Aligning HR and Corporate Responsibility Strategies to Enhance Employee Engagement

Defining the Strategic Value of Corporate Social Responsibility (CSR)

Corporate Social Responsibility, or CSR, is commonly defined as the effort by a corporation to monitor the impact of its activities on society, its stakeholders, and the environment. Further, a socially responsible corporation contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders. (Financial Times)

In practice, the term CSR is often used interchangeably with corporate sustainability, corporate citizenship, “Environmental, Social, and Governance” (ESG), and social impact programs. These terms encompass a wide variety of corporate activities ranging from corporate philanthropy and employee volunteerism to monitoring and reporting on the environmental, health/safety, and human rights impacts of corporate and contractor supply chains and facilities. CSR programs and activities today encompass corporate issues ranging from employee engagement and brand purpose to sustainability reporting, diversity and inclusion, and various supply chain and in-house environmental programs.

There is an increasing overlap between CSR efforts and how a company is valued by its employees and customers. The link between corporate social purpose and employee engagement, satisfaction, and retention (ESR) has become a particularly pressing reason for CEOs to prioritize their company’s social impact programs. In The Conference Board’s annual survey of major issues for C-level executives, “attracting next-Gen leaders” and “the failure to attract and retain top talent” are at the top of CEO and other C-level executive concerns today, with leadership development and talent management identified as the biggest challenges their organizations face.

Many CEOs, therefore, are setting their sights on more integrated and innovative programs for social impact that will provide significant value to the corporation through recruitment, engagement, and retention of top talent. To succeed, these programs must involve all areas of the organization, not just the CSR officers and staff. Chief Human Resources Officers (CHROs) and HR professionals have a particularly important role to play in designing and implementing social responsibility strategies that are integrated into the organization’s human capital management systems. This Briefing discusses the value of closer alignment of HR and CSR strategies and activities within the organization.
History and Evolution of CSR

Corporate philanthropy, employee volunteer activities, and corporate involvement in civic and social programs predate the creation of CSR departments. IBM and GE, for example, have supported their local communities through corporate donations and employee volunteer programs since the early decades of the 20th century. Companies of all sizes have traditionally donated to community causes and encouraged the volunteer work of their employees.

In the past 5 years, sustainability reporting has become one of the most common responsibilities for CSR professionals. After years of relatively slow adoption, annual sustainability and ESG reporting is now the norm for public companies in the US and in Europe. According to the Governance & Accountability (G&A) Institute, 85% of the companies in the S&P 500 Index® reported on their impacts through formal sustainability reports in 2017, a significant increase from the 20% that published such reports in 2011. (www.ga-institute.com/)

GRI, the Global Reporting Initiative, became the first global framework for comprehensive sustainability reporting by corporations in 2000 and it remains one of the most popular, especially for multinational corporations. The GRI reporting framework requires companies to identify and report on material aspects of corporate social responsibility, defined by the GRI as, “issues that are significant to a business’ economic, environmental and social impacts and that substantively influence the assessments and decisions of its stakeholders.”

In parallel with the intensive data-gathering efforts involved in sustainability reporting, innovative CSR programs look to create strategic value for the corporation and its stakeholders by focusing corporate giving and employee engagement in areas that reflect brand purpose and company expertise. As Jen Anderson notes in describing sustainability reporting best practices, “To be a key driver of positive reputation, CSR needs to be authentically aligned to business strategy as well as to the goals of corporate stakeholders.” (Anderson and Abensour, 2017)

This authentic alignment between business goals and corporate social responsibility programs is especially important in efforts to engage employees as community volunteers or expert contributors to specialized social impact activities, for example in developing new products that incorporate sustainability or carbon reduction components. Employees attach more value to CSR programs, and become more engaged in their everyday responsibilities, when they can see a direct connection between CSR and overall corporate priorities and business goals. (Kruse, 2012)

C-Suite Priorities for Social Impact

The widespread adoption of corporate sustainability reporting reflects increased demand by stakeholders, including customers, employees, and communities, for corporate transparency and accountability. Executives and investors have taken note of the market focus on corporate responsibility, and are becoming more directly involved in shaping high level goals for corporate social impact. As the 2018 Deloitte Insights report on Human Capital Management Trends reports,

*Corporate citizenship is no longer simply a corporate social responsibility (CSR) program, a marketing initiative, or a program led by the CHRO. It is now a CEO-level business strategy—defining the organization’s very identity.* (Deloitte, 2018)

In fact, demonstrating positive social impact has become an essential component in attracting and retaining top talent and maintaining the investor support necessary to operate a competitive business. The 2018 Annual Letter to CEOs from Larry Fink, BlackRock’s Founder and Chairman, emphasizes the critical importance of corporate social purpose and stakeholder impact, linking it to the company’s long-term survival,

*Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate. ... Without a sense of purpose, no company, either public or private, can achieve its full potential. It will ultimately lose the license to operate from key stakeholders.* (Fink, 2018)

Return on Social Impact

There is mounting evidence that corporations earning a reputation for positive social impact reap measurable financial and strategic benefits. Multiple studies have found a positive correlation between company CSR ranking and employee satisfaction, with higher ESR also correlated with increases in profitability and market valuation. (Palmer, 2012, Gallup, 2017, Deloitte, 2018)

Project ROI, a joint research report by IO Sustainability and Babson College’s Social Innovation Lab, has documented
increases in share and market value, sales, reputation and brand value, employee engagement and performance, along with reductions in corporate risk and cost of capital. According to Project ROI, companies that leverage the differing expertise and strength of CSR and HR leadership to align CSR and ESR programs report the following internal benefits:

- Participation in CSR programs such as volunteerism results in increased satisfaction and engagement for all generations of employees
- Millennials and GenZ employees who specifically care about brand purpose and effective CSR programs, and who are more likely to change jobs in a high-demand market, increase their likelihood of staying with their current employer
- Employees with higher levels of satisfaction increase both their productivity and sense of individual purpose on the job
- Employees more readily identify themselves with the company’s goals and mission

But the Project ROI report also notes that these benefits only accrue to corporations that are committed to integrated and consistent investment in CSR programs.

Our finding: CSR practices have great potential to deliver financial returns on investment (ROI) and related business and competitive benefits. However, it is not enough to engage in CSR activities per se, one must do them well. (S. Rochlin, et al, 2018)

A hallmark of CSR strategy “done well” is corporate commitment to all stakeholders, with internal alignment and integration of employee-facing engagement programs. Today’s employees are not impressed by external messaging about brand purpose that is not reflected in all aspects of the organization’s stakeholder relations. In fact, there is a risk of alienating employees when internal priorities and programs are seen as contrary to public CSR statements.

The pressure to align CSR and ESR strategies, and the strategic value of this alignment, increase in tandem with rising employee and stakeholder expectations for sustainable, responsible business practices. According to a 2017 study by Deloitte, “Millennials are becoming increasingly sensitive to how their organizations address such issues as income inequality, hunger, and the environment. Eighty-eight percent of Millennials believe that employers should play a vital role in alleviating these concerns.” (Deloitte, 2018)

A recent global study of 8,000 consumers by public relations firm Edelman found that the majority of today’s consumers are “Belief Driven Buyers,” who base their decision about whether to purchase (or avoid) a product on their perception of a company’s position on social issues. Among the 18 to 34 year old respondents, 69% define themselves as Belief Driven Buyers who are looking to corporations to address social problems as part of their mission (Vranica, 2018). This age cohort, representing both Millennials and GenZ, are not just coveted custom-

3M Impact, a skills-based social impact program, has employee empowerment, skills-based service, and leadership development at its heart. 3M employees apply to join an Impact project team that will spend 2 immersive weeks working with a nonprofit, government agency, or social enterprise to address a local priority issue in a developing market. The 3M volunteers leverage their expertise to develop solutions that create value for the partner community. Beyond the 2 weeks spent in the community, the 3M project team and community members collaborate on action plans to sustain the solution over the long term. In the process, 3M employees enhance cross cultural leadership, collaboration, and innovation skills, often drawing connections between community needs and solutions that might eventually become new 3M products and services.

An assessment of 3M Impact projects found the program had a positive impact on the participants, the host community clients, and 3M business. More than 94% of participating employees report that their Impact experience offered important learning and development opportunities that matched their career goals, increased their ability to effectively work with a global team, and made them feel that 3M is dedicated to their professional well-being. Importantly, the community’s perceived value matched and even exceeded this positive response, with 100% of community host partners stating that they were satisfied or highly satisfied with the Impact experience and would work again with 3M on a follow-up project. Equally important for integrating business purpose and social purpose, 92% of participating employees are confident that things they learned from 3M Impact will transfer to their work and lead to a positive business impact for 3M. 70% feel that the project sparked new ideas for products, services, or improvements that could apply to their work at 3M.
ers. 18 to 34 year olds now comprise the majority of corporate employees and rising management talent across all industries. The priority that these employees place on corporate social responsibility will impact their level of engagement, their corporate loyalty and their work performance in ways that no business can afford to ignore.

Barriers and Challenges

Before outlining alignment best practices and recommended building blocks for creating integrated CSR-ESR strategies, it’s important to acknowledge that many organizations face significant internal barriers to integrating HR and CSR activities.

Common barriers include:

**Organizational reporting lines for CSR and ESR remain separate and can create a silo effect that weakens the potential for integration.**

- HR and CSR professionals often report through separate leadership structures, operating in different business divisions. CSR/Sustainability Directors frequently work in stand-alone CSR departments, or in Corporate Communications, Marketing, Government Affairs and Legal departments. In the majority of US corporations, primary responsibility for employee engagement and human capital management is separated from the responsibility for managing employee volunteer programs and related CSR activities. With separate reporting lines, strategic alignment can be elusive.

- Without a C-suite mandate for collaboration accompanied by incentives and resources to align strategies, integrated program development between HR and CSR is not always a priority.

**Silos in the organizational structure and reporting spill over to silos in measurement, further hampering collaboration and integration between CSR and ESR.**

- Annual sustainability reporting, using comprehensive frameworks such as the GRI, is time- and knowledge-intensive.

- ESR and human capital management reporting is also becoming increasingly sophisticated, with HR-specific data sources, terminology, and priorities. This growing sophistication and specialization of measures and reporting complicates measurement integration across HR and CSR programs.

- As noted earlier, standard CSR reporting frameworks have been widely adopted by leading global corporations, but the skillset required for completing specific frameworks such as the GRI is not widespread inside corporations. Both CSR and HR professionals may lack the skills needed for modeling expected program outcomes and analyzing data related to ESR. This skills gap makes it challenging for HR and CSR to gain and share insights from data that could be used to enhance ESR management.

**Lack of a formal organizational structure or position responsible for innovative ESR planning and program development.**

- Even when CSR and ESR functions are based in the same department, it requires a deliberate effort to establish the collaborative goal setting and measurement that is needed for innovative, high-impact ESR programs. Strategic planning methodologies still lag behind best business practices in planning for the integration and implementation of sustainability and employee satisfaction and retention programs. The skill sets required to support integrated planning, execution and measurement of ESR program outcomes may not be available within the organization.

FOUR BUILDING BLOCKS FOR ENHANCING CSR - ESR ALIGNMENT

Despite these barriers to alignment of CSR and ESR for better overall strategic performance, the pressure to prioritize corporate social responsibility, measure impact, and infuse employee engagement with corporate purpose is here to stay. Best practices may still be emerging, but corporations are already responding to external pressures by prioritizing social impact, sustainability and brand purpose programs that enhance employee engagement and retention. Lack of alignment between CSR and ESR, therefore, is becoming more than a missed opportunity – it is poised to be a significant corporate risk factor. If HR and CSR professionals are not already addressing such priorities, they can expect CSR-ESR alignment to become part of their responsibilities during the next several years.

What steps will enable more strategic alignment? This section discusses four key building blocks for CSR-ESR alignment as illustrated in the following figure: Collaborate, Balance, Develop, and Empower. Organizations will vary in their current level of preparedness to execute these strategies. The building blocks are designed to cascade, as it may be easier in the short term for companies to foster small collaborative successes rather than fully integrating CSR and ESR metrics. At the same time, each block can reinforce the others.
The first building block is to foster collaboration between HR and CSR professionals across departments. This is an obvious but by no means automatic step toward aligning CSR and ESR programs. Taking steps toward joint planning, goal setting and measurement of ESR programs requires a deliberate effort to overcome the barriers noted previously and to allocate time to discuss the parameters of shared goals. It also requires performance management that measures and rewards this collaborative behavior. Collaboration, whether within or across business units or organizations, requires more time, focus and energy, which can seem daunting when HR and CSR managers are already flat out with their primary responsibilities. Nevertheless, small incentives to collaborate, and collaborative behaviors across reporting lines can, in reasonably short order, produce returns that can enhance the performance and effectiveness of participating managers.

In the long term, collaboration is essential to keep up with executive, employee and other stakeholder expectations for a higher level of commitment to, and transparency about, corporate social impact. As Deloitte notes in its report on Human Capital Management Trends, a “symphonic C-suite” of senior level collaboration will be absolutely necessary to remain competitive in our changing workforce environment. Corporate executives are not the only ones who will have to play in sync, but as they do, it will become even more imperative, and hopefully easier, for HR and CSR managers to collaborate on initiatives that integrate social with employee impact. In the short term, collaboration can focus on small, mutually beneficial steps. For example, CSR and HR could create a shared learning agenda regarding employee attitudes toward social impact and then jointly survey employees to determine their priorities for brand purpose and social engagement. Such a learning agenda could approach employees about their attitudes toward the business as employees and as potential consumer stakeholders. Another example could be collaboration on a volunteer leadership development program that offers employees much-valued professional development while enhancing the company’s presence in the local community.

Sharing insights that are based on separate HR and CSR activities is also an effective path to closer collaboration. The materiality assessments that CSR professionals are already conducting as part of their GRI reporting requirements can help HR professionals expand their understanding of the external stakeholder and environmental issues that are often outside of the scope of HR responsibility. As discussed earlier, Millennial and GenZ employees increasingly expect their corporations to address these social issues. At the same time, CSR professionals are often less aware of the internal organizational issues and employee leadership development opportunities that fall outside traditional employee volunteer programs. Learning about these programs from HR colleagues can lead to collaboration on more impactful and strategic volunteer initiatives. Sharing insights from the materiality assessment and the organizational issues that are of most concern to employees improves the ability of both CSR and HR to align their programming around ESR.

HR and CSR professionals must continue to balance the needs and priorities of stakeholders inside and outside of the organization, while placing increasing emphasis on the importance of ESR for shareholders, investors and analysts. At the same time, they must balance internal reporting and external communications to ensure consistency and transparency. Balance requires shared metrics – an ability to recognize not only the achievement of CSR and ESR aims, but also to understand, track, and adapt to how these strategic initiatives enhance each other’s success.

HR professionals need to balance their core human capital management responsibilities with demands for strategic programming and new expectations for employee engagement and measuring employee satisfaction. At the same time, they must recognize the importance of corporate social impact to employees and enhance their attention to CSR activities as key inputs to their own work.

Balance also means maintaining more traditional ESR priorities while rethinking the definition of work-life balance to better reflect the combined priorities of a) Boomers approaching retirement; b) Millennial and GenZ desire for
mentoring and professional growth opportunities; and c) the dual role of Millennials and GenZ as “Belief Driven” employees and consumers. Finally, and reflective of these demands, both HR professionals and CSR professionals must balance their people skills with the need to develop analytical and data skills to meet the expectations for predictive reporting and comprehensive impact measurement.

Longer-term, C-suite executives must come to recognize and balance their understanding of both CSR and ESR as strategic imperatives. One possible approach to achieving all this balance is for companies to redefine “sustainability” to combine traditional social impact perspectives with an emphasis on a sustainable workforce, especially in a world in which only 42% of workplaces consist of predominantly salaried employees, and the “workforce ecosystem” is changing at a rapid pace (Deloitte 2018). Any number of strategic planning approaches, for example, offer methods for operationalizing a “sustainability” strategic theme across business units. Creatively broadening that theme to incorporate sustainability to the employee base could enhance balance while simultaneously reinforcing the first building block, Collaboration.

**DEVELOP**

Whether an organization goes as far as redefining “sustainability” or not, developing shared metrics that span HR and CSR initiatives is a key building block. An integrated framework for data collection, analysis and measurement that reflects corporate strategic goals as well as external reporting requirements such as the GRI and diversity/inclusion milestones is imperative. These metrics must capture not only achievement against stakeholder expectations for corporate social impact, but also responsiveness to employee interests and concerns, while meeting the increased demand to measure impact of corporate programs on ESR.

The key principles of effective CSR measurement as defined by Anderson and Abensour in *Measuring Your Company’s Impact: How to Make the Most of Sustainability Reporting Frameworks* (Cronin and Dearing, 2017) serve as a relevant guide for developing integrated CSR-ESR measures as well. They recommend the following:

- **Involve others:** Don’t go it alone. Ask internal and external stakeholders to help along the way.
- **Start with objectives:** Identify the social and business objectives first. Use those objectives to help make

IBM was named a Military Friendly® Employer of the Year for 2018 by Victory Media in recognition of the company’s programs to hire, train, and support US military service members. This commitment to the vets who have served our country is an important facet of our CSR strategy and also serves to enhance employee engagement.

IBM has several innovative initiatives in place to help transitioning military members and veterans find career opportunities at IBM and even to support them in developing skills for careers with other companies.

For careers at IBM, the New Collar Jobs initiative is a term being used to refer to the evolving nature of technology and the ways tech work gets done. This program helps to open up more opportunities for veteran hires based on the skills they have developed during their military careers. Veterans are also encouraged to use IBM’s Watson Candidate Assistant, a cognitive talent management solution that engages job seekers through a fun chat interface and recommends roles for job seekers that will fit them best. This is especially valuable to Veterans as they share their military skills and experiences and Watson Candidate Assistant utilizes that information in its job recommendations.

IBM’s Military Fellowship Program allows active military members a chance to participate in a 12-week work experience program on-site at IBM. The program provides a competitive and selective experience designed to assist in bridging the gap between military service and civilian careers. In addition, IBM has Apprentice Programs across multiple skill disciplines that are providing a targeted training program with hands-on learning, mentorship, and over 200 hours of instruction. Veterans have accounted for approximately 20% of the apprentice hires.

IBM’s commitment to veterans can be traced back to the early 1900’s through present day. In March of 2017 IBM’s CEO Ginni Rometty renewed that commitment by stating “IBM would hire 2000 veterans by 2020.”
decisions about what can be measured.

• Focus on what the program can truly impact: Don’t spread the program too thin.

• Be transparent: Transparency brings credibility. If a CSR program is not driving the impact expected, be upfront, find out why and change course.

• Have others substantiate: Ensure partners and/or independent third parties validate results.

Balance and Collaboration also require developing a workforce that can understand and move across both CSR and ESR domains. In addition to the skills in data analytics already noted, team-level collaboration, effective communication and information sharing, fostering of social capital and some level of strategic vision will also be increasingly necessary for HR and CSR professionals, especially as they work together.

One viable, shorter-term investment in the Develop building block could be a joint professional development agenda for HR and CSR leaders. This has the benefit of enhancing overall professional development while fostering core capabilities across the Four Building Blocks for Enhancing CSR-ESR Alignment. For example, an organization could invest in joint training in ESR data design and analytics, which would accomplish at least three things at once. First, joint training would improve social capital between the CSR and HR representatives. Second, it would enhance the hard skills necessary for both HR and CSR to track, report on and adjust according to performance data around corporate social impact and employee engagement and loyalty. Third, it could facilitate design of questions and data tracking that support and/or foster the kind of collaborative learning agenda mentioned in the Collaboration building block above.

**EMPOWER**

Deloitte notes two key trends particularly relevant to empowering managers and employees on the path to CSR-ESR integration. First, today’s employees require new reward systems that are personalized and agile in nature. Second, they value less of a step-like career ladder and more of an integrated career experience that meets changing life experiences and learning objectives. (Deloitte 2018) At the same time, we know employees value companies whose business practices align not only with financial performance, but also with clear social impact objectives. That alignment affects decisions about whether to stay or move in high-demand environments. Further, employees value a sense of personal impact on the business. Engagement in CSR has the potential to offer all of this, while also creating meaning for employees by allowing them to bring a more integrated and creative portfolio of their personal talents and interests into their work.

**MASSACHUSETTS**

Blue Cross Blue Shield of Massachusetts (BCBSMA) designed its BlueCrew Leadership Council (BCLC) to provide leadership development, corporate citizenship training, and volunteer management experience for all levels of employees. During their two years on the BCLC, Leadership Council members plan and implement the company’s annual statewide Service Day – One Community, One Blue. With guidance from the Corporate Citizenship team, BCLC members collaborate to select nonprofits for the annual service day, lead the planning process, serve as site coordinators for each nonprofit location, and recruit colleagues to become service day Team Leaders. Serving on the BCLC hones the organizational and public speaking skills of participants, and helps them to build confidence in managing groups and leading peers. The annual Service Day is a signature volunteer program for Blue Cross, involving over 3,000 employees and 55 nonprofit project sites. Entrusting its success to the BCLC highlights how empowering employees through leadership development and training yields positive internal impact as well as expanded community value.

BCLC members also serve as Corporate Citizenship Ambassadors, encouraging their peers to become more engaged with community programs, answering questions about the BCBSMA corporate citizenship mission and impact, attending community events, and actively contributing to company-wide citizenship programs. There are currently 55-60 members serving on the BCLC. The Council’s size has increased every year since its 2008 launch, as the scope of the annual Service Day and other programs has grown, creating more opportunities for employees to take on corporate citizenship leadership roles. Many members of the BCLC stay connected to their service day nonprofit partner beyond the responsibilities of the project. Some continue to volunteer individually and encourage their colleagues to connect with the organization.
Recommended steps on the path to HR – CSR alignment through empowerment include:

- Designing volunteer programs that draw on existing employee skills and/or provide opportunities to expand career-related skills, including innovations that contribute to business goals such as product development;
- Creating volunteer opportunities within those programs that meet specific, personal professional development goals of high-performers;
- Adding volunteer and/or pro bono time, contributions to favored employee charities, matching philanthropy and participation in directing corporate philanthropy more explicitly into the rewards package for employee performance in a given year;
- Using design, execution and evaluation of targeted CSR initiatives as a way to enhance the social capital and analytics skills of new or developing corporate teams from other business units;
- Creating mentoring programs in core community learning areas (e.g., STEM) that become part of leadership development ladders for emerging executives;
- Tasking employee teams with meaningful problem solving around recruitment and development in diversity and inclusion.

In all of these examples, it is important that the focus on employee empowerment stay in balance and take into account social impact on community stakeholders. Developing a strategy to monitor progress across all four building blocks will help companies succeed.

Conclusion

There is widespread agreement that corporations today must demonstrate commitment to positive social impact to maintain their brand value and earn the loyalty of employees, customers, and investors. The majority of CEOs recognize the need to move beyond reporting initiatives toward incorporating CSR in C-suite level strategic planning. At the same time, given the competitive job market and the cost of employee turnover, it has become imperative for companies to prioritize talent recruitment and retention and to invest in ESR. CSR initiatives have positive impact on ESR when employees themselves feel directly engaged. Improved alignment of HR and CSR is a winning business and social impact strategy.