The Altruistic Marketer

*Fostering Corporate Excellence For The Greater Good*

**Does corporate responsibility lead to higher profits?**

**– or vice versa?**

Corporations in virtually every industry and reaching into every corner of the world, from Target and General Mills to Starbucks, Nike and Monsanto, have made their corporate social responsibility initiatives a primary business function. Many of them do so because it’s the right thing to do. But a majority of them also realize a number of business benefits, such as:

**Risk Management.** A culture of transparency and ethics helps companies focus on responsible practices and compliance, and protects them from behaviors that could damage the corporate reputation.

**Recruitment and Retention.** Companies at the top of the moral heap will draw better employees and encourage long-term career paths.

**Brand Differentiation.** A business model built on socially responsible values will drive the development of market-competitive products and services.

**Business Growth.** Statistics from [Cone Inc.](http://www.coneinc.com/content1188) support the notion that a large percentage of consumers would prefer patronizing companies that support causes.

Perhaps one of the most compelling incentives to institute or maintain a corporate responsibility program is this statistic: Companies that appeared on the CRO 100 Best Corporate Citizens List over the past nine years have outpaced the rest of Russell 1000businesses in three-year total return by 26%.

But did these companies outperform the others because they were socially responsible… or were they socially responsible because they had more capital through higher profits and stock prices, and therefore could invest more in those programs?

One example that favors the former argument is the case of Merck, which earned fourth place on the 2009 CRO 100 Best List. The high-profile pharmaceutical company lost considerable market share in mid-2006 amid the controversy that sprang from reported health risks related to its anti-inflammatory drug, Vioxx. Since then, Merck has sought to improve the trust of its stakeholders through greater transparency and better internal and external communications regarding its CSR efforts. On March 13, 2009 – the release of the most recent CRO 100 Best List – Merck’s per-share price closed at $27.07, a full $10 per-share better than if it had tracked with the Dow Jones Industrial Average since the beginning of the Vioxx debacle.

Obviously, one example doesn’t tell the entire story. Many believe that ROI should not even be a factor – that companies should exercise corporate responsibility because it’s a moral and/or social obligation.

Should corporations set out to be socially responsible in order to improve their bottom line? Or should they seek to make the world a better place without hoping to make a profit on it? Or, finally, do you believe that the only responsibility a corporation has, so long as it stays within the law, is to make a profit? Tell us what you think.

*- LuAnne Speeter*