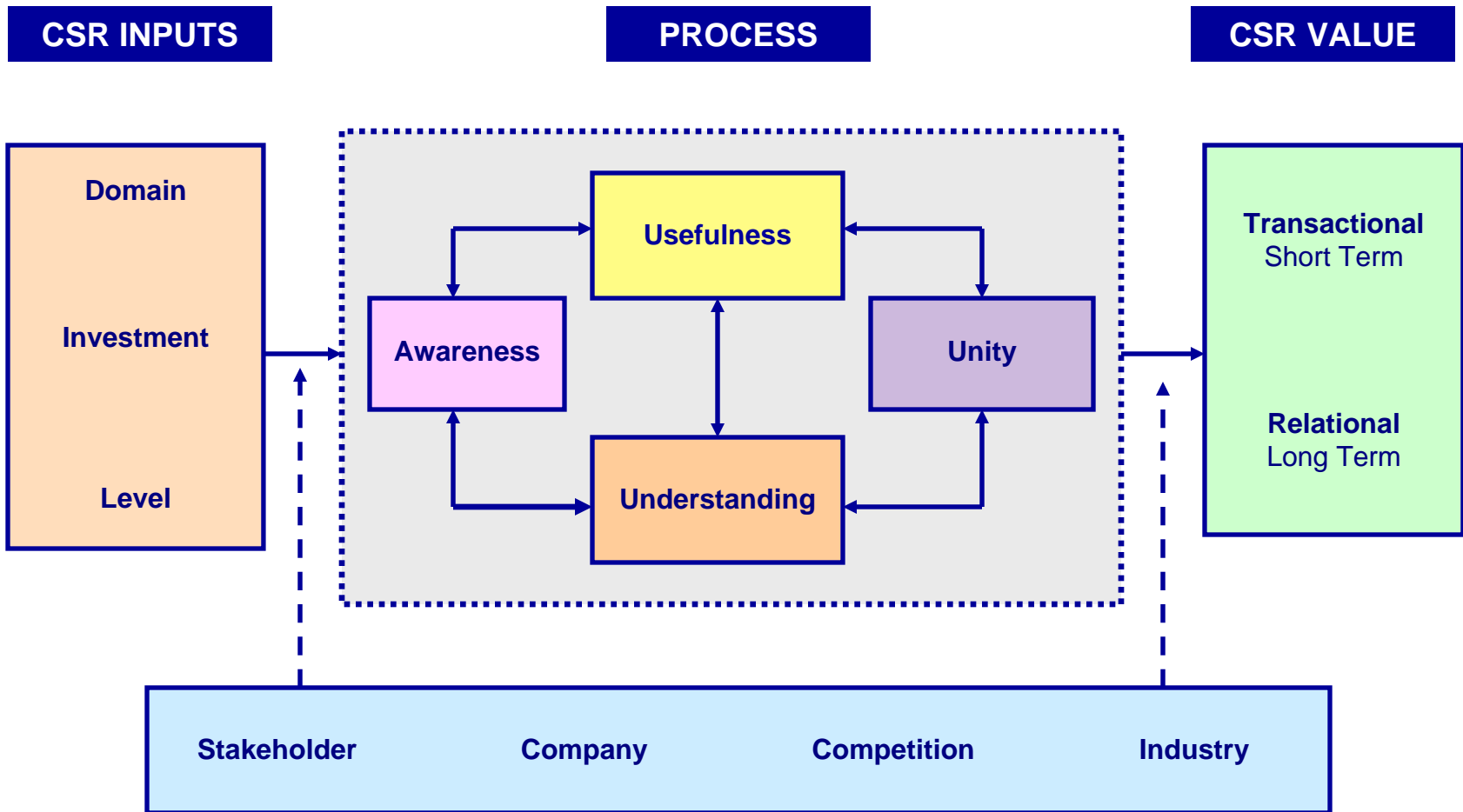
- CSR must benefit stakeholders



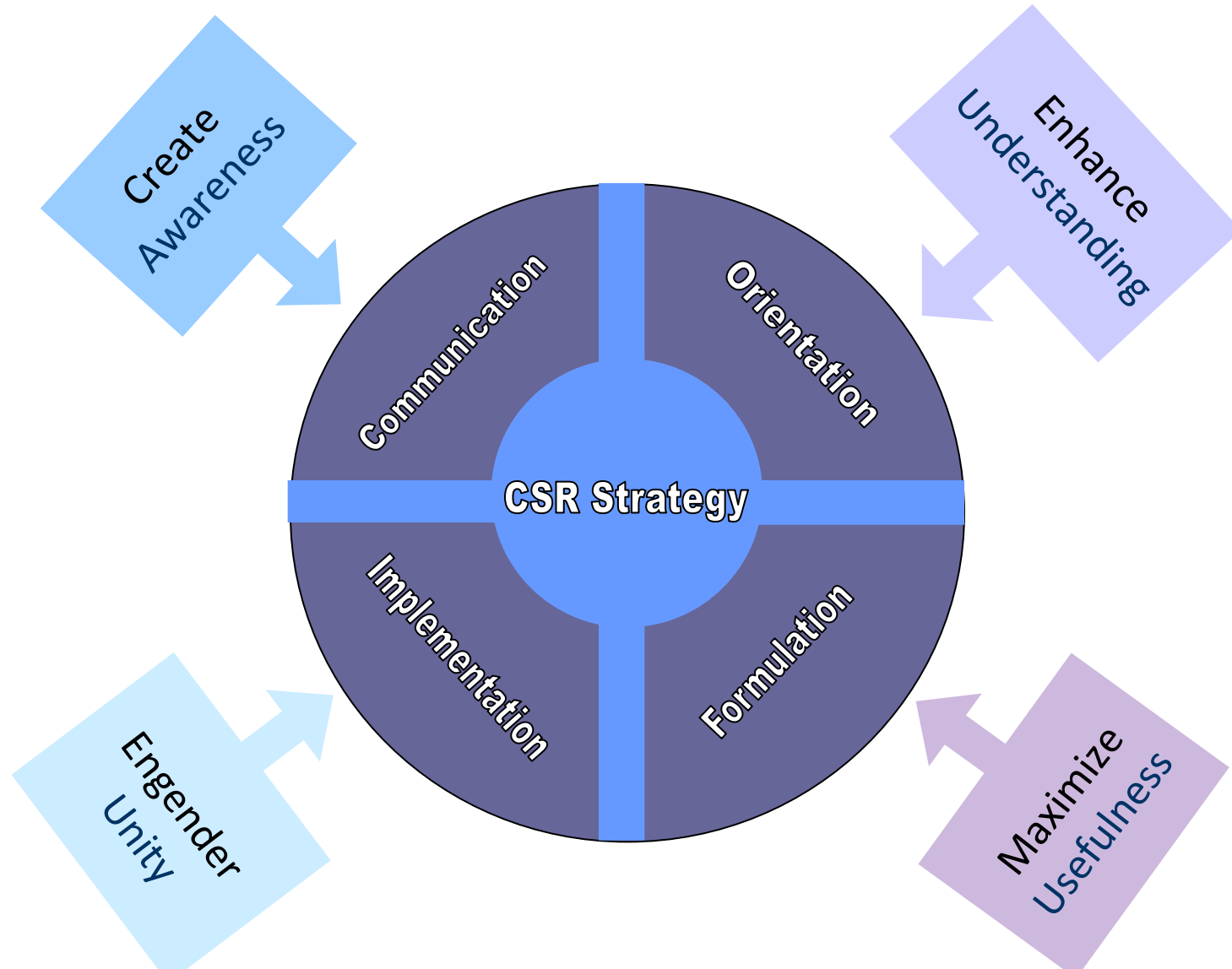
- Range of benefits; vary within and across stakeholder groups



Understand Stakeholder Reactions to CSR



And Optimize Through CSR Strategy



IN DEPTH

Understanding CSR Value

Exhibit 2

Where value comes from

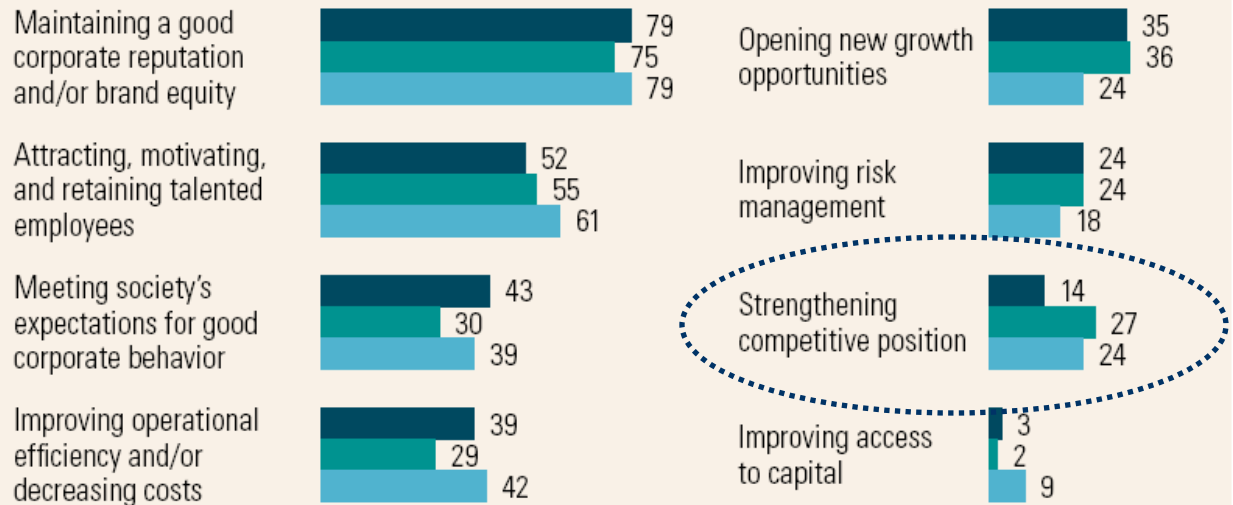
% of respondents

■ CFOs, n = 45

■ Investment professionals, n = 91

■ Corporate social responsibility professionals, n = 33

Ways in which environmental, social, and/or governance programs improve companies' financial performance¹



¹Excludes any changes stemming from current economic crisis.

Competing Through CSR

with

Shuili Du (Simmons College)

C.B. Bhattacharya (Boston University)

Research Questions

- Can CSR create value for a challenger brand?
 - CSR as competitive strategy



- What is the process through which such value is created?
 - Awareness; Usefulness; Understanding; Unity



CSR Can Build Affective Trust

- Trust key to achieving and sustaining competitive advantage
 - *Hunt & Morgan 1995; Vargo & Lusch 2004*
- Two dimensions of trust in consumer-company relationships
 - *Doney & Cannon 1997; Johnson & Grayson 2005; Rempel et al. 1985; Sirdeshmukh et al. 2002*
 - Cognitive
 - Knowledge based; pertains to marketer's competence and reliability
 - Affective
 - Emotions based; pertains to marketer's care and concern

Consumers Will React Differently

- Consumer reactions will vary with
 - Proximity to program
 - Usefulness
 - Trust in the Leader

Qualitative Study

- Focus groups with
 - Program Participants
 - Self-identified Hispanic race
 - 18-45 years old
 - Children completed or close to completing program
 - Primary caretaker/decision-maker for out-of-school activities
 - Non-participants
 - Matched on demographics
 - Same zip codes as participant group
 - *Not* participating in program
- Three locations
 - New York, Houston, Fort Lauderdale
- Conducted in Spanish

Participants Make More Favorable Attributions

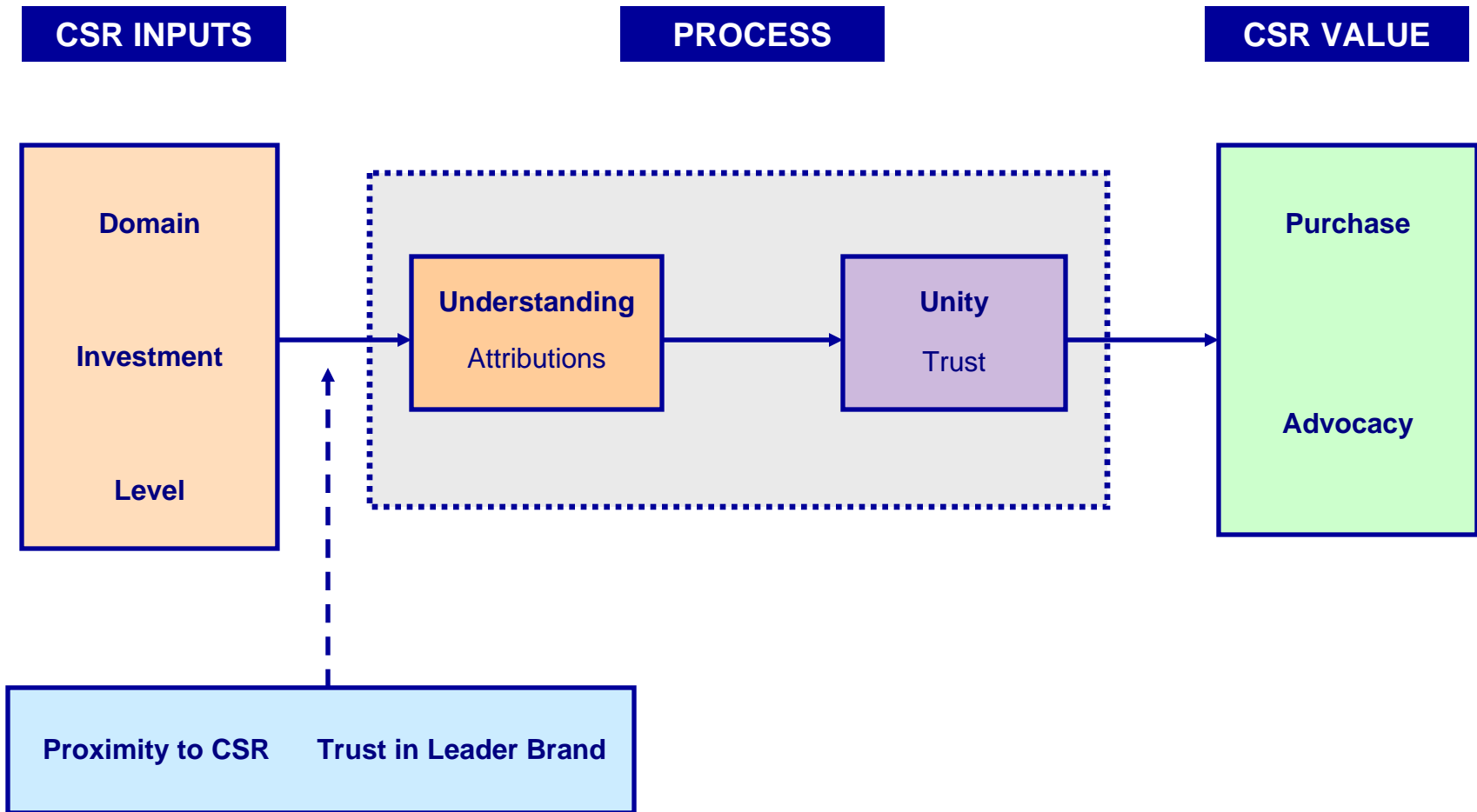
- Participants more likely to
 - ascribe both intrinsic and extrinsic motives
 - “It’s a form of marketing to get their products out but it also helps the community.”
 - “They want to help the community but also to make a name for themselves and gain popularity.”
 - Endorse extrinsic motives
 - “It’s good because they are going to help us along with themselves.”
- Tied to perceived efficacy of program

Participants Display More Affective Trust

- “They worry about us. Economically it is expensive but they give it for free. You invest in a company but the company is also serving you.”
- “They are working on not the immediate but long term results...They give us the trust to continue using their products.”
- If the Challenger were a person...
 - Non-participants: “feminine, gentle, more likeable, but not as famous as the Leader brand”
 - Participants: “friendly, caring, trustworthy, angel-like, and Latino (one of us)”
- Who would you leave your children with?
- Who would you rather have as your friend?
 - Non-participants: Leader
 - Participants: Challenger

Participants more likely to support Challenger

Conceptual Framework



Quantitative Study

- Field experiment
 - Post-test only, with a non-equivalent control group
 - Participants (n=48)
 - Non-participants (n=277)
 - Aware of program
 - Unaware of program
- Respondents
 - Drawn from 6 Hispanic markets where the program was active
- Telephone survey
 - Administered by a marketing research firm

Measures

- **Attributions**

- The maker of [Challenger/Leader] sponsors this program because it genuinely cares about the well-being of children
- The maker of [Challenger/Leader] sponsors this program because it wants to sell more products to my community

- **Trust**

- The makers of [Challenger/Leader] have my best interests at heart
- The makers of [Challenger/Leader] genuinely care about my family's well-being

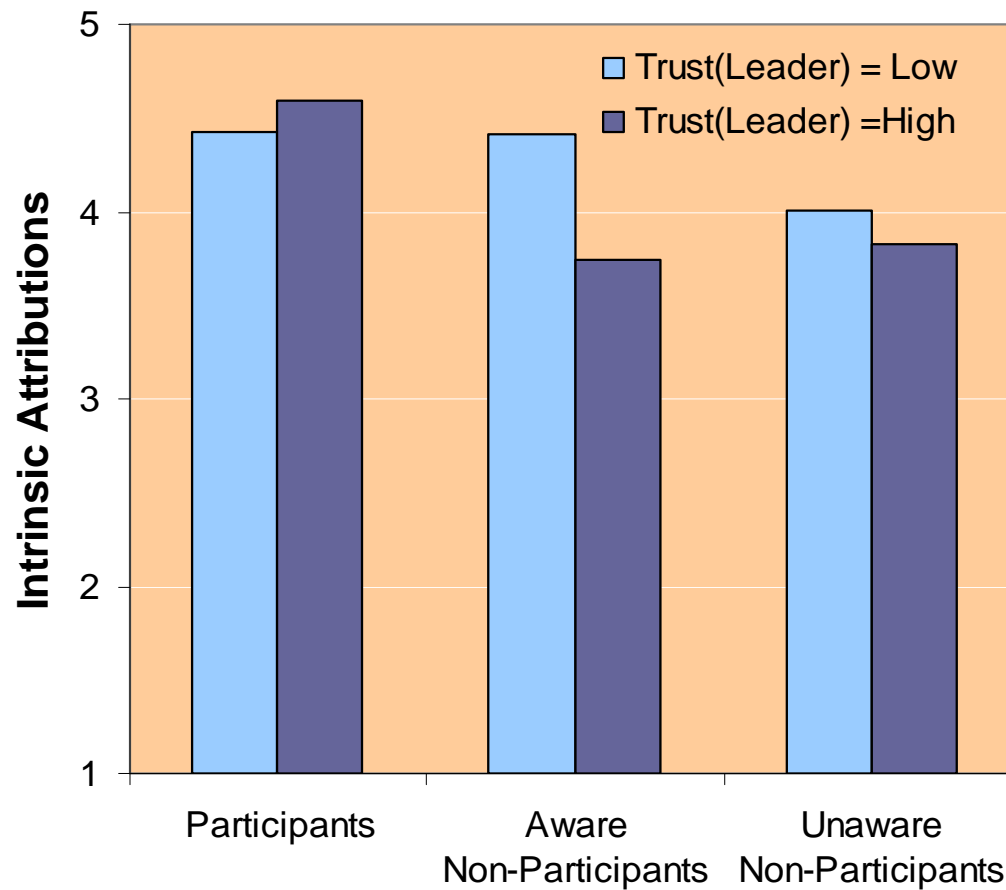
- **Purchase**

- How often do you buy [Challenger/Leader] when you shop for toothpaste for yourself?

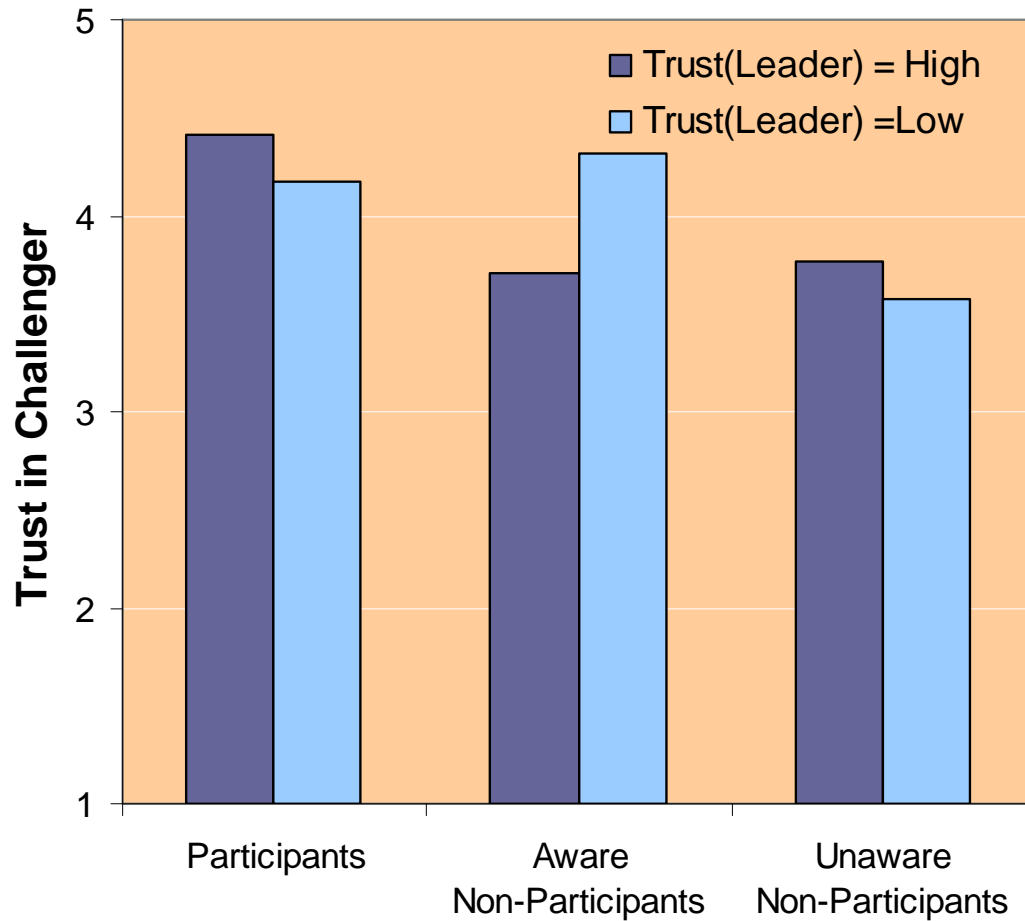
- **Advocacy**

- In the next 6 months, how likely are you to recommend [Challenger/Leader] to someone you know?
- If you heard or read a negative story about [Challenger/Leader] how would it affect your likelihood of buying it?

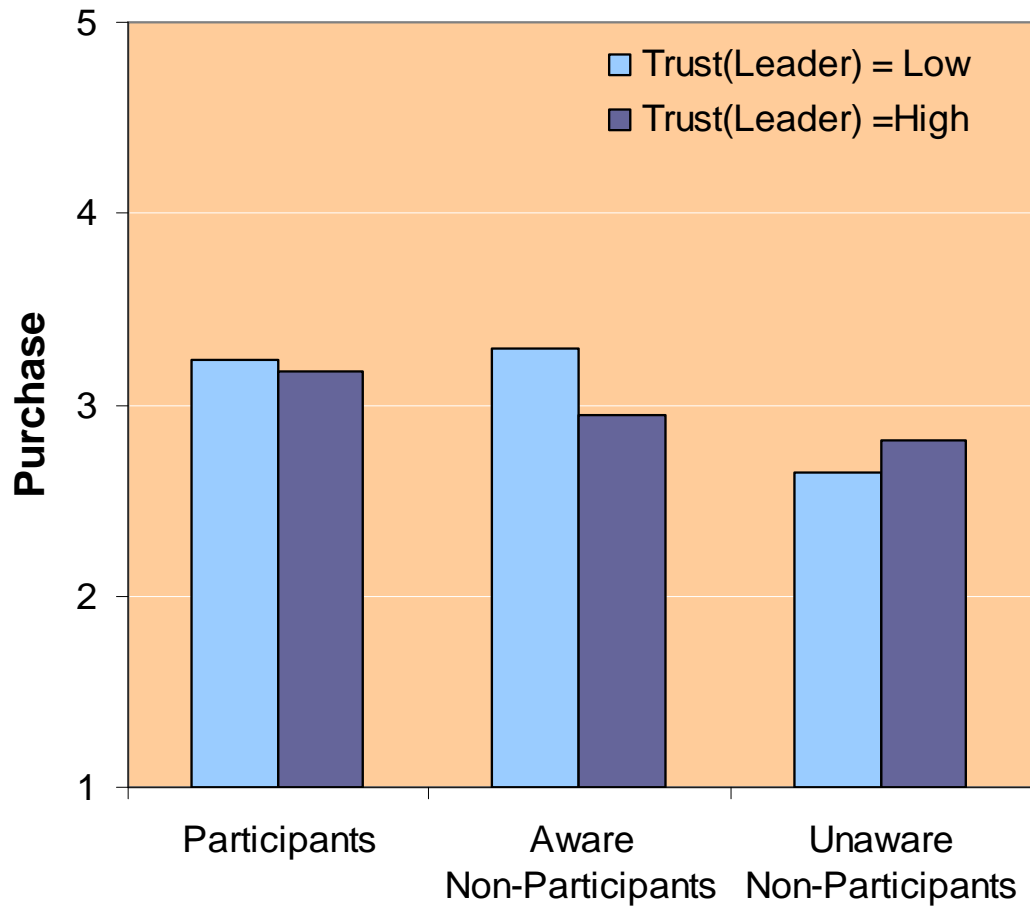
Attributions: Intrinsic



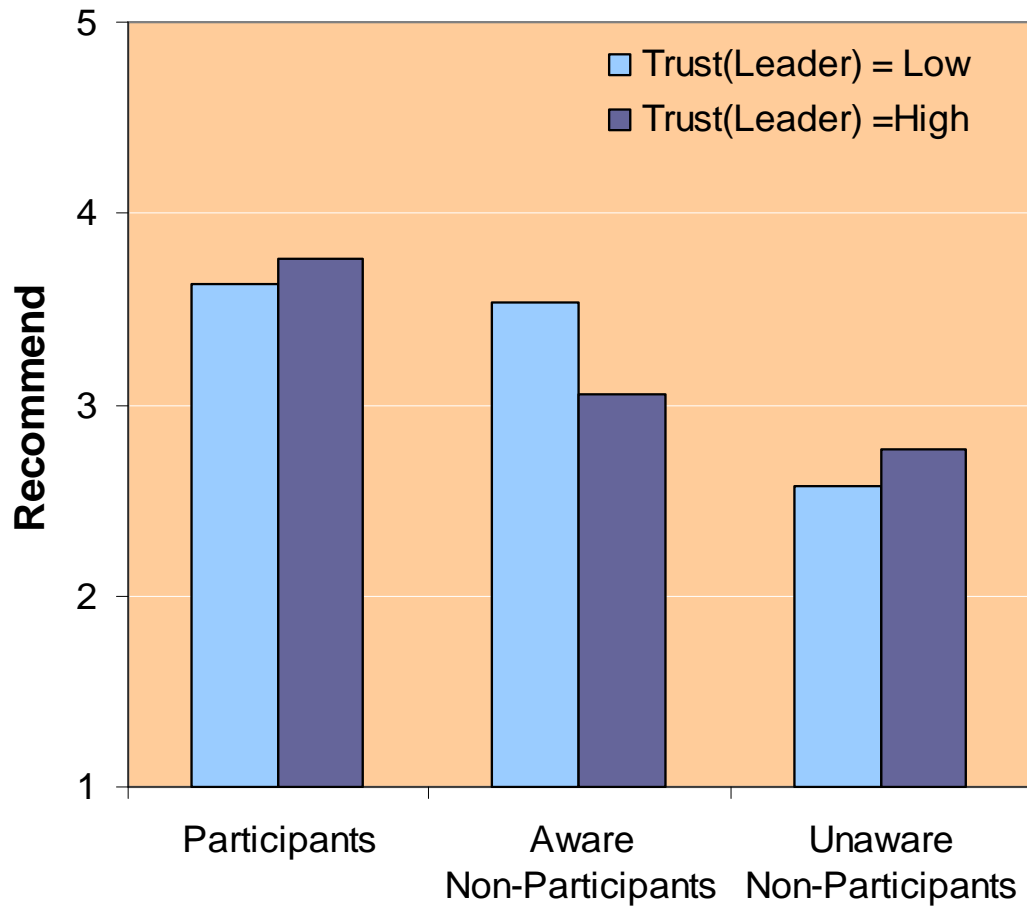
Trust in Challenger



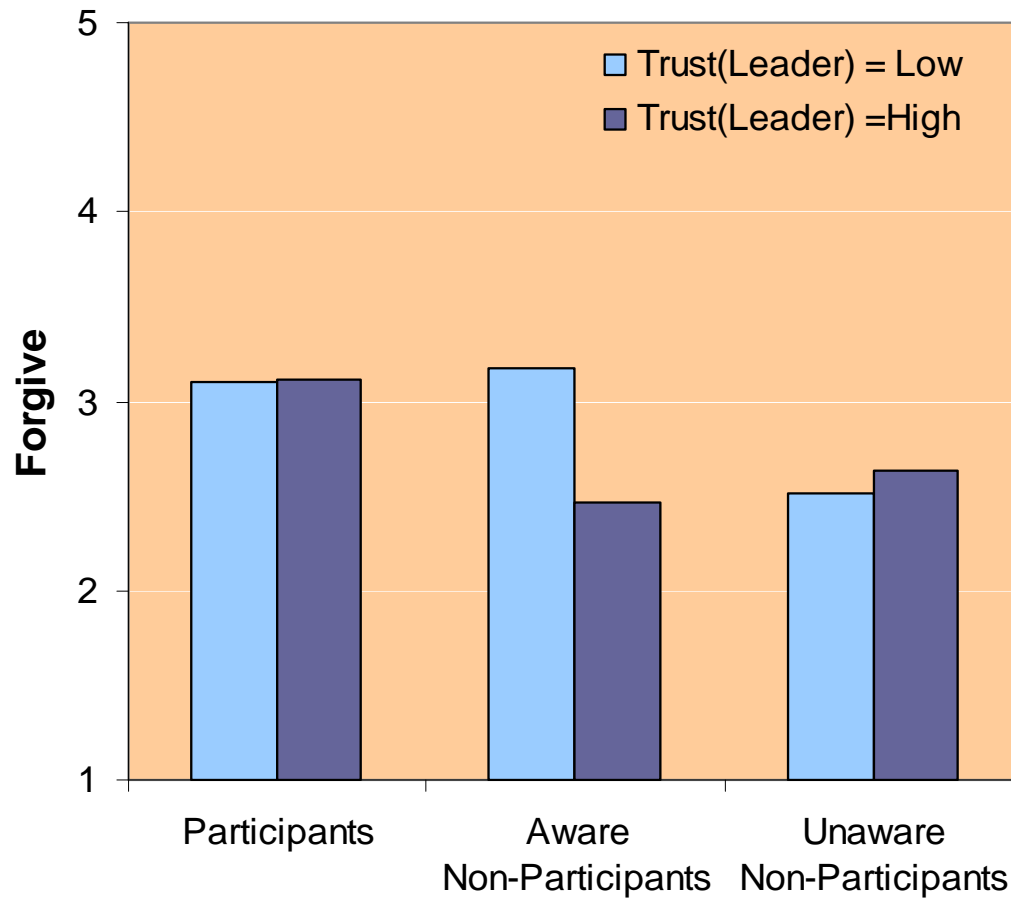
Purchase



Advocacy: Willingness to Recommend



Advocacy: Willingness to Forgive



Key Lessons

- Stakeholder reactions to CSR *can* produce long-term value
 - Source of durable competitive advantage
- *But* only under certain conditions
 - Stakeholder; Company; Competition; Industry
- Need to understand process underlying stakeholder reactions
 - Awareness; Understanding; Usefulness; Unity
- Use insights to guide CSR strategy and management
 - Optimize stakeholder reactions