

Reputation Intelligence

Winter 2013



CSR AND REPUTATION Is CSR Dead or Just Mismanaged?

CSR RepTrak™ 100

ReputationIntelligence

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Reputation Institute Knowledge Center

Reputation Intelligence is published by Reputation Institute's Knowledge Center. The Knowledge Center's mission is to bring together a global network of practitioners and academics to leverage extensive research, sophisticated analysis, and rigorous methodologies that strengthen relationships with key stakeholders and add tangible value through management, growth, and protection of corporate reputation.

The Knowledge Center addresses the proliferating demands by practitioners for answers to questions about how reputations affect competitive positioning, how to examine and value corporate reputations, and how to build, maintain, and defend those reputations.

For more information on becoming a member of Reputation Institute, please visit the Knowledge Center at www.reputationinstitute.com.

About Reputation Institute

Reputation Institute is the world's leading corporate reputation consulting firm. Founded in 1997, with a presence in 30 countries, we are the pioneer in reputation management. Through systematic research and analysis, Reputation Institute supports companies in building comprehensive strategies and making operational decisions that are designed to align stakeholders with corporate objectives creating tangible economic value. We enable leaders to make business decisions that build and protect reputational capital and drive competitive advantage. For more information, visit: www.reputationinstitute.com.



Dear Reputation Leaders,

This special issue of *Reputation Intelligence* is dedicated entirely to Corporate Social Responsibility.

Why focus on CSR? Because CSR builds trust, and trust equals support. Did you know that 42% of your company's reputation is driven by perceptions of *Citizenship*, *Governance*, and *Workplace*, the three reputation dimensions that comprise CSR?

In this issue we examine what drives CSR: how you can quantify and manage it, and importantly, how you can effectively leverage CSR to improve your business. We look at the latest findings from the *2012 CSR RepTrak™ 100 Study* and feature an exclusive interview with the 2012 study winner, Microsoft and its senior director of corporate citizenship, Dan Bross.

Companies are spending millions of dollars per year on CSR. However, the CSR RepTrak™ Study demonstrates that the majority are not getting a good return on their investment. In fact, this year's study uncovered some startling data on CSR and its ROI. In short, the public isn't buying it. Despite spending millions, companies are still struggling for credibility. The good news though is there is light at the end of the tunnel; CSR just might be your easiest route to the top of the reputation rankings.

CSR is not dead but mismanaged by most companies. That's a shame. Not only because companies are wasting millions but also because it taints the field of reputation management. Nonstrategic CSR work creates the perception that companies are just "green-washing" and not taking a serious approach to building strong relationships with stakeholders. And that leaves CSR as a non-core element of business strategy. That's a mistake. With reputation emerging as the # 1 driver of value, this has to change if companies want to win in the reputation economy. The featured articles in this issue are:

- **CSR is not dead. It's just mismanaged** Kasper Nielsen, executive partner, Reputation Institute, lays to waste the current notion that "CSR is dead" while challenging companies to do a better job with their CSR investments
- **Learning from Microsoft – a conversation with Dan Bross** – Microsoft's senior director of corporate citizenship explains how his company, once regarded as the *evil empire*, became the world's most socially responsible in the eyes of consumers.
- **2012 CSR RepTrak™ 100 Study Results** dives into the insights from the 2012 study with an in depth look at the winning companies for each of the 3 CSR dimensions and an exploration of CSR challenges and opportunities.
- **A global view on CSR and its future as a business driver** leading CSR expert, Philip H. Mirvis, discusses what being socially responsible really means and why it is important to your business. He also weighs in on the results from the study and outlines what companies should consider if they want to leverage CSR as a business driver.

We hope that this special issue gives you actionable insight and inspiration on how to integrate CSR into your reputation management strategy and that it helps you to successfully navigate your company's own reputation journey. As always, we are very interested in your thoughts and encourage you to share them with our global reputation community on LinkedIn and by emailing us at intelligence@reputationinstitute.com

Best Regards,

Kasper Nielsen

Executive Partner, Reputation Institute



I. CSR IS NOT DEAD IT'S JUST MISMANAGED

By **Kasper Nielsen**, Executive Partner, Reputation Institute

Companies spend millions of dollars every year on Corporate Social Responsibility. They invest in programs to support local communities. They give away products to help people in need. They invest in clean technology to lower their environmental footprint. Do cause marketing and donate money from sales, while engaging their employees in non-profit work. Why? Because being part of the solution and shouldering responsibility in society builds trust with key stakeholders. And trust is what is needed to create support from these stakeholders in the reputation economy.

CSR builds trust. In fact, 42% of a company's reputation is driven by perceptions of *Citizenship, Governance, and Workplace*, the three reputation dimensions that fall under CSR. So CSR is not dead. It's alive and well as a business driver. But companies are not getting the return on investment from CSR that they should be.

Only 35% of the consumers across the 15 largest economies in the world in our RepTrak™ studies say that companies are *good corporate citizens that support good causes and protect the environment*. And by the way, this is the 100 most reputed companies in the world we are talking about.

Only 35% of the consumers across the 15 largest economies in the world in our CSR RepTrak™ 100 studies say that companies are good corporate citizens that support good causes and protect the environment

RepTrak™ 100 companies spend millions of dollars per year on CSR activities. Yet 4% of consumers say that they are absolutely not to be trusted as good corporate citizens, and 60% are not sure. Only six of the RepTrak™ 100 companies are regarded as strong and good corporate citizens.

CSR reputational challenges

Governance is a key element in CSR. *Governance* is being

perceived as open, honest and fair in the way you do business and is critical to earning stakeholder trust and support. Companies struggle with this dimension. When asked whether or not each one of the RepTrak 100 companies is *a responsibly-run company that behaves ethically and is open and transparent in its business dealings* only 40% say *absolutely*. No company is seen as excellent in this critical dimension and 78 out of 100 are seen as just *average*.

When it comes to being regarded as a company that is *an appealing place to work that treats its employees well*, we get the same bland results. Only 14 of the 100 companies have a strong position on *Workplace* and a full 61% of our respondents said that they were *not certain* that these 100 companies deliver on expectations when it comes to treating their employees well.

Pretty depressing when you spend millions on CSR programs and large scale campaigns to tell the public how much you care and can be trusted as a friend of the family. So what is the problem?

According to Phil Mirvis, a global expert on CSR, companies do not fully understand the true value of CSR. "I believe companies need to be more open and transparent about their citizenship, governance, and workplace activities. Smarter communications and reputation management are needed if they want to capitalize on their investments. Some of the largest companies still rely on a marketing approach. The last few Super Bowls, as an example, featured a new version of the Coke versus Pepsi challenge where they squared off about who could do a better job in raising funds for charity. Naturally, the adverts didn't mention sugar, obesity, or environmental impact. It leaves a bad taste and gives the impression of "green washing" which has left many to conclude that CSR is dead. I don't think it is but companies need to step up and make CSR a strategic driver of business to make it work."

Companies are mismanaging their CSR investments. It's that simple. They do not apply the same rigor to these investments as they do to other core business priorities.



You don't do CSR for the sake of CSR. You do CSR as part of your reputation management strategy to drive business growth, customer loyalty, and create employee alignment.

They do not link CSR to their business strategy. But treat it as a separate initiative and investment. Companies need to reassess how they spend their money if they want to improve their return on investment. You don't do CSR for the sake of CSR. You do CSR as part of your reputation management strategy to drive business growth, customer loyalty, and create employee alignment. Only a few companies get it right. Those who do, see the results.

Companies need to better understand CSR and they need to manage it more effectively. Otherwise, they are just wasting their shareholders' money.

Microsoft has the best reputation for CSR in the world according to the 2012 CSR RepTrak™ 100. It is the company in the world that is seen as delivering best on *Citizenship*, *Workplace*, and *Governance*. A remarkable result when you consider that the company in the early 2000s was under attack for using its market dominance to drive up consumer prices and put pressure on the competition with unfair business practices. So how did Microsoft turn this perception around?

Dan Bross, senior director of corporate citizenship, Microsoft explains, "We learned from our mistakes! We recognize that public trust in corporations depends in large part on the basic aspects of business character: integrity,



accountability, values, responsibility and transparency. A strong and steady core is the bedrock of both right action and good business. Over the past 15 years we have increased our engagement in public policy discussions that relate to our business, and now publish our public policy agenda every year to let everyone see what issues we are working on and how they impact our business. We regularly file reports that detail our advocacy activities in compliance with regulations and our commitment to transparency. Public disclosures on our political engagement are easily accessible on our *Citizenship website*, and include details on consultant fees, lobbying expenses and trade-association dues related to advocacy. Bottom line – we enhanced our commitment to accountability, strong corporate governance and transparency."

So the conclusion is clear: CSR is not dead, it remains a valuable component in building trust and support from stakeholders. But companies need to better understand CSR and they need to manage it more effectively. Otherwise, they are just wasting their shareholders' money.

CSR as a stand alone activity should die.

Dan Bross, senior director of corporate citizenship, Microsoft



II.

LEARNING FROM MICROSOFT

Conversation with Dan Bross, senior director of corporate citizenship, Microsoft

RI: What has Microsoft done to earn the best perception from consumers when it comes to CSR?

CSR (or Citizenship as we call it at Microsoft) is in our DNA. It is reflected in our mission, our values, and how we work. You can't hide who you are!

This recognition is really a testament to our global Citizenship Team. These are Microsoft folks working around the world on issues ranging from creating opportunities for youth, to supporting disaster relief, to providing non-profits the tools they need to operate efficiently.

This recognition also speaks to the work we do to make sure we operate in a way that meets our responsibilities to the public. We recognize the trust people put in us to protect their privacy, to respect their human rights, and to operate in an environmentally sustainable manner, and we take these responsibilities very, very seriously.

Finally, we share our initiatives and progress with consumers in a public and transparent way through our Citizenship website, our annual Citizenship Report, our Citizenship blog, on Facebook and on Twitter.

RI: Thinking back 10 years, how has Microsoft been able to turn the perception from a closed door monopoly to being seen as the most open and transparent company in the world?

We recognize that public trust in corporations depends in large part on the basic aspects of business character: integrity, accountability, values, responsibility and transparency. A strong and steady core is the bedrock of both right action and good business.

Over the past 15 years we have increased our engagement in public policy discussions that relate to our business, and now publish our public policy agenda every year to let everyone see what issues we are working on and how they impact our business.

We regularly file reports that detail our advocacy activities in compliance with regulations and our commitment to transparency. Public disclosures on our political engagement are easily accessible on our Citizenship website, and include details on consultant fees, lobbying expenses and trade-association dues related to advocacy. And beginning in 2003, we've released our first Citizenship Report.



We recognize that public trust in corporations depends in large part on the basic aspects of business character: integrity, accountability, values, responsibility and transparency. A strong and steady core is the bedrock of both right action and good business.

Dan Bross, senior director of corporate citizenship, Microsoft



Bottom line – we enhanced our commitment to accountability, strong corporate governance, and transparency.

RI: If companies want to go on a journey like the one Microsoft has been on, what would be your advice?

Citizenship at Microsoft is both top down and bottom up. Our Chairman, our CEO and our team of senior executives fully embrace and evangelize our work. Similarly, our 94,000 employees support and drive a wide range of Citizenship activities in their local communities.

We regularly work and communicate with thousands of stakeholders from global human rights experts and environmental NGOs to parents concerned about their children's safety and education. Those conversations help inform and guide our citizenship strategies and programs. Our stakeholder groups include: customers, employees, shareholders, communities, partners, and suppliers.

Our employees are passionate about supporting their communities and causes through charitable giving. Led by our employees, we make charitable giving to worthy causes a top priority. We take our employees' leadership seriously, which is why we match employee giving of time and money to their communities.

RI: What is Microsoft working on right now within the CSR space that will secure your strong reputation in the future?

Creating opportunities for youth is the backbone of our community work. By making technology more accessible and creating programs to inspire and empower young

people, we're helping a new generation of innovators build the skills and education they need to prosper. As we work to bridge the opportunity divide that separates youth who have opportunities from those who don't, we help young people secure their individual futures and also the future of our global economy.

In September 2012, we launched Microsoft YouthSpark, a bold initiative to connect hundreds of millions of youth with opportunities for education, employment and entrepreneurship. In partnership with governments, nonprofit organizations and businesses, we're helping the next generation use technology to make a real impact for a better tomorrow. In October 2012, we marked our company's 30th Employee Giving Campaign, whereby the company matches the financial and volunteer contributions of our employees.

Activating our employees is key

In FY13, we celebrated a major milestone: \$1 billion in employee contributions (inclusive of company match) to more than 31,000 nonprofits around the world since 1983.

Microsoft employees in the U.S. have volunteered more than 2 million hours of their time to causes they care about since we began our volunteer match program in 2005.

In total, we've provided more than \$6.5 billion in cash, services and software to nonprofits around the world since 1983.

We're also taking steps to reduce the environmental



Working responsibly



impact of our operations while partnering with industry colleagues and leading nongovernmental organizations (NGOs) to elevate standards across the supply chain. And with the release of our Global Human Rights Statement, we affirmed our commitment to respecting fundamental rights and freedoms throughout our business practices.

We use our skills, technology, and other resources to serve the people in these communities — from supporting disaster relief efforts to connecting nonprofits with the tools they need to run efficiently.

We exceeded our goal to cut carbon emissions by 30% compared with 2007, due in part to the 1.1 billion kilowatt hours of green power we purchased, the third most of any U.S. company. We've set a goal to achieve companywide carbon neutrality by the end of FY13. In FY12, we required 100% of suppliers to abide by our revised Vendor Code of Conduct, which sets out our expectations about ethical business practices, employment practices, and compliance with environmental and worker safety requirements. We proactively support industry and multi-stakeholder efforts to move toward a conflict mineral-free electronics supply chain.

Through our Technology for Good program, we provided more than 62,000 nonprofits in more than

100 countries with affordable access to technology to better serve their communities in FY12. Microsoft has provided support for more than 200 natural disasters through a combination of technology support and solutions, employee and company cash donations and volunteer hours.

RI: Companies are spending millions on telling the public how good they are yet they do not see the results in the Citizenship dimension. What are companies doing wrong?

We believe that establishing a strong reputation is about building trust with consumers and the general public, especially when it comes to demonstrating a company's positive impact and contributions to the community on a global and local scale.

Citizenship is all about bringing the mission of the company to life.

At Microsoft, we empower our employees and our partners to be our ambassadors when it comes to sharing our corporate Citizenship efforts. In FY12, 93% of our employees reported feeling that Microsoft is a good corporate citizen in their communities and around the world. Our partners—approximately 640,000 mostly small to medium-size local businesses around the world—support millions of jobs and contribute to local and global economic growth.



Our CSR efforts have a direct and positive impact on people in our own backyard and around the world, and in turn, their ongoing engagement with us contributes to Microsoft's business success. Microsoft reported revenue of \$73.7 billion in 2012, an increase of \$3.76 billion from the previous year.

RI: People say that CSR is dead. But clearly with a 42% impact on reputation it is not. One could argue that it's mismanaged by companies. What is your perspective on this?

We believe that CSR efforts can't be driven by companies alone. Particularly in today's volatile economic environment, it's important that businesses, governments, community organizations and individuals work together to provide the training, infrastructure and technology that enable expanded opportunities and sustainable economic growth and prosperity.

We connect with leading thinkers on corporate responsibility issues as participants in groups such as Business for Social Responsibility (BSR), the Boston College Center for Corporate Citizenship, the Clinton Global Initiative, Net Impact, and the World Economic Forum. In partnership with our colleagues in corporate governance and investor relations, we discuss environmental, social, and governance issues twice a year with our largest institutional investors.

Hopefully, CSR – as a bolt-on marketing or PR initiative is dead. Those sorts of programs do not build trust; they do not make a difference. What does make a difference is when a company like Microsoft makes CSR part and parcel of doing business. Microsoft is a socially responsible company – and that will never change.

Serving communities






















III.

2012 CSR REPTRAK™ 100 STUDY RESULTS

From "The Evil Empire" to CSR Role Model - Microsoft Voted Most Socially Responsible Company



TOP 10 CSR COMPANIES 2012				
1	 Microsoft	 ⁽⁴⁾	74.48	
2		 ⁽¹⁾	73.98	
3	 The <i>WALT DISNEY</i> Company	 ⁽³⁾	73.76	
4		 ⁽⁸⁾	73.27	
5		 ⁽²⁾	73.23	
6	DAIMLER	 ⁽⁵⁾	72.36	
7		 ⁽⁹⁾	71.94	
8	SONY	 ⁽⁶⁾	71.32	
9	 COLGATE-PALMOLIVE	NEW	70.55	
10		 ⁽⁷⁾	70.43	

Being ranked the No. 1 company for CSR in the CSR RepTrak™ is especially meaningful, since the results comes directly from the general public. Being recognized by the Reputation Institute really shows that our efforts are making a positive impact on people in our own backyard and around the world, **Dan Bross, Microsoft**



The 2012 CSR RepTrak™ 100 Study named Microsoft the most socially responsible company in the world. The IT giant knocked its fellow IT compatriot and last year's winner, Google down to second place.

The win marks an extraordinary journey for the U.S. software powerhouse that was once referred to as "the evil empire."

For years, Microsoft had a very difficult time shedding its reputation as a greedy, monopolistic corporate behemoth after both the U.S. Department of Justice and European Commission found the company in violation of antitrust laws in the late 1990s and early 2000s.

While the ghosts of litigation may not necessarily be forgotten, Microsoft has made tremendous strides in improving its reputation. The company's emotional appeal has been enhanced by its commitment to environmental initiatives and charitable causes, buttressed, no doubt, by the unprecedented philanthropic efforts of its founder Bill Gates.

Additionally, the company re-launched its investor relationship website last year, offering more corporate governance and corporate citizenship content that is easier to navigate. By improving its CSR initiatives, Microsoft has earned the trust of stakeholders worldwide and is now the company who consumers say is the most open, honest, and fair in the way it conducts business.

Microsoft is joined in the top 10 by Google, The Walt Disney Company, BMW, Apple, Daimler, Volkswagen, SONY, LEGO, and Colgate-Palmolive. The American consumer goods company replaces chip maker Intel in the top 10, making a significant leap from 29th to 9th place. They are the only newcomer to the top 10.

Overall, the top CSR companies represent a broad range of industries including IT, Electronics, Entertainment, and Automobile.

Of note, the German car industry had three companies in the top 10. Its biggest competitors finished: #37 (Toyota), #43 (Nissan), #79 (Suzuki), and #96 (Hyundai).



2012 CSR RepTrak™ 100: The world's most socially responsible companies

Rank	Company	CSR RepTrak™ 100 Score
1	Microsoft	74.48
2	Google	73.98
3	The Walt Disney Company	73.76
4	BMW	73.27
5	Apple	73.23
6	Daimler (Mercedes-Benz)	72.36
7	Volkswagen	71.94
8	Sony	71.32
9	Colgate-Palmolive	70.55
10	LEGO Group	70.43
11	IBM	70.26
12	Intel	70.13
13	Johnson & Johnson	69.84
14	Canon	69.81
15	Honda Motor	69.80
16	Nestlé	69.57
17	Panasonic	69.56
18	Adidas Group	69.48
19	Michelin	69.42
20	3M	69.30
21	IKEA	69.12
22	Danone	69.08
23	Philips Electronics	68.91
24	The Coca-Cola Company	68.87
25	Samsung Electronics	68.69
26	Kellogg	68.56
27	Ferrero	68.54
28	Bridgestone	68.33
29	Cisco Systems	68.22
30	Amazon.com	68.13
31	L'Oréal	68.09
32	Marriott International	68.08
33	Nintendo	67.93
34	Hewlett-Packard	67.87
35	Siemens	67.87
36	FedEx	67.79
37	Toyota	67.73
38	Deutsche Lufthansa	67.65
39	Goodyear	67.64
40	Abbott Laboratories	67.54
41	LG Corporation	67.49
42	Procter & Gamble	67.30
43	Nissan Motor	67.29
44	Singapore Airlines	67.26
45	Nokia	67.00
46	Oracle	66.99
47	Giorgio Armani Group	66.90
48	LVMH Group (LV - Moët Hennessy)	66.79
49	Roche	66.79
50	Bayer	66.77

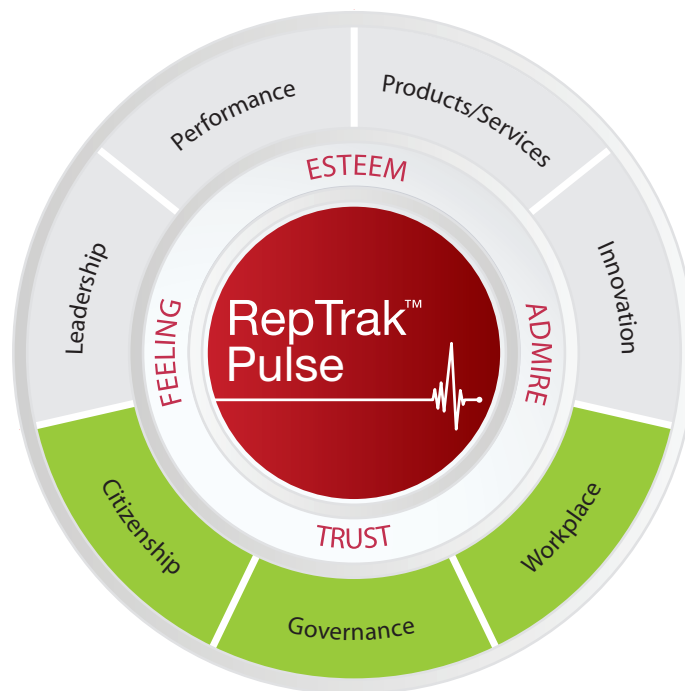
Rank	Company	CSR RepTrak™ 100 Score
51	Airbus	66.74
52	Hilton Worldwide	66.73
53	Unilever	66.62
54	General Electric	66.43
55	SAS (Scandinavian Airlines)	66.38
56	Boeing	66.35
57	Yahoo!	66.33
58	Pirelli	66.25
59	Swatch Group	66.23
60	Toshiba	66.14
61	Qantas Airways	66.14
62	Xerox	66.04
63	Dell	65.99
64	Fujifilm	65.97
65	Barilla	65.96
66	Nike	65.93
67	Avon Products	65.93
68	Sara Lee	65.87
69	Electrolux	65.86
70	Kraft Foods	65.80
71	DuPont	65.79
72	General Mills	65.71
73	H&M	65.56
74	Marks & Spencer Group	65.55
75	Virgin Group	65.45
76	UPS	65.34
77	Heineken	65.31
78	ACER	65.11
79	Suzuki Motor	65.03
80	PepsiCo	64.99
81	Eli Lilly	64.87
82	Hitachi	64.79
83	eBay	64.76
84	GlaxoSmithKline	64.60
85	Diageo	64.46
86	Starbucks Coffee Company	64.45
87	Carlsberg Group	64.44
88	HJ Heinz	64.42
89	Sharp	64.34
90	Air France-KLM	64.33
91	Petrobras	64.21
92	Pfizer	64.11
93	Eastman Kodak	63.54
94	Lenovo Group	63.48
95	Fujitsu	63.27
96	Hyundai	63.13
97	Zara	62.80
98	Vodafone	62.74
99	Carrefour	62.58
100	Lockheed Martin	61.53



Dimensions that Comprise CSR

CSR is a core element of reputation and can be used to help establish trust and goodwill amongst stakeholders. Of the seven dimensions that drive reputation, three fall into the CSR category: *Citizenship, Governance, and Workplace*. Respondents were asked to assess to what degree they agree with the three statements:

- Citizenship: 'Company' is a good corporate citizen – it supports good causes and protects the environment
- Governance: 'Company' is a responsibly-run company – it behaves ethically and is open and transparent in its business dealings
- Workplace: 'Company' is an appealing place to work – it treats its employees well



CSR RepTrak™ 100 Methodology

2012 RepTrak™ 100 provides a data-driven picture of how the world rates the CSR performance of leading global businesses.

Consumers in the 15 largest economies of the world were asked to evaluate the 100 best reputed companies in the world.

More than 47,000 people participated in the study providing 150,000 ratings of the 100 companies. All companies are evaluated on the three CSR Dimensions through an online questionnaire. The results are aggregated across the 15 markets and reported on a scale from 0-100 with 100 being the best.

Data Collection was done in March-April 2012 with members of the general public in the following 15 countries; Australia, Brazil, Canada, China, France, Germany, India, Italy, Japan, Mexico, Russia, Spain, South Korea, United Kingdom, and United States



INSIGHTS FROM GOVERNANCE DIMENSION

Governance

... a responsibly-run company -- it behaves ethically and is open and transparent in its business dealings



54% of consumers believe that Microsoft is a responsibly-run company that behaves ethically and is open and transparent in its business dealings.

Microsoft, BMW, and Apple - the Most Ethical, Open, and Transparent

When consumers were asked which companies were *responsibly-run, behave ethically, and are open and transparent in their business dealings*, Microsoft, BMW, and Apple received the most favorable ratings.

The average *Governance* score across the top 100 companies is 68.0, suggesting that stakeholders do not believe that companies are as transparent or are behaving as ethically as they could be.

Conversely, these mediocre scores also indicate a huge opportunity for companies to develop a clearer and more improved *Governance* platform. By regularly communicating with stakeholders and ensuring more ethical practices, corporations stand to maintain consumer, government, and investor confidence.

Overall, a modest 22% of companies on the list are perceived as being *ethical, open, and transparent* while 78% are thought to be average at best. None are thought to be excellent. Out of the 22 companies that received strong marks, 10 are U.S.-based, 4 Japanese, 4 German, 2 French, 1 Danish and 1 Dutch.

In today's Reputation Economy where who you are matters more than what you sell, being seen as ethical, open and transparent is critical if you want to drive growth. Companies however, struggle to communicate this message to consumers.

56% of the 45,000 respondents across the 15 largest economies felt Neutral or Not Sure about whether or not they can trust companies to be fair in the way they do business.





56% of the 45,000 respondents across the 15 largest economies felt *Neutral* or *Not Sure* about whether or not they can trust companies to be fair in the way they do business. This is a major stop block for companies seeking to get consumers to recommend their products. It's a major problem for companies who rely on the general public to put pressure on politicians for less regulation and more favorable business environments. And it's a major issue when you try to get the best and the brightest talents to join your company.


If you are trying to sell toothpaste, beauty creams or baby food you need consumers to be certain that you are a responsibly-run company. But even the best in the business are struggling with this basic notion of reputation management. Colgate-Palmolive, L'Oréal, and Nestle all see more than 50% of consumers not convinced that they *behave ethically* and are *open* and *transparent*. That poses a serious challenge, but one that could be overcome through better and more strategic CSR initiatives.

The way forward is less communication and more engagement on issues that matter to stakeholders.


GOVERNANCE ARE THESE COMPANIES RESPONSIBLY RUN?

Some of the most "well known" companies who need consumers to trust their products have poor perceptions and awareness of their ethical business practices:

Governance: 'Company' is a responsibly-run company – it behaves ethically and is open and transparent in its business dealings

 COLGATE-PALMOLIVE COMPANY 3% definitely not – 55% neutral or no idea

L'ORÉAL 3% definitely not – 58% neutral or no idea

 Nestlé 4% definitely not – 52% neutral or no idea



Governance: CSR RepTrak™ 100

Rank	Company	Governance Dimension Score
1	Microsoft	74.71
2	BMW	74.44
3	Apple	74.40
4	The Walt Disney Company	73.69
5	Google	73.43
6	Volkswagen	73.28
7	Sony	72.62
8	Daimler (Mercedes-Benz)	72.53
9	Intel	71.52
10	Adidas Group	71.00
11	IBM	70.97
12	Canon	70.90
13	Colgate-Palmolive	70.85
14	Johnson & Johnson	70.81
15	LEGO Group	70.77
16	Panasonic	70.71
17	Honda Motor	70.68
18	Amazon.com	70.58
19	Michelin	70.26
20	3M	70.16
21	Philips Electronics	70.08
22	IKEA	70.02
23	FedEx	69.95
24	Samsung Electronics	69.90
25	Nestlé	69.87
26	Danone	69.59
27	Ferrero	69.40
28	Bridgestone	69.36
29	Goodyear	69.32
30	Marriott International	69.28
31	Kellogg	69.27
32	Nintendo	69.16
33	L'Oréal	68.80
34	Toyota	68.80
35	Nissan Motor	68.72
36	The Coca-Cola Company	68.67
37	Cisco Systems	68.63
38	Siemens	68.55
39	LG Corporation	68.49
40	Deutsche Lufthansa	68.24
41	Hewlett-Packard	68.24
42	Giorgio Armani Group	68.12
43	Singapore Airlines	67.95
44	LVMH Group (LV- Moët Hennessy)	67.93
45	UPS	67.87
46	Abbott Laboratories	67.80
47	Nokia	67.66
48	Avon Products	67.62
49	Pirelli	67.56
50	Hilton Worldwide	67.45

Rank	Company	Governance Dimension Score
51	Fujifilm	67.45
52	Toshiba	67.32
53	Airbus	67.32
54	SAS (Scandinavian Airlines)	67.26
55	Boeing	67.25
56	Procter & Gamble	67.24
57	Nike	67.15
58	eBay	67.14
59	Dell	67.08
60	Barilla	67.06
61	Yahoo!	67.05
62	Qantas Airways	67.01
63	Swatch Group	67.00
64	Oracle	66.94
65	General Electric	66.93
66	Xerox	66.92
67	Electrolux	66.90
68	H&M	66.85
69	Kraft Foods	66.80
70	DuPont	66.72
71	Bayer	66.70
72	Roche	66.69
73	Virgin Group	66.54
74	General Mills	66.51
75	Unilever	66.48
76	Sara Lee	66.41
77	Suzuki Motor	66.34
78	Heineken	66.26
79	Starbucks Coffee Company	66.05
80	ACER	65.95
81	Hitachi	65.90
82	HJ Heinz	65.80
83	Air France-KLM	65.74
84	Sharp	65.67
85	Marks & Spencer Group	65.58
86	PepsiCo	65.46
87	Carlsberg Group	65.45
88	Diageo	64.94
89	Eli Lilly	64.87
90	GlaxoSmithKline	64.69
91	Eastman Kodak	64.51
92	Zara	64.39
93	Lenovo Group	64.31
94	Fujitsu	64.31
95	Petrobras	64.22
96	Hyundai	64.21
97	Pfizer	63.97
98	Carrefour	63.38
99	Vodafone	62.57
100	Lockheed Martin	60.90



INSIGHTS FROM CITIZENSHIP DIMENSION

Citizenship

... a good corporate citizen -- it supports good causes and protects the environment

The **WALT DISNEY** Company

50% of consumers regard Disney as a good corporate citizen who supports good causes and protects the environment.

The Walt Disney Company and Microsoft - the *Best Corporate Citizens*

When asked which companies are a *good corporate citizen*, respondents selected The Walt Disney Company (73.29) and Microsoft (73.22) as the top two organizations. Interestingly, although it might appear that *citizenship* would be the easiest dimension to excel at, this was the element that the majority of companies struggled with.

Out of the 100 companies featured in the CSR Rep Trak™, only six received a score of 70 or better – an indication of a strong or robust reputation. The remaining firms were all perceived as *average* in terms of demonstrating their social-consciousness, with the exception of U.S.-based Lockheed Martin, the only company on the list to receive a *weak* citizenship score (58.17). Not one company achieved the elite status of having an *excellent* reputation as denoted by a score of 80 or above.

Looking across the CSR-related dimensions, *Citizenship* is the area where companies in the top 10 were more likely to receive an average score. This presents an enormous opportunity for these firms to better improve and communicate their social welfare efforts to stakeholders.

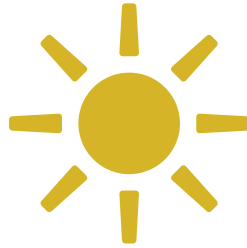
Perhaps the problem may lie in the selection of *Citizenship* initiatives that these companies are choosing to either follow or support. If stakeholders do not understand how certain CSR efforts are providing a greater social benefit, they are unlikely to support those causes.

Regardless of the problem, constituents expect companies to support charitable foundations, protect the environment, and act responsibly towards people and communities. Further, those actions must be authentic, credible, and in line with consumers' expectations. Failing to meet those measures will undoubtedly result in a weaker reputation

Why companies are not getting more from their *Citizenship* investments?

Companies are spending millions on campaigns and programs to demonstrate that they are good corporate citizens. So you would expect consumers to agree these companies are in fact, good corporate citizens who support good causes and protect the environment. Not so. 61% are *Neutral* or *Not sure* about what companies are doing with *Citizenship*.

Companies like Nike, The Coca-Cola Company, Pfizer, P&G, Unilever, and L'Oréal all find themselves lost in uncertainty when it comes to consumer perceptions of their good causes.



61% are *Neutral or Not sure* about what companies are doing with *Citizenship*.

Consumers do not feel like they know enough about what these companies are doing or they simply do not have faith in the true intentions behind the glamorous campaigns. This calls for a change in strategy for companies seeking to improve their return on investment.

ARE THESE COMPANIES GOOD CORPORATE CITIZENS?

Some of the most well known companies who are all spending millions on citizenship programs have poor perceptions and awareness:

Citizenship: 'Company' is a good corporate citizen – it supports good causes & protects the environment

	7% definitely not – 58% neutral or no idea
	6% definitely not – 51% neutral or no idea
	6% definitely not – 59% neutral or no idea
	6% definitely not – 57% neutral or no idea
	6% definitely not – 57% neutral or no idea
	3% definitely not – 62% neutral or no idea



Citizenship: CSR RepTrak™ 100

Rank	Company	Citizenship Dimension Score
1	The Walt Disney Company	73.29
2	Microsoft	73.22
3	Google	71.91
4	Apple	71.13
5	Colgate-Palmolive	70.45
6	BMW	70.12
7	Sony	69.97
8	Daimler (Mercedes-Benz)	69.95
9	Volkswagen	69.83
10	IKEA	69.58
11	Johnson & Johnson	69.51
12	LEGO Group	69.32
13	Danone	69.22
14	Nestlé	68.89
15	IBM	68.80
16	Canon	68.59
17	Michelin	68.58
18	Kellogg	68.53
19	3M	68.51
20	Panasonic	68.39
21	Honda Motor	68.20
22	Philips Electronics	67.99
23	Ferrero	67.65
24	Intel	67.65
25	Adidas Group	67.64
26	L'Oréal	67.31
27	The Coca-Cola Company	67.29
28	Bridgestone	67.16
29	Samsung Electronics	67.15
30	Hewlett-Packard	66.75
31	Siemens	66.69
32	Toyota	66.66
33	Abbott Laboratories	66.63
34	Cisco Systems	66.54
35	FedEx	66.40
36	Avon Products	66.37
37	Goodyear	66.37
38	Marriott International	66.35
39	Unilever	66.33
40	Amazon.com	66.27
41	Procter & Gamble	66.21
42	Nokia	66.18
43	Roche	66.15
44	Bayer	66.05
45	Nissan Motor	65.82
46	Nintendo	65.75
47	LG Corporation	65.74
48	Yahoo!	65.64
49	Deutsche Lufthansa	65.61
50	Oracle	65.58

Rank	Company	Citizenship Dimension Score
51	Electrolux	65.57
52	Barilla	65.52
53	Marks & Spencer Group	65.40
54	Sara Lee	65.33
55	Swatch Group	65.32
56	General Mills	65.27
57	Singapore Airlines	65.24
58	Fujifilm	65.14
59	Nike	64.95
60	Kraft Foods	64.92
61	Toshiba	64.91
62	Pirelli	64.67
63	Xerox	64.67
64	SAS (Scandinavian Airlines)	64.67
65	Qantas Airways	64.67
66	General Electric	64.41
67	Dell	64.29
68	Airbus	64.19
69	PepsiCo	64.14
70	Hilton Worldwide	64.11
71	HJ Heinz	64.04
72	Giorgio Armani Group	64.00
73	H&M	63.94
74	DuPont	63.87
75	Heineken	63.84
76	Eli Lilly	63.83
77	Hitachi	63.73
78	ACER	63.71
79	Starbucks Coffee Company	63.68
80	Boeing	63.66
81	Diageo	63.51
82	Eastman Kodak	63.42
83	UPS	63.33
84	Suzuki Motor	63.29
85	Virgin Group	63.24
86	Sharp	63.13
87	LVMH Group (LV - Moët Hennessy)	63.13
88	Fujitsu	62.97
89	Carrefour	62.93
90	Pfizer	62.87
91	GlaxoSmithKline	62.86
92	Petrobras	62.86
93	eBay	62.72
94	Vodafone	62.49
95	Carlsberg Group	62.42
96	Lenovo Group	62.38
97	Hyundai	61.91
98	Air France-KLM	61.86
99	Zara	60.15
100	Lockheed Martin	58.17



INSIGHTS FROM WORKPLACE DIMENSION

Workplace

Company is an appealing place to work -- it treats its employees well



50% of consumers regard Google as treating their employees well and offering the most appealing place to work.

Google, Microsoft and BMW - The Best Places to Work

According to consumers, Google, Microsoft, and BMW are all thought to treat their employees well and offer an *appealing place to work*. In fact, these three companies regularly appear on *best places to work* rankings worldwide.

Without question, employee assessments are crucial to shaping overall reputation and CSR perceptions, as it can provide outsiders with an inside look at an organization's integrity.

14% of the companies featured on the CSR™ RepTrak 100 list received positive ratings on workplace. However, the vast majority of companies were not thought to have admirable work environments, as a surprising 86% received *Average* workplace scores. None are thought to be neither *Excellent* nor *Weak*.

Out of the 14 companies that received a score above 70, the U.S. saw the largest representation with eight companies featured on the list, followed by Germany (three) and Japan (two).

14% of the companies featured on the CSR™ RepTrak 100 list received positive ratings on Workplace. However, the vast majority of companies were not thought to have admirable work environments. A surprising 86% received *Average* workplace scores. None are thought to be neither excellent nor weak. The average score for *Workplace* is 67.6, which indicates that consumers do not feel that these companies consider their own people a key priority.

61% of consumers are *Neutral* or *Not Sure* if the best 100 companies are *appealing places to work and treat their employees well*.

Employee impact on your CSR and reputation

To win in the reputation Economy you need to have the best people representing you. When you want consumers to buy and recommend your products and you want opinion leaders to speak on your behalf, they need to feel that you have the best people working for you. So it is surprising to see that 61% of consumers are *Neutral* or *Not Sure* if the best 100 companies are *appealing places to work and treat their employees well*. Clearly these companies are not effectively communicating what it's like to work for them.



When we recognize that *Citizenship* starts with treating your own people well, this might be the first place to look for improvement.

With 60% of consumers being Neutral or Not Sure about how these companies care for their employees, there is a major risk that consumers will not support the company if, for example, an employee were to complain about the working conditions. Or a journalist would report on child labor in one of your plants.






Managing your reputation is not just a value driver. It can also be thought of as insurance against risks. Remember, it is too late to build a friendship when you are in the middle of a crisis – it is important to develop your *reputation cushion*.

If you are in the retail business like Swedish megabrands IKEA or H&M, or selling drinks like PepsiCo and Starbucks, or relying on teenagers to wear your sneakers produced in China, you need consumers to believe that the people working for you are treated fairly.

DO THESE COMPANIES TREAT THEIR EMPLOYEES WELL?

Some of the most “well-known” companies who need consumers to like the way their products are produced have poor perceptions and low awareness of whether they treat their own people well:

Workplace: ‘Company’ is an appealing place to work – it treats its employees well

	6% definitely not – 60% neutral or no idea
	6% definitely not – 61% neutral or no idea
	4% definitely not – 64% neutral or no idea
	4% definitely not – 58% neutral or no idea
	4% definitely not – 62% neutral or no idea



Workplace: CSR RepTrak™ 100

Rank	Company	Workplace Dimension Score
1	Google	76.60
2	Microsoft	75.52
3	BMW	75.24
4	Daimler (Mercedes-Benz)	74.59
5	The Walt Disney Company	74.30
6	Apple	74.15
7	Volkswagen	72.70
8	Sony	71.37
9	Intel	71.21
10	LEGO Group	71.19
11	IBM	71.02
12	The Coca-Cola Company	70.66
13	Honda Motor	70.51
14	Colgate-Palmolive	70.36
15	Nestlé	69.95
16	Canon	69.95
17	Adidas Group	69.79
18	Panasonic	69.59
19	Cisco Systems	69.48
20	Michelin	69.43
21	LVMH Group (LV- Moët Hennessy)	69.32
22	3M	69.24
23	Johnson & Johnson	69.19
24	Deutsche Lufthansa	69.11
25	Samsung Electronics	69.02
26	Nintendo	68.87
27	Airbus	68.72
28	Philips Electronics	68.65
29	Hewlett-Packard	68.63
30	Marriott International	68.63
31	Hilton Worldwide	68.62
32	Singapore Airlines	68.59
33	Giorgio Armani Group	68.57
34	Ferrero	68.56
35	Bridgestone	68.47
36	Procter & Gamble	68.44
37	Danone	68.44
38	Oracle	68.44
39	Siemens	68.37
40	LG Corporation	68.25
41	Abbott Laboratories	68.18
42	L'Oréal	68.16
43	Boeing	68.13
44	General Electric	67.95
45	Kellogg	67.88
46	IKEA	67.77
47	Toyota	67.72
48	Bayer	67.58
49	Amazon.com	67.55
50	Roche	67.54

Rank	Company	Workplace Dimension Score
51	Nissan Motor	67.33
52	Goodyear	67.24
53	SAS (Scandinavian Airlines)	67.20
54	Nokia	67.16
55	Unilever	67.05
56	FedEx	67.02
57	DuPont	66.78
58	Qantas Airways	66.75
59	Dell	66.60
60	Virgin Group	66.57
61	Xerox	66.53
62	Pirelli	66.51
63	Swatch Group	66.38
64	Yahoo!	66.30
65	GlaxoSmithKline	66.24
66	Toshiba	66.20
67	Eli Lilly	65.93
68	H&M	65.91
69	Sara Lee	65.86
70	Heineken	65.82
71	Nike	65.70
72	Kraft Foods	65.69
73	Marks & Spencer Group	65.68
74	ACER	65.66
75	Petrobras	65.54
76	Lockheed Martin	65.52
77	Pfizer	65.50
78	Suzuki Motor	65.47
79	Carlsberg Group	65.46
80	PepsiCo	65.39
81	Air France-KLM	65.39
82	General Mills	65.35
83	Fujifilm	65.34
84	Barilla	65.30
85	Electrolux	65.11
86	Diageo	64.93
87	UPS	64.81
88	Hitachi	64.74
89	eBay	64.43
90	Sharp	64.21
91	Zara	63.85
92	Avon Products	63.80
93	Lenovo Group	63.74
94	Starbucks Coffee Company	63.62
95	HJ Heinz	63.43
96	Hyundai	63.27
97	Vodafone	63.15
98	Eastman Kodak	62.68
99	Fujitsu	62.52
100	Carrefour	61.42



Takeaway: Exporting your reputation is proving challenging

For most global companies, 60-95% of revenue comes from foreign markets. But exporting your reputation is proving very difficult. The best 100 companies have a 5-22% weaker reputation in foreign markets compared to their home markets. And this leads to a lower level of recommendation. Willingness to recommend the company is 6-41% lower in foreign markets compared to home market which makes international growth more challenging.

When it comes to CSR, we see the same pattern. There is a different winner in each region underlining the challenge companies have in taking their reputation global. A total of 14 companies make it to the top five in one or more regions and no company is in the top five in all regions. The variances clearly demonstrate the unique challenges companies face in communicating their CSR story and in exporting their reputation abroad.

Although Microsoft is perceived as having the best CSR performance for 2012, the tech conglomerate failed to break into the top five in Europe, placed fourth in North America, second in Latin America, and only topped the Asia-Pacific region.

Five companies from outside the global top 10 make it into the top in one of the four regions: Ferrero - the Italian chocolate maker, Danone - the French food company, Nestle - the Swiss food company, Kellogg's - the U.S. food company, and Intel - the U.S. chip manufacturer break into the top five on a regional level demonstrating strong local perception.

For companies to win support and sales in growth markets they need to build strong emotional bonds. We see that companies are struggling to do this consistently across regions. Most companies are not able to export their strong home country reputation and the reason is simple. In foreign markets they do not tell their company story, all they do is focus on their products.

In the Reputation Economy, that is not enough to win the support from consumers and other key stakeholders. Stakeholders want to know who is behind the product and they want to see a company that shows an interest in their country as being more than just an export market.

CSR REPTRAK™ 100: BEST CSR PERCEPTION BY REGION IN 2012	
NORTH AMERICA	EUROPE
1 	1 
2 	2 
3 	3 
4 	4 
5 	5 
LATIN AMERICA	ASIA PACIFIC
1 	1 
2 	2 
3 	3 
4 	4 
5 	5 



The reputation profile of the best companies in the world shows that competition is hardest within these three dimensions: *Products & Services, Innovation, and Financial Performance*. In these elements you need a very strong rated reputation to even break into the top 50. Competition is not as difficult when it comes to *Workplace, Governance, and Citizenship*. You only need a score of 69-71 to be a top 10 company within these three dimensions. Yet the reward is there for those that get it right. The three dimensions comprise 42% of reputation so your return on investment will be high in this area.

Only five companies have managed to build a strong perception on all three CSR dimensions: Microsoft, Google, The Walt Disney Company, BMW, and Apple. These companies

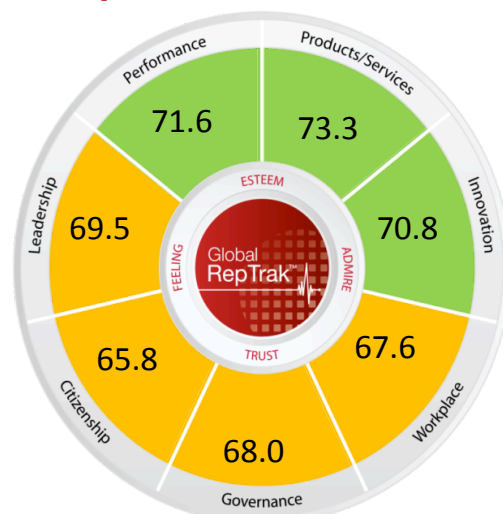
are seen as delivering the best on expectations within the CSR dimensions. But even as these are the best, they trail their own performance within the other four dimensions of reputation.

Even the winner, Microsoft shows its weakest perceptions on these three CSR dimensions. This underlines that consumers do not fully believe that companies are delivering on these dimensions, and that there is room for improvement across the board. But this also points to the opportunity for other companies to use CSR as a core element in their reputation platform. If you develop the right approach you can claim global leadership within these dimensions to drive you forward when it comes to reputation and overall support.

What it takes to perform within the seven dimensions of reputation:

Gobal RepTrak™ 100 Pulse Ranking	Pulse Score	Products/ Service	Performance	Innovation	Leadership	Governance	Workplace	Citizenship
#1	80.1	82.0	80.0	79.2	77.7	74.4	75.2	70.1
#10	76.4	77.2	73.3	74.1	71.1	70.8	71.2	69.3
#25	74.3	75.4	72.6	73.6	70.3	70.1	68.7	68.0
#50	71.0	71.4	70.0	71.4	68.1	67.1	66.6	64.3
#100	63.9	69.9	69.3	69.7	67.7	60.9	65.5	58.2
Gobal 100 Average	71.6	73.3	71.6	70.8	69.5	68.0	67.6	65.8
Driver Weight in %	-	18.1%	12.5%	13.7%	12.7%	15.4%	13.4%	14.2%

Average score across seven reputation dimensions for CSR RepTrak™ 100 companies





IV.

A GLOBAL VIEW ON CSR AND ITS FUTURE AS A BUSINESS DRIVER

Philip H. Mirvis, Research Fellow, Global Network on Corporate Citizenship & RI Faculty

Over the past few years, business worldwide has experienced a wildly fluctuating environment marked by economic disruption, political upheaval and gridlock, failed financial institutions, a precipitous loss of trust, and cracks in the very foundations of capitalism. Add to this a widening disparity in income and access to housing and health care; plus the onset of water shortages and “weird weather” from a warming planet; then mix in growing clamor from activists, consumers, and a subset of investors calling for more transparency, accountability, and social-and-environmental responsiveness from the business community--and companies face a “brave new world.”

These developments have stimulated many firms to rethink their roles and recalibrate their responsibilities in society.¹ Corporate social responsibility (CSR) is now a top priority on the business agenda and no less a naysayer than *The Economist* has stated, “Gone are the days when (CSR) was mainly about managing corporate reputations—or ‘green washing’ to its critics.

It is now more about business fundamentals, such as how products are designed and how supply chains are managed.”²

That said, a company’s reputation for CSR—judged today in more demanding ways by the world’s public—matters a great deal to a firm and its stakeholders. Growing numbers of employees want to work for a company “known for its social responsibility” and want to be actively engaged in its community programs and green initiatives. This is not simply a U.S. trend. Employees in Brazil, India, and even China are even more gung-ho about CSR.

Consumers are looking behind product brands to examine the company that provides them. They want to know about sourcing and ingredients, carbon emissions, and how workers are treated in a company’s supply chain and facilities—and they can readily get that information from the internet, blogs, and social media (whether accurate or not!). They reward winners with their confidence and purchases, and punish those guilty of lapses and misdeeds. Investors, too, put a premium on a firm’s social responsibility—it is a

... When your company is recognized for its CSR, it earns a better reputation overall. And, here’s the kicker, this translates into many more people wanting to buy your products, work for you, invest in you, and welcome you into their community.





Consumers are looking behind product brands to examine the company that provides them. They want to know about sourcing and ingredients, carbon emissions, and how workers are treated in a company's supply chain and facilities — and they can readily get that information from the internet, blogs, and social media (whether accurate or not!).

sign that a company is well managed and trustworthy, or maybe not if a business is not keeping pace with its competitors in this arena. Estimates are that strong CSR performance can add between 4-10% of a firm's market value.³

What are components of CSR?

Reputation Institute measures three distinct aspects of CSR in its global poll: *Citizenship* (support for causes, acting responsibly, and protecting the environment), *Workplace* (appealing environment and treating employees well), and *Governance* (ethics, openness and transparency). What are these factors all about?

Citizenship traditionally represents the charitable works of companies. But here the bar has been raised: while "checkbook" philanthropy is still valued, the public wants companies today to engage all of its assets (marketing acumen, innovation, and especially its people) in its good works. Accordingly, top companies today engage in "cause related marketing," provide business advice and services to nonprofits they support, and involve their employees in "skill-based" volunteering.

There are higher expectations, too, about responsible operations. Leading companies in the apparel and footwear industries, for example, now use "third parties" to certify that their supplier plants are safe and their workers treated and paid fairly. Many food-and-beverage companies, too, offer "fair trade" products and emphasize their sustainable sourcing practices.

Finally, good citizenship includes protecting the environment. Despite the "debate" about climate change in the political arena, top companies are "going green" to reduce waste (and thus costs) and to differentiate themselves in the marketplace with green goods and services.

Workplace is an important element in the CSR equation today. In fact, in the U.S. the #1 factor in the public's judgment about CSR is whether or not a company treats its employees well. One publication summed up the implications for companies neatly CSR=HR=PR.

It is widely documented that CSR is a prime "attractor" for the Millennial Generation when it comes to looking for a job. Suffice it to say that leading companies—including every one of the top ones in the 2012 *Global RepTrak™ 100* ratings—have taken steps to innovate in their employee engagement through CSR. Look, for example, at the increase in global corporate volunteer programs where companies send teams of employees into communities to assist local businesses, government, and NGOs through one-month or more service assignments.

Hasn't the recession and its residue in unemployment made these programs a frill? In some companies, to be sure, but leading ones are engaging their employees in green jobs, social marketing, and innovative community service not only for purposes of attraction-and-retention, but also for reputation building and bottom-line benefits.



Governance is now the top driver of CSR performance in the 2012 *Global RepTrak™ 100* study. To some extent its importance traces to the fallout of the various financial and environmental “scandals” of the past few years. The public is ever more vigilant about corporate ethics today. Note, however, the global dimension of this: Corruption, in both government and business, is a “hot button” issue today in India, Russia, and much of Latin America and Asia.

Top companies today issue social-and-environmental reports and many are moving into integrated reporting where these results are melded with financial data and certified by auditors. In some parts of the world, integrated reporting is mandatory. Add to this the emphasis on transparency such that top companies today have Board-Level committees responsible for CSR and reveal details about their performance to the public “warts-and-all.”

CSR winners — a few surprising ones

So, Microsoft is the world’s most socially responsible company in 2012—at least in the public’s eye. What gives? Well, perhaps this just a “halo effect” from businessman turned philanthropist Bill Gates. Not so, it turns out the company has increased in charitable contributions, as a percentage of pretax profits, significantly the past several years and in 2011 its US employees gave over \$100 million to charity. Even more significant are its many social programs, such as Unlimited Potential, that provides technical tools and training to kids all around the world.

What really differentiates Microsoft, however, are its moves on transparency. For instance, it puts employee survey data in its annual social report (a rarity among corporations) and also provides details on the diversity of its workforce overall and in executive ranks. This kind of self-disclosure helps the public learn whether



or not Microsoft treats its employees fairly and well. Why don't other companies share this inside look? #2 Google and #3 Disney? Great place to work and great community programs respectively. Not many places welcome your dog at work (Google is a "dog company") or use a dog (Pluto from Disney) to support community action programs. More importantly, both these firms manage their business operations and impacts very responsibly.

Interestingly, the car makers BMW, Daimler, and Volkswagen get top scores in CSR. Here the public seems to be thinking like smart investors: Well-managed companies treat their employees well, run their operations responsibly, and care about communities and the planet. Frankly, a look at their websites reveals that there's nothing truly eye-popping about their CSR performance. They just treat CSR as good business and they run their businesses good.

Sony, by comparison, still makes the top 10 in 2012 but has slid versus 2010. Global reach matters in global rankings but unless the company innovates in social-and-green spaces, and gets its act together commercially, it will drop from the top rungs in future years.

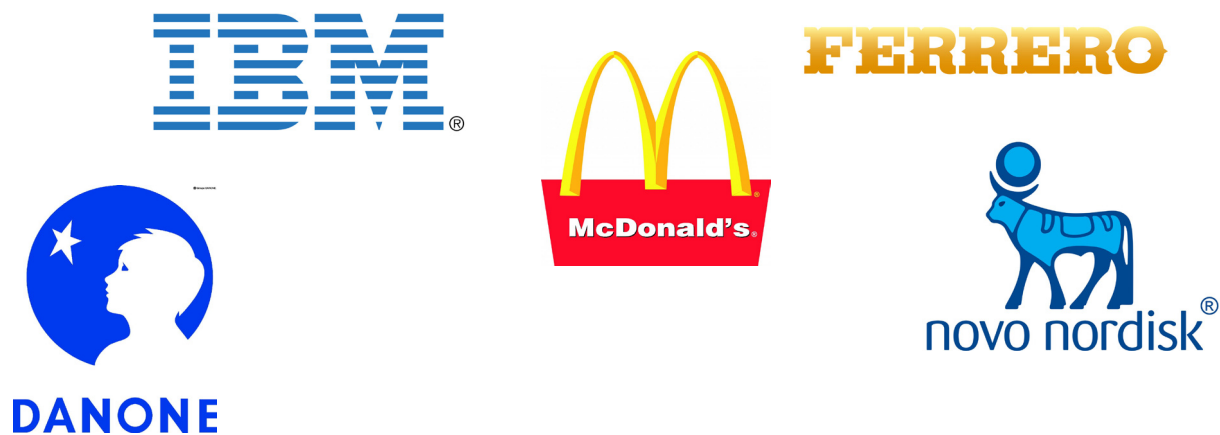
And then there's Apple. Nobody saw the late-Steve Jobs as a philanthropist—he actually shut down the firm's charitable foundation. And the company has been rocked the past few years with claims of exploiting its worker's in its Chinese supplier plants. Apple has dropped a bit in global CSR ratings but remains a leader. How come? First, the new CEO has made it a top priority

to clean things up in the supply chain in China and other regions. Second, it is a great place to work, employees actively volunteer in their communities, and Apple has reasonably good governance. Transparency—not so good. Apple is on my watch-list—could it really innovate in the CSR space? Of course. Will it? TBD.

Who is missing from the top 10 — and belongs there?

While, in my judgment, Apple's grades on CSR might be inflated, a few companies who are great in this space aren't yet fully recognized by the world's public. One is IBM. Its "Smarter Planet" and "Smarter Cities" lines of business combine commerce and good citizenship. It sends thousands of volunteers overseas annually to help nonprofits and governments through IBM's Corporate Service Corps. It's tough for a B-to-B company to gain plaudits from the public in a global CSR poll. IBM is #11 in the world's eyes in the RI poll. Among those who monitor corporate practices, it is ranked even higher.

Danone at #22 is also underrated. Its innovations in agriculture and organics are world class; its animating ideals are a model for other socially responsible businesses; its employees are well treated and love the company; and its governance is sterling. And then there is Unilever at #53. Evidently the public hasn't heard enough about its advances in CSR and its newly launched "Sustainable Living Plan" that gets consumers into the game. Experts in CSR give it top marks. Take a look at their CSR performance.





CSR around the world

A close look at *2012 Global RepTrak™ 100* study finds some notable differences around the world—in the selection of winners and the relative importance of CSR. For instance, Nestlé is given top marks for CSR in Latin American countries. No doubt the public there sees its strong commitment to sustainable agriculture and to sustaining local farming communities. Colgate-Palmolive is #3 in Latin America. It has excellent community programs and active involvement of its employees in the region.

In North America, Ferrero joins the top ranks at #5. The Italian confectioner's eco- and social-credentials are well known among CSR experts. Now it appears the public is getting it. Kellogg's is #2 in North America.

What will be interesting to watch is how the public links obesity to corporate social responsibility in the years ahead. Coke, PepsiCo, McDonald's and others suffer in public opinion on this count. Kellogg's is on the watch-list, too.

In Europe and the Asia-Pacific, the big global brands score best on CSR. Danone should be at the top in Europe (along with Novo Nordisk which wasn't in the global poll). In Asia-Pacific, kudos to Intel at #5 which takes its environmental-and-social responsibilities in the region very seriously.

Looking across the four regions in the RI study, it is surprising that there is so little variation in the "weights" assigned to the CSR factors as drivers of reputation. Here you might want to dig deeper into country-level data. Brazilians, for example, put a far higher weight on citizenship as a reputational driver than Latin America overall. And the workplace is a stronger driver in China than in the result of Asia-Pacific.

Hey, isn't CSR dead?

Finally, some comments about the "death" of CSR. In some circles, there is the opinion that CSR has been choked by PR cum "green washing." The last few Super Bowls, as an example, featured a new version of the Coke versus Pepsi challenge where they squared

off about who could do a better job in raising funds for charity. Naturally, the adverts didn't mention sugar, obesity, or environmental impact. It leaves a bad taste.

Yet companies need to speak to the consumer more about their citizenship, governance, and workplace places and to reveal more, too. In the *2012 Global RepTrak™ 100* study, perceptions of products and services are the top predictor of a company's reputation. These are tangible outputs that the public can see, comparison shop, and experience. But the next most important predictors are the three ratings of CSR. Knowledge about a company's citizenship, governance, and workplace can come from direct experience, but more often from corporate websites and communications, social media postings and conversation, and word-of-mouth. Smarter communication and reputation management are needed here.

On the other side, some business leaders and even CSR specialists blanch at the term CSR. Why? The press and majority of the public still equate it with philanthropy. For leading businesses, however, it is much more. The RI study expands the boundary by asking about workplace, environmental practices, transparency, and the like. It will take some time before the public as a whole "gets" that these, too, represent social responsibility.

So, don't judgments about products also involved CSR? We don't yet know to what extent the public factors in social-and-environmental factors into their assessments of a company's products. We know they do but not really for specific companies or on a global scale. How about innovation? Companies are moving fast in eco-innovation and I believe that corporate social innovation represents the next stage in development of CSR.

This means, to my mind, "CSR is dead, long live CSR." What do you think?



- 1 See: Googins, B, P. H. Mirvis, and S. Rochlin. (2007). *Beyond 'good company': Next generation corporate citizenship*. New York: Palgrave for an overview of CSR management trends; some ideas covered in this document come from the Googins and Mirvis blog for the Business Civic Leadership Center <http://bclc.uschamber.com/profile/drs-brad-googins-phil-mirvis>
- 2 Schumpeter (2012), "Good business; nice beaches: Corporate social responsibility is evolving, and becoming a little less flaky". May 19, <http://www.economist.com/node/21555539>
- 3 Bonini, S., T. M. Koller, and P. H. Mirvis (2009). Valuing social responsibility. *McKinsey on Finance*, 32, 11-18.
- 4 GlobeScan, (2001-2012) *Corporate Social Responsibility Monitor*. www.globescan.com.

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