
Rethinking Corporate Social Responsibility

A Fleishman-Hillard/National Consumers League Study

EXECUTIVE SUMMARY

About Fleishman-Hillard

Fleishman-Hillard Inc., one of the world's leading public relations firms, has built its reputation by using strategic communications to deliver what its clients value most: meaningful, positive, and measurable impact on the performance of their organizations. The firm is widely recognized for excellent client service and a strong company culture founded on teamwork, integrity, and personal commitment. Based in St. Louis, the firm operates throughout North America, Europe, Asia, Latin America, Australia, and South Africa through its 80 owned offices. For more information, visit the Fleishman-Hillard Web site at www.fleishman.com.

Fleishman-Hillard is a part of Omnicom Group Inc. (NYSE: OMC). Omnicom is a leading global advertising, marketing and corporate communications company. Omnicom's branded networks and numerous specialty firms provide advertising, strategic media planning and buying, direct and promotional marketing, public relations, and other specialty communications services to over 5,000 clients in more than 100 countries.

About the National Consumers League

Founded in 1899, the National Consumers League is the nation's oldest consumer advocacy organization. Our mission is to protect and promote social and economic justice for consumers and workers in the United States and abroad. The National Consumers League is a private, nonprofit advocacy group representing consumers on marketplace and workplace issues. NCL provides government, businesses, and other organizations with the consumer's perspective on concerns including child labor, privacy, food safety, medication information, and issues of social concern including corporate social responsibility.

NCL President Linda Golodner serves on the Board of Directors of the American National Standards Institute. She is also a member of the U.S. delegation to the International Standards Organization's Working Group on Social Responsibility, serving as the U.S. consumer expert in developing a new international standard on social responsibility.

EXECUTIVE SUMMARY

In 2005, Fleishman-Hillard Inc. partnered with the National Consumers League (NCL) to conduct a unique benchmark survey that would assess consumer attitudes toward and behaviors regarding corporate social responsibility (CSR), as well as the role that media and technology play in informing people about what companies are doing to be socially responsible. In 2006, the two organizations partnered again to track consumers' opinions of CSR over the past year and to more deeply explore an area inspired by the findings of 2005 — consumers' opinions on corporate social responsibility at the local, or community, level.

In the first quarter of 2007, the professional interviewing service of Western Wats conducted a quantitative telephone survey with 2,078 U.S. adults — nearly three times as many respondents as in 2006. These interviews averaged 27 minutes. The sampling error for the reported survey results is plus or minus one to two percentage points at the 95 percent confidence level.

Similar to the 2006 survey, the survey questionnaire was designed to examine the public's opinions of CSR by asking respondents to designate the importance or influence of assorted CSR-related issues under a variety of circumstances (e.g., as consumers buying products or as investors buying stock), as well as the absolute or relative importance of issues (environmental responsibility may be important, but is it more or less important than how a company treats its employees?).

Findings from the 2006 survey showed that 23 percent of consumers define corporate social responsibility as being actively engaged in the local community. This finding inspired Fleishman-Hillard and the National Consumers League to explore consumers' expectations of corporate social responsibility in the communities in which they live. New to the 2007 survey is a series of questions designed to examine consumers' opinions of corporate social responsibility at the local community level and citizens' expectations regarding government's role in corporate social responsibility.

Additionally, the survey questionnaire was designed on the heels of the newlyelected Congress, as shifts across many issues were being brought to the forefront of the political debate. Both Fleishman-Hillard and the National Consumers League became interested in learning about the roles that consumers expect government to assume when working to ensure that corporations are socially responsible. The sea change in Congress also called for a review of the differences among consumers based on their political party affiliations: Republican, Democrat, or Independent. Even though these differences in consumer opinion may appear to be intuitive and, not surprisingly, are highly correlated with respondents' identification of political ideology (conservative versus moderate or liberal), they may have implications for leaders, in both the private and public sectors, as they plan future CSR initiatives. Additionally, areas where there are no significant differences along party lines indicate aspects of CSR where Americans are more unified, from a political perspective, in their expectations, attitudes, and beliefs surrounding the CSR activities of corporations.

Among this year's findings, four themes emerged as being important information regarding consumers, U.S. companies, and media outlets.

- Americans expect corporations to be engaged in their communities in ways that go beyond just making financial contributions.
- For the second year in a row, corporate America receives low marks for its CSR performance.
- Americans believe that government should play a role in ensuring the social responsibility of corporations — in some industries more than others.
- Online forms of communication continue to change the landscape in which consumers gather and communicate information about how well companies are being socially responsible.

These four themes are summarized on the following pages.

1. Americans expect corporations to be engaged in their communities in ways that go beyond just making financial contributions.

Reinforcing results from the 2006 CSR Survey, 2007 results show that Americans define “corporate social responsibility” in a variety of ways, including, but not limited to, traditional notions of charitable and philanthropic giving.

In 2006, consumers were asked to define, in their own words, what “corporate social responsibility” means to them. In 2007, consumers again fired back to this question with more than a dozen unprompted response categories, including the most frequently offered responses.

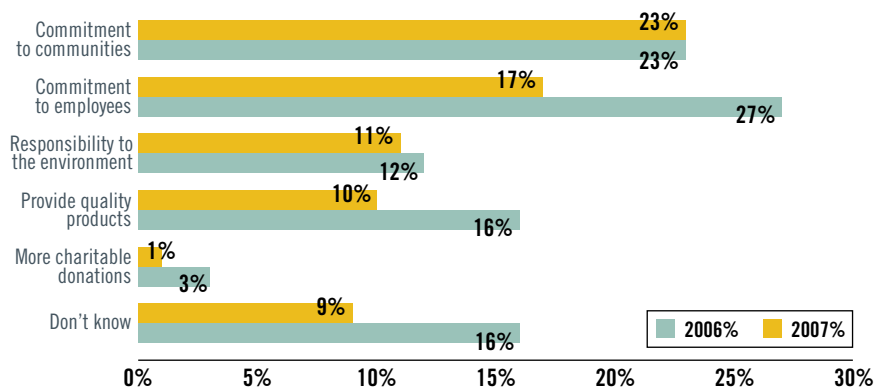
(See Figure 1.1.)

- Corporations need to be committed to the public and communities and, overall, to society (23 percent) — No. 1 in 2007; No. 2 in 2006.
- Corporations need to be committed to employees (17 percent) — No. 2 in 2007; No. 1 in 2006.

Only 9 percent of the survey respondents either could not or chose not to answer this question.

Notice that in 2006 the second most frequently volunteered response was “commitment to communities” (23 percent). This finding served as the basis of inspiration for one of the major themes of the 2007 survey: corporate social responsibility at the local level. What does “commitment to communities” mean? What do consumers expect in terms of CSR from companies that have a strong presence in their communities, regardless of their size? The unwavering frequency with which consumers volunteered this response in 2007 lends credence to the decision to further explore the topic this year, and it bolsters the importance of the responses that consumers gave when asked to identify their expectations of local companies in the area of CSR.

Figure 1.1: Meaning of “Corporate Social Responsibility”



Please note that the responses shown in Figure 1.1 are only a truncated list of the complete set of responses offered by respondents.

In order to explore further the meaning of “commitment to communities,” consumers were asked to define their expectations of local companies’ participation in or contribution to their communities. In another round of unprompted responses, consumers described more than a dozen categories of expectations. The most frequently volunteered responses were:

- Companies should make nonfinancial contributions, such as volunteering time or effort (29 percent).
- Companies should treat employees well, provide a livable wage, or provide employment (11 percent).

One person in 10 (13 percent) said that he/she has no expectations for a company’s contribution to the community; only one person in 20 (6 percent) either chose not to answer or responded “don’t know.”

Notice that a distant second to “nonfinancial contributions” (29 percent), is “treating employees well” (11 percent). Coupled with the drop to second place that “commitment to employees” received when consumers were asked the meaning of “corporate social responsibility” (17 percent in 2007, from 27 percent in 2006; see Figure 1.1), these findings seem to suggest a slight decline in the importance of employee treatment as an important area of CSR — as indicated in the 2006 CSR survey results.

Contributing to last year’s percentages favoring commitment to employees as the most important aspect of CSR was the fact that the 2006 survey was conducted on the heels of announcements by major U.S. corporate employees regarding downsizing plans. Realizing the potential influence that the announcements may have had on the findings, this scenario is offered as an explanation for the high percentages of respondents who touted employee concerns over charitable giving in 2006. However, even without the influence of massive job loss, employee-related concerns still top the charts, in terms of consumers’ volunteered responses — coming in at second place in both open-ended questions described above.

Additionally, there are several other areas of the survey that indicate continued support for a commitment to employee-related concerns as an important area of CSR, including:

- Wages:
 - > Important to pay workers inside/outside U.S. a living wage (73 percent, a 16 percent increase from 2006).
 - > Agree that salary/wage increases should be placed above charitable contributions (“strongly” or “somewhat” agree, 76 percent).
 - > Among seven options, including “gives to charitable causes,” selected “treats and pays its employees well” as being the most important (38 percent, a slight decrease from 2006).

■ Jobs:

> Generate business, and employ more people rather than making charitable donations (“strongly” or “somewhat” agree, 70 percent).

Responses to the 2007 survey suggest that companies’ nonfinancial contributions to the community and their commitment to employees are dominating the CSR space in consumers’ minds. As was reported in last year’s 2006 CSR survey, traditionally well-publicized pillars of CSR, such as a company’s charitable donations and commitment to protecting the environment, are less frequently linked to the consumer CSR discussion. When asked to define, in their own words, the meaning of “corporate social responsibility,” far fewer respondents volunteered the following.

(See Figure 1.1.)

- Corporations have a responsibility to the environment (11 percent).
- Corporations need to consider more making donations and charitable contributions (1 percent).

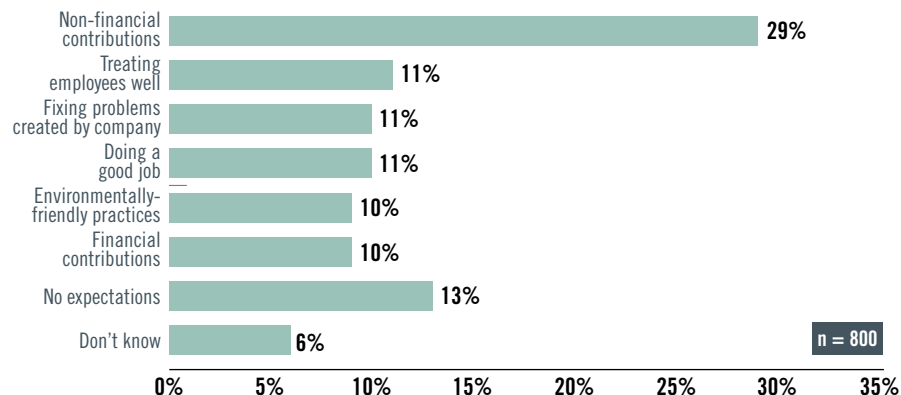
When asked to define what level of participation or contribution consumers expect from companies that do business in their community, fewer respondents volunteered the following. (See Figure 1.2.)

- Environmentally friendly practices (9 percent).
- Financial contributions (9 percent).

These differences are highlighted in another area of the survey, where consumers most frequently chose (from six other choices) that the following, assuming that a company operates in an honest and ethical manner.

(See Figure 1.3.)

Figure 1.2: Expectations of Company’s Community Contributions



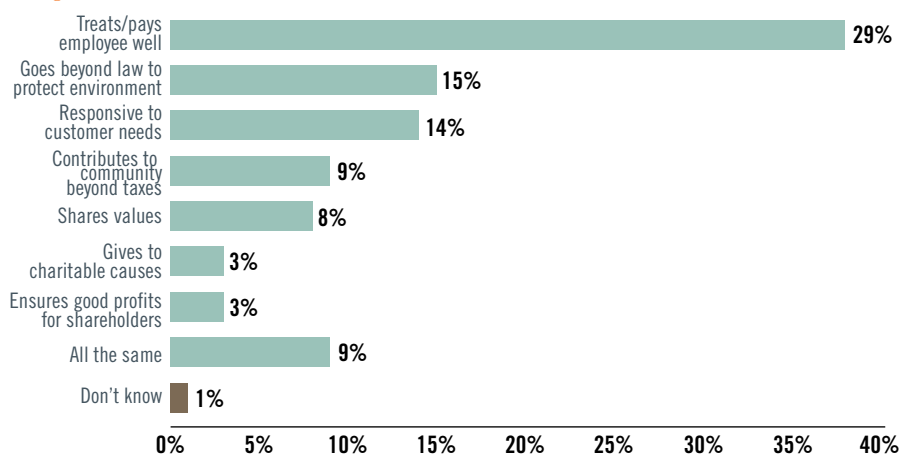
Please note that the responses shown in Figure 1.2 are only a truncated list of the complete set of responses offered by respondents.

- It is more important for corporations to treat or pay employees well than to go beyond the law to protect the environment or to give to charitable causes (38 percent versus 15 percent and 3 percent, respectively).
- It is more important for corporations to contribute to communities in ways that go beyond just paying taxes than to give to charitable causes (9 percent versus 3 percent, respectively).

As indicated in 2006, the importance that respondents assign to employee-related issues does not render other more common or talked-about CSR concerns irrelevant. One of the more common pillars of CSR is protection of the environment. Amidst a landscape of increased concern over gas prices, global warming, organic foods, sustainable buildings, and buying green consumer products, the 2007 CSR Survey findings show an increase in the proportion of consumers who believe that it is very important for a company to protect the environment (15 percent in 2007, up from 11 percent in 2006).

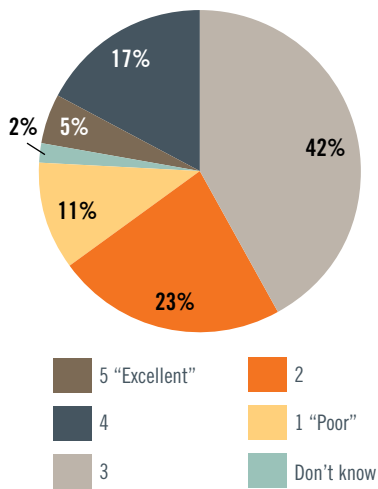
Having said that, the consistent findings across both the 2006 and 2007 CSR surveys, when it comes to defining the meaning and expectations surrounding CSR, suggest that companies' charitable and philanthropic giving is no longer enough to impress consumers. Perhaps it is now viewed as a standard expectation that consumers have — a bare minimum requirement — to even be considered as a socially responsible company. Perhaps a commitment to and a high-level engagement with people — whether providing benefits for employees in the community or volunteering time and effort to local community events — are becoming the new standard by which consumers judge excellence in corporate social responsibility. However, Americans do not currently seem to be impressed with Corporate America's commitment. This finding is explained in Section 2.

Figure 1.3: Which of the following is most important to consumers?



Please note that the responses wording shown in Figure 1.3 is truncated.

Figure 2.1: U.S. Corporations' General CSR Performance



2. Corporate America receives low marks for CSR performance.

As in 2006, despite the fact that consumers believe that companies' CSR records are important, few consumers give U.S. companies high marks for social responsibility.

Consumers are not impressed with the CSR records of U.S. companies in recent years. Similar to findings from 2006, less than, or just over, one-fifth rate U.S. corporations as scoring top marks:

- For being socially responsible (one-fifth give corporations a 5 or 4 on a five-point scale, where 5 equals excellent and 1 equals poor). (See Figure 2.1.)
- For living up to consumer expectations for social responsibility within communities that they affect (more than one-third assign a 5 or 4.). Note that consumers tend to think that the performance of corporations is better "in their own backyard" versus the nation as a whole. (See Figure 2.2.)
- As being equally socially responsible in Europe and the U.S. (29 percent).
- As being equally socially responsible in Asia and the U.S. (22 percent).

This less-than-average rating is made even more meaningful by the subsequent responses to a survey question that highlights consumer beliefs about the importance of a company's known CSR activities in forming decisions about investments. A majority of consumers:

- Believe that a company's record of being socially responsible would be influential ("extremely" or "very") to their decision regarding whether to invest in a company (66 percent). (See Figure 2.3.)

Figure 2.2: U.S. Corporations' Community CSR Performance

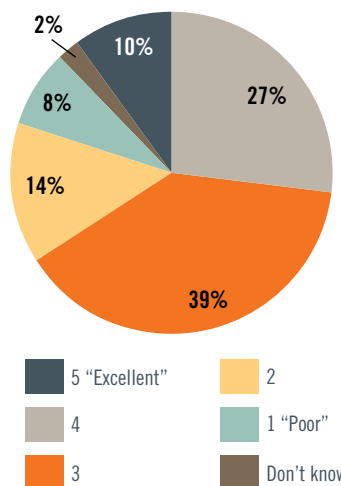
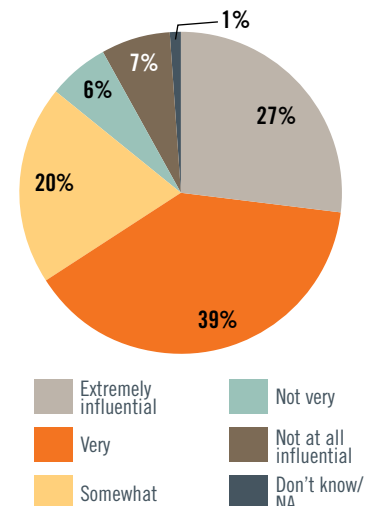


Figure 2.3: CSR's Record's Influence on Investments



Consumers feel that U.S. companies are performing at an average level in the CSR arena, at best — a finding that has carried over from the 2006 CSR survey results. Conversations about the aspects of the social responsibility debate have seemingly increased in the popular media over the past year (e.g., protection for the environment and global warming). If corporations’ CSR efforts have followed suit, consumers haven’t seemed to notice. With consumers perceiving few to no signs of improved CSR performance among U.S. companies, it seems to follow that eventually consumers might see a need for external forces to ensure corporations’ social responsibility — as a protection for the community. The question is, What is the tipping point? At what point would consumers actually indicate a desire for those external forces to step in? It seems that for Americans, four out of five are at that point now. Section 3 explains this topic.

3. Americans believe that government plays a role in ensuring that corporations are socially responsibility.

Over the last two years, the findings from this study have identified that corporate social responsibility is important to consumers – they are able to define their expectations for CSR, form opinions on the social responsibility performance of companies overall and in their own backyard, and they say they actively seek out CSR information and use it to make decisions. Adding to the number of ways that showcase the importance of CSR to consumers, this year’s survey explores to what extent Americans are willing to allow governing bodies to intervene to ensure corporations are meeting consumer expectations for social responsibility. Specifically, most consumers say they expect Congress to play a role in ensuring corporations’ social responsibility.

- Four out of five consumers (82 percent) say that it is “extremely” or “very” important for the Congress to work to ensure that corporations address pressing social issues, such as energy, the environment, and healthcare. (See figure 3.1.)

Moreover, Americans identified companies in certain industries as needing more government oversight to ensure that they are operating in a socially responsible way. Specifically, a majority of consumers feel companies in the Pharmaceutical (62 percent), Chemical (60 percent), Food (55 percent), and Energy (53 percent) industries require more government oversight than companies in other industries. (See figure 3.2). It is interesting to note that Democrats, more than Independent or Republicans, believe that companies in all thirteen industries require “more” government oversight than companies in other industries.

Figure 3.1: Congress Should Work to Ensure CSR

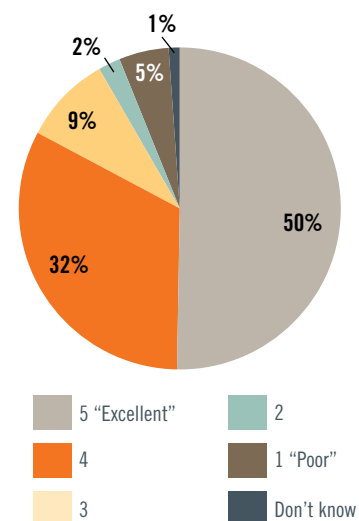
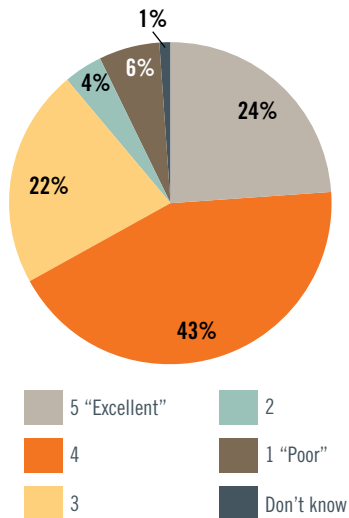


Figure 3.3: Influence of Global Standards on Purchase Behavior

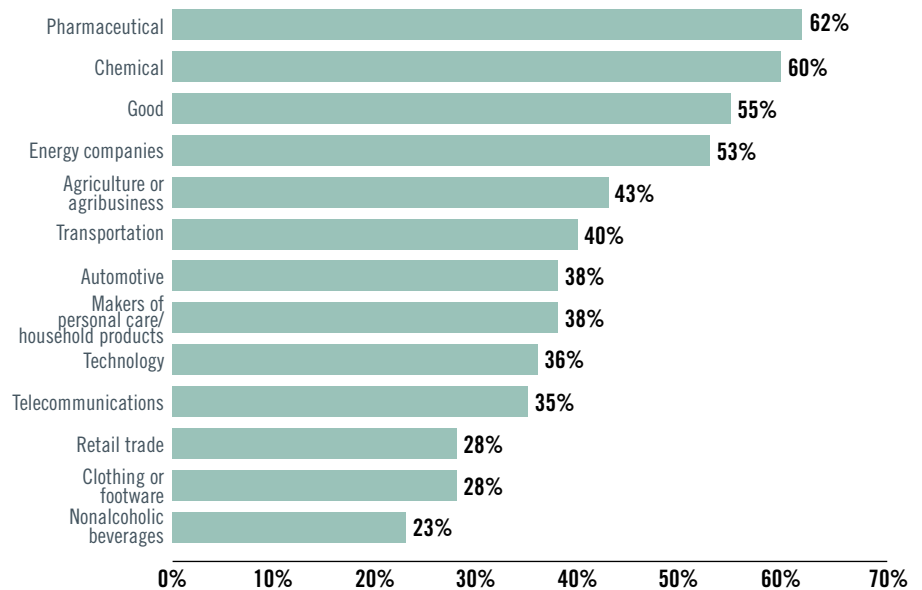


Beyond an expectation for government intervention to ensure corporate social responsibility, a majority of consumers also support the idea of global standards that outline what companies need to do in order to be socially responsible. Three out of four (77 percent) of consumers feel that global standards are either extremely or very necessary. This is a 12 percent increase over results from 2006.

Consumers not only feel that these standards are necessary but also say that they are willing to support adherence to such standards with their pocketbooks. More than two-thirds of consumers (67 percent) feel that knowing that a company meets global standards for being socially responsible would be either extremely or very influential if they wanted to buy a particular product or service from that company. This is a 13 percent increase over results from 2006. (See Figure 3.3).

Consumers' increasing support for global standards and government intervention suggests that CSR may be rising in importance as an issue of which corporations should be aware and for which they should have a plan. Consumers' unfavorable perceptions of corporate America and their support of external involvement in company CSR practices seem to make the CSR terrain a rocky one. To complicate matters, continued technological innovations open up an increasing number of communications channels to American consumers. And consumers are taking advantage of them to learn and to spread the word about company's CSR performance. This is explained in Section 4.

Figure 3.2: Industries Requiring "More Oversight"



4. Online forms of communication continue to change the landscape in which consumers gather and communicate information about companies' social responsibility.

Now more than ever, consumers have access to, and participate in, a multitude of online options to learn and communicate about the CSR records of particular companies — an upward trend that is likely to continue.

The 2006 CSR survey examined the use of a variety of media that consumers use to gather and disseminate information about the social responsibility records of companies. We discovered a burgeoning audience of empowered consumers and everyday activists who were using nontraditional online technologies to fuel discussions about corporations' social responsibility activities. In 2007, the trend continues. In an environment where more than half of consumers (54 percent) say they seek out the social responsibility record of particular companies all the time or sometimes, it is increasingly important for companies to monitor the online discussions of those who are contributing to the CSR debate (See Figure 4.1).

The increasing importance that consumers place on the Internet is underscored in a comparison between the 2006 and 2007 CSR survey findings. Half of the consumers today (50 percent) say that they have used resources or information available online to learn about the extent to which a company is or is not being socially responsible. This is a slight increase over those who answered similarly in 2006 (47 percent).

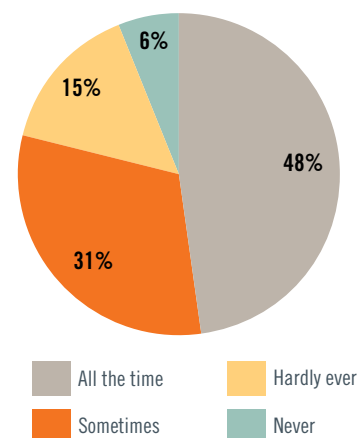
Additionally, the 2007 survey found that online sources outweigh traditional offline sources as preferred ways to learn about the CSR record of companies in consumers' communities. The respondents were offered several sources (see list below) from which to choose. (See Figure 4.2.)

Web sites of independent groups (21 percent) and Internet search engines (20 percent) surpass even the more popular word-of-mouth sources, such as discussions with friends, family members or co-workers (15 percent) or employees who work for the company (10 percent). Web sites also outweigh traditional media sources, such as articles in local newspapers or magazines (11 percent). Even the Web site of the company's social responsibility record in which the consumer is interested is more preferred than offline sources, such as stories on TV or radio (5 percent versus 3 percent and 1 percent, respectively).

What's more, the 2007 survey results tracked increases from 2006 in all of the online categories that consumers say they have used to learn about a company's CSR record, including newer media such as blogs and podcasts.

- Nearly three-fourths (73 percent) say they have used Internet search engines, like Yahoo! or Google, compared with 64 percent in 2006.
- A majority (57 percent) have also used Web sites of independent groups, such as consumer-watch groups or accrediting agencies, compared with 45 percent in 2006.

Figure 4.1: Actively Seeking Information



- One out of five says that he/she has used blogs or podcasts set up by customers of companies (20 percent). This is nearly double that from the 2006 survey (11 percent).
- Nearly as many say they have used blogs or podcasts set up by nonmanagement employees of companies (17 percent). This is a marked increase over the 7 percent who said they used this resource in 2006.

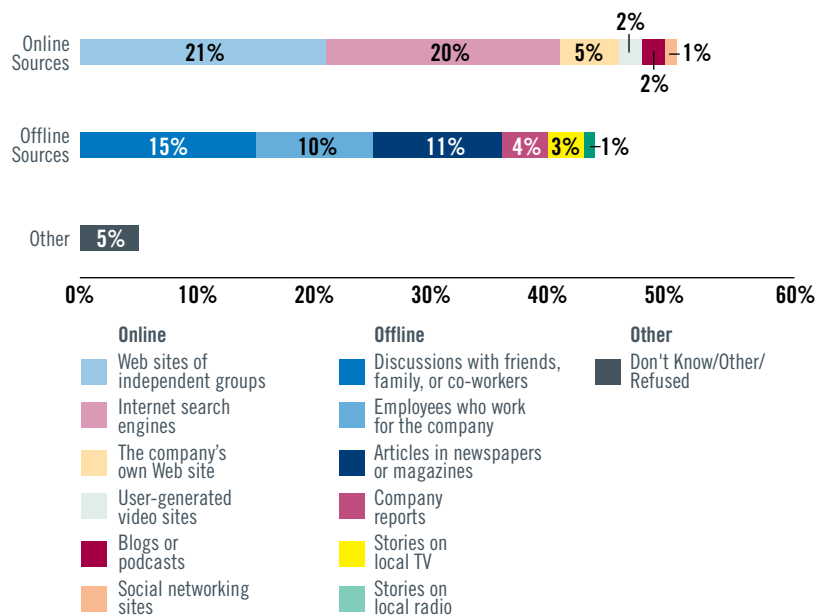
Additionally, the 2007 survey results show that consumers are beginning to use even newer online resources and technologies to learn about the extent to which a company is being socially responsible, including (See Figure 4.2):

- Social-networking sites, such as MySpace or Facebook (15 percent).
- User-generated video-sharing sites, such as YouTube (11 percent).

Moreover, nearly half of consumers say that Internet searches (42 percent) are either extremely or very credible. In comparison, traditional media sources (newspapers, magazines, TV, or radio) and traditional corporate sources (company reports regarding CSR, and corporate Web sites available to the public) trail behind. (See Figure 4.4.)

Please note that the wording of each response category in Figure 4.4 has been truncated to conserve space. Please see full report for full response wording.

Figure 4.2: CSR Sources



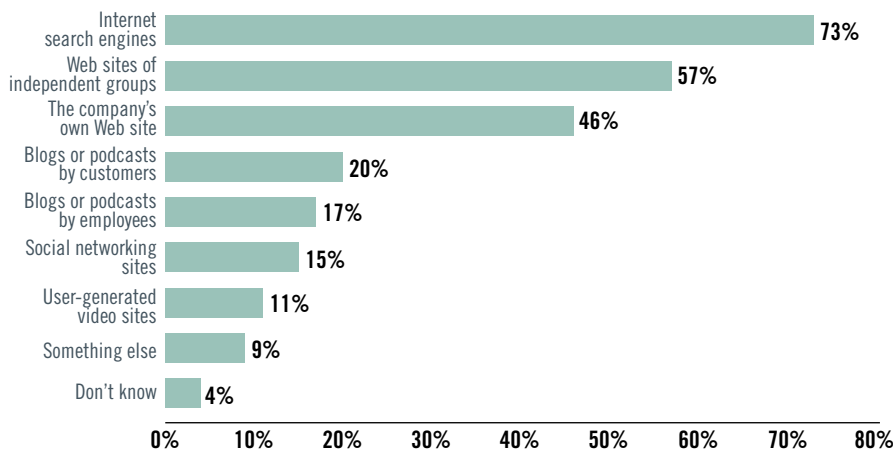
Please note that the wording of each response category in Figure 4.2 has been truncated to conserve space.

Consumers are going online not only to gather CSR information from what they perceive as credible sources but also to disseminate CSR information. (See Figure 4.5.)

- Two out of five Americans (40 percent) say they have sent an e-mail message to a company in order to voice their opinions about that company's products or services.
- Nearly as many (39 percent) say they have forwarded e-mail about a company, government, or other official to friends.
- One-third have either sent e-mail about an issue to an elected state or federal official (33 percent) or sent e-mail to a government official through another group that has launched a campaign to support a particular position, cause, or issue (30 percent).

Please note that the responses shown in Figure 4.5 are only a truncated list of the complete set of responses from which respondents were allowed to choose. Additionally, the wording of each response category has been truncated to conserve space.

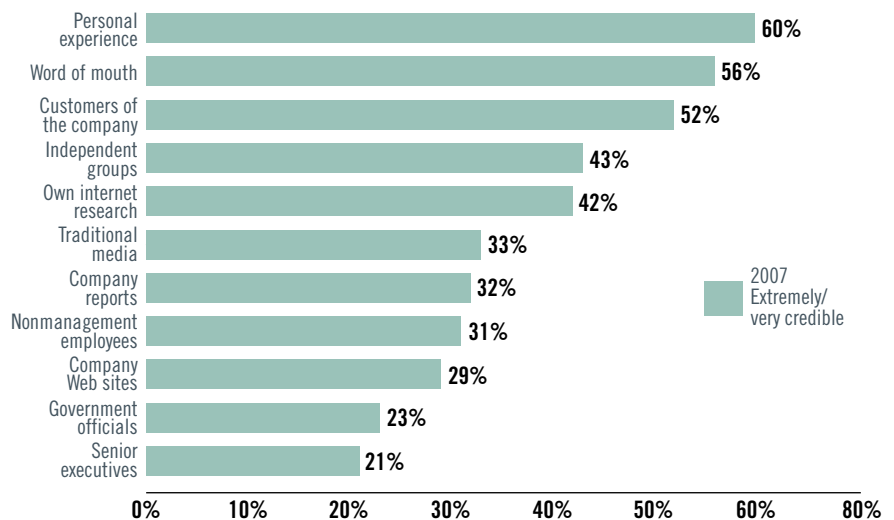
Figure 4.3: CSR Sources



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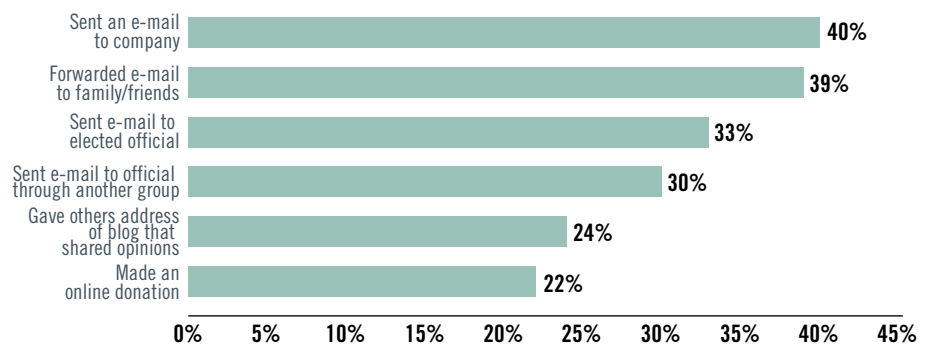
The consumer market is indeed saturated with Internet users; 86 percent say they have access either at work or home, work and home; or somewhere else, such as a library. This is consistent with the findings from 2006. The past two years of survey findings showcase the availability and use of online sources when it comes to information about a company's CSR track records, and they lends increased backing to the concept of the newly empowered consumers as being opinion leaders in the online space. A majority, or just about the majority, of Americans have access to the Internet and are using it to gather and disseminate information related to company's CSR activities. Now more than ever, it is important that a company monitoring its reputation in the CSR arena plan to monitor not only opinion leaders through traditional media, but also the bevy of online sources that are increasingly available to consumers active in the CSR space.

Figure 4.4: CSR Source Credibility



Please note that the wording of each response category in Figure 4.4 has been truncated to conserve space. Please see full report for full response wording.

Figure 4.5: In the past two to three years, have you ever done any of the following?



Please note that the responses shown in Figure 4.5 are only a truncated list of the complete set of responses from which respondents were allowed to choose. Additionally, the wording of each response category has been truncated to conserve space.

Communications Implications

As was emphasized in the analysis of last year's results, it is more important than ever for companies to be prepared to communicate about and protect their CSR reputations.

Consistently, consumers define the meaning of and expectations for corporate social responsibility in ways that go beyond just traditional charitable contributions and philanthropic giving. Consumers have a basic understanding of CSR as a commitment to communities and society. Consumers expect companies to contribute to their communities by volunteering time and effort to local activities, getting involved in community events in nonfinancial ways, providing jobs, and treating their employees well. Companies can no longer assume that donations alone, however much they may be appreciated, can sustain a positive reputation for social responsibility.

In fact, these findings suggest that if companies choose to ignore other facets of a well-rounded CSR plan, such as treatment of employees, volunteering, or the environment, it may affect more than just their reputation. It may have political implications, as consumers look to government to ensure that corporations are acting in socially responsible ways.

In the expanse of sources in which American consumers are conversing and learning about CSR, it is no surprise that companies have trouble keeping track of and reacting to consumer perceptions of their CSR reputations. Furthermore, consumers continue to share information through a variety of new and uncharted online mediums, making it all the more difficult for companies to develop strategic CSR plans without the assistance of careful online monitoring. Meanwhile, a strategic CSR plan is critical if a corporation is to stay informed of social responsibility matters that are important to its internal and external audiences.

In order to build and protect solid CSR reputations, companies must be committed to actively communicating their CSR activities to relevant audiences. Companies must be the drivers of the CSR conversation in which they are the primary subject, rather than witnesses of the conversations. This requires an understanding of where these conversations are taking place, and it is no longer solely on the stage of traditional media. To reach American consumers, companies must enact targeted communications plans that showcase a commitment to CSR, seek the input of key stakeholders in helping to define CSR more specifically, and look for new ways of engagement.

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