Essay: How to co-create corporate responsibility strategy

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Properly involving stakeholders in formulating corporate responsibility programmes results in more focus and success

Stakeholder involvement in corporate responsibility activities is surrounded by rhetoric. Still, most companies continue to develop, implement, and manage their CR as an essentially top-down process.

Our research, described in more detail in Leveraging Corporate Responsibility: The Stakeholder Route to Maximizing Business and Social Value, shows quite convincingly that neither employees nor consumers are content to be passive recipients or even "enablers" of a CR programme. They want to be "enactors" and actively engage in co-creating CR initiatives with employees of the company. Co-creation allows stakeholders to become part of the solution and reduces the gap between their expectations and the firm's response.

While co-creation is not a new idea, it is becoming increasingly important as more companies take a multistakeholder approach to their CR activities. But, not enough has been done to engage companies' primary stakeholders, such as employees and customers, as CR is still essentially a process in which senior managers decide which issues or causes to support.

Better connections

Companies need to connect with fewer, but more proximal and significant, stakeholder groups and not simply reach out to a wider set in the hopes of doing CR right. Our research confirms what many managers observe anecdotally, that employees are still typically passive executors of CR decisions made by top managers. The same research shows that employees want to play a greater leadership role in a company's CR initiatives; they want to be co-creators.

Matching gift programmes, in which a company matches employee donations to charities dollar-for-dollar, are popular with employees, because the employees can individually decide what cause they want to support and how much they want to contribute. But this example is one of few in which companies and employees see eye to eye. More often, the power is held by the company, and employees are left feeling "unempowered", unmotivated, and in the worst case, disenchanted and disengaged.

Notably, the consumer context research by Rosen, Irmak, and Jayachandran has found similar results. When consumers are able to choose the cause in a cause-related marketing campaign, they feel as if they have been a part of the co-creation and this, in turn, increases their purchase intentions.[i] [2]

A stakeholder-centric and co-creation-oriented approach facilitates dialogue between a company and its stakeholders and incorporates this input as early as possible in the CR formulation process. A critical step in co-creation is to examine how to enhance usefulness and understanding and achieve a sense of unity – the three Us – with a special eye on involving stakeholders in the process of

co-creating a company's CR initiatives to maximise all stakeholders' advantages. This way, companies can not only support the creation of additional value for stakeholders through the co-creation process itself, but also guarantee that a full range of relevant programmes and issues are considered. The relevant stakeholder groups have created whatever is chosen in the end.

How are managers to put these insights into action? There are four steps to successful CR formulation: articulation, generation, distillation and selection. Articulation and distillation are more reliant on managerial input, while generation and selection present co-creation opportunities, actively engaging key stakeholders in CR decision making.

Articulation

The most critical task for those engaged in formulating CR strategy is to decide what type of CR value should be created and to formally articulate the objectives of CR activity in a particular instance. Only after this step can one decide on the most appropriate stakeholder groups to target for involvement. The end should be clear, or it will be extremely difficult to determine the means to achieve CR value. CR strategy may differ substantially according to the desired goal. A much broader stakeholder focus is needed when the goal is to improve corporate reputation and brand equity than when the goal is to attract and retain employees.

Those formulating CR strategy need to determine the exact objectives and articulate this in such a way as to create buy-in. Corporate leadership has to offer initial support of the initiative so that the necessary resources are available and continue to support the initiative long-term to ensure implementation and results. A valuable way to better co-create CR goals with fellow employees and get broad-based internal buy-in is to build shared understanding among colleagues by learning from knowledgeable others in the business.

Consider Aramark, a leading provider of food services, facility management and uniforms. In 2006, executives at the company reviewed their CR activity, finding that while substantial and beneficial, the fragmented nature of its efforts was wasting potential opportunities to create CR value. In their bid to revamp their CR strategy, company executives reviewed archives and research studies at the Centre for Corporate Citizenship at Boston College, attended conferences and classes, and learned about best practices and execution challenges by meeting with various executives from companies such as Starbucks, Verizon, and Reebok who had launched successful CR initiatives.[ii] [3]

Generation

As the world moves towards an "involve me" culture, in which stakeholders increasingly want to be a partner of an organisation, the generation of ideas for CR projects can facilitate active participation. Once objectives have been decided and relevant stakeholders identified, we recommend that companies engage and interact with stakeholder group members to generate a portfolio of CR initiatives that are in line with the objectives. Companies can do this by engaging individual stakeholders or by "digging deeper", which produces better results.

One technique to go deeper is called "laddering". Laddering does more than simply ask which features are most important to consumers. In this technique, the researcher identifies key product features and keeps probing the respondent to articulate the functional and psychosocial benefits that the features provide. In the end, the researcher asks which values these benefits help fulfil.

This product-focused method is a starting point. To increase effectiveness the stakeholder should be engaged in interactive dialogue. Stakeholder participants might be asked about their views of CR in general; their views of CR within the industry and focus of the company; their expectations of the company; the attributions they make about the company's current activities; and the rewards they would stow upon companies they consider socially responsible.

Our research has shown two main psychological benefits for a stakeholder when it is affiliated with a socially responsible company, namely self-esteem and self-coherence. CR can improve a person's perception of self-worth, through his or her association with the company. For example, stakeholders often claim that buying from a socially responsible company makes them feel good, or that they take pride in working for a company that is also a good corporate citizen.

CR can also bring greater coherence to a stakeholder's life by making interactions with the company a natural expression of how he or she sees herself or himself, especially when the CR issues a company addresses coincide with the interests of the stakeholder. One example would be when an employee who is very interested in helping the homeless works for a company that has a CR initiative in this area. Each interaction with the company reinforces the stakeholder's sense of who they are and provides them with a sense of self-coherence and continuity with their values.

Distillation

After a set of CR initiatives have been generated together with stakeholders, managers still have to prioritise or "distil" the initiatives, putting them in line with the core competencies of the company and what the company can best deliver. Even the best CR initiative is wasted effort if the company cannot correctly implement it.

A practical approach to the distillation phase is to create a matrix (often called a materiality matrix) plotted according to the dimensions: the importance or attractiveness to stakeholders and the importance to the company in terms of the likely influence of the initiative(s) on business success. This phase should filter the co-created set of alternatives from the generation phase to a smaller set that can be implemented successfully by the company.

Selection

Managers select the top initiatives and identify which stakeholder segments to target in the final selection stage. Certain initiatives are likely to be perceived as more useful (eg, because they care more about the issue), have better levels of understanding about a particular initiative (eg, because they make more intrinsic attributions) and/or provide higher levels of unity with the company (eg, because they perceive a stronger identity overlap). All of these factors would be helpful for managers to explore before selecting and implementing a particular initiative.

Within the selection stage, those deciding upon CR initiatives within the organisation should begin to partner with the non-profit firm (or firms) that will implement the initiative. After having completed the steps of articulation, generation, and distillation, there should be a relatively broad understanding of the parameters of the initiative that will be selected and implemented.

Companies and NGOs should begin early to find a "common ground" to build long-term partnerships also based upon co-creation. A development team, with members from the company and the NGO, can describe the CR activity as a group of features such as the cause, the implementation of the cause (marketing, volunteering, etc), proposed non-profit partners, proposed type and level of

stakeholder engagement.

After the programmes have been short-listed and described, the stakeholder groups should be brought into the co-creation process. They can help the company identify the most attractive programme, typically through the methods of quantitative marketing research.

Implementation

Our research has shown that companies have to put their employees and even consumers at the centre of their CR efforts, empowering them as co-creators of effective CR strategies.

It is not enough to engage these stakeholders in the formulation of the CR strategy. The groups should be enactors of CR and take responsibility in the execution of the CR strategy as well.

Based on both our research and our conversations with companies, we have identified three factors that drive the success of the CR implementation strategy:

1) whether the stakeholder is an enactor or merely an enabler;

2) whether the connection with others in the company and its programme is primarily horizontal or vertical;

3) whether management keeps the process of evaluating the programme formal or informal.

Enactor versus enabler

For CR initiatives to be truly effective, companies need to make their employees the primary enactors in social responsibility programmes. Employees are networked within their community and therefore feel more qualified to implement CR at the ground level. Shifting the primary responsibility for their CR programmes to employees does not absolve the company of its responsibility to be an effective enabler.

The company must maintain clear, open, continuous, two-way communication and enable the interchange of ideas both vertically and horizontally across employee groups. It must also provide guidance and resources to the employees that go beyond allowing CR involvement on company time. Ideally, company leaders and employee groups would work together to integrate CR activities into coherent job products. Sufficient funding and material resources are also a must for successful implementation. To sum it up, employees must be the primary enactors in CR initiatives.

Of course, consumers should also be considered in this regard as well. Although they are not as close to the company as employees, they can also make a difference as enactors. When a company communicates clearly with the consumer, offers guidelines for implementation, and rewards the consumer, the co-creation experience can be maximised.

One recent example is programme initiated by Disney called "Give a Day. Get a Disney Day." In this programme, consumers can volunteer a day of service at a participating organisation and then, after having verified the participation, they receive free admission to a Disney theme park for a day. "Badging" and "documenting" are two examples of how a company can solidify the CR engagement

within the community. Disney, for example, could "badge" consumers by creating and giving away T-shirts to show those who have volunteered their time. Consumers can also be encouraged to "document" their experience on social networks or by blogging.

Horizontal versus vertical

CR implementation should connect all of the enactors in a meaningful way, being therefore horizontal. This practice helps to create a "community of virtue". By embedding stakeholders in the company network, they become not only closer to the company, but also closer to other important members of the network. This, in turn, creates meaningful ties with other network members and therefore to the company.

CR provides a "higher purpose" for stakeholders, thereby helping to create "social capital". Social capital is considered to be the glue that empowers social action and helps to create a successful community of virtue. Social capital can broadly be described in terms of the trust, mutual understanding, and shared values and behaviours that bind members of human networks and communities and make cooperative action possible.[iii] [4]

Formal versus informal

As a trend, informality helped businesses be more innovative. In the context of CR initiatives, formal processes are often better at fostering more effective co-creation among employees.

Our research suggests that companies should put specific systems in place for the employee and consumer realms to facilitate co-creation. These include organisational monitoring, evaluation, and reward systems. We encourage companies to monitor and manage stakeholder contributions formally. Such formal processes could be to define stakeholder roles and tasks, to integrate these into company operations, and to obtain stakeholder feedback.

Conclusion

While co-creation in itself is not a new idea, it has not been systematically and consequently used in CR areas, although it has significant potential. Systematically engaging and embedding stakeholders in the formulation process helps managers maximise the three Us (understanding, usefulness, unity) as well as key variables such as caring and closeness, all of which go towards simultaneously creating more business value and more social value.

Companies should involve key stakeholders – especially employees and often consumers – as they respond best to being directly involved. By embedding stakeholders in CR programmes, companies can help to create a "community of virtue" that in turn enhances a sense of unity with the company.

Stakeholders can best contribute to generating ideas and selecting causes of greatest interest, but management still plays the key role in distilling ideas and implementing projects. Companies should determine their primary goals and then target the relevant stakeholder groups to co-create their CR programmes, coming up with a portfolio of possible initiatives. Managers can then use qualitative and quantitative research techniques with targeted stakeholders to arrive at specific social causes and programme ideas in the end.

The best approaches to CR co-creation allow stakeholders to be enactors rather than enablers, to have their connection be primarily horizontal or in the form of a network rather than vertical, and for the programme itself to be managed in a formal rather than informal manner. This allows the company to demonstrate its commitment to the programme as well as provide a clear method for rewarding the involved stakeholders.

This article is an edited version of chapter 7 "Co-creating CR strategy" of the newly published book "Leveraging Corporate Responsibility: The Stakeholder Route to Maximizing Business and Social Value", Cambridge University Press.

Leveraging Corporate Responsibility was written by CB Bhattacharya, E.ON chair in corporate responsibility, and dean of international relations at ESMT European School of Management and Technology in Berlin, Germany, along with Sankar Sen, professor of marketing at the Zicklin School of Business, Baruch College, and Daniel Korschun, assistant professor at Drexel University's LeBow College of Business.

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[i] [5]S Rosen, C Irmak, and S Jayachandran, "Value Co-Creation in Cause-Related Marketing: How Letting Consumers Choose the Cause Enhances Consumer Support," Working Paper, Moore School of Business (2009).

[ii] [6]Aramark,
"Aramark Building
Community," Case
Study, available at www.aramark.com/ServicesandIndustries/CaseStudies/BuildingCommunity.aspx
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[iii] [8]D Cohen and L Prusak, In Good Company: How Social Capital Makes Organizations Work (Boston: Harvard Business School Press, 2001).

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