Column: More investors seek social benefits with returns

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What does corporate social responsibility really have to do with business, not-for-profits and investors?

Consider this: A 2014 Pricewaterhouse-Coopers global survey of CEOs found their organizations were facing a key problem: lack of trust. The CEOs viewed this as a real threat to business growth and agreed that real, inclusive and lasting growth would require trust-building with all stakeholders of their organizations.

After taking part in this study, the CEOs identified three strategic priorities they believed would build the trust needed to grow their organizations. These included:

• **Values:** Building values (rather than value) within the organization to ensure that business is done the right way.

• **Social responsibility:** Developing and articulating a corporate purpose that takes total contribution to society into account — in other words, embedding social purpose within the organization.

• **Collaboration** — Collaborating with government and not-for-profits to drive growth that benefits citizens.

There is much evidence to support the idea that focusing on values, social responsibility and collaboration can help build sustainable growth in business. Last October, Financial Times magazine reported that U.S. and U.K. companies in the Fortune Global 500 spend approximately $15.2 billion annually on corporate social responsibility activities. In a 2012 report, Knowledge@Wharton found that in 2002 only about a dozen Fortune 500 companies issued a corporate social responsibility or sustainability report. In 2012, a majority did. The report stated: "Quite simply, companies care about (corporate social responsibility) because their customers do," and cited a survey by Landor Associates, the branding company, which found that 77 percent of consumers said it is important for companies to be socially responsible.

A recent article in the Harvard Business Review reported that some companies, such as Mars, have recognized that social problems were adversely impacting their profitability and supply chains. Others chose to address a significant social problem. In creating a model to solve the social problem, they created profitable business units.

It is no coincidence that there is an expanding pool of investment dollars being targeted to achieve a social benefit as well as potential traditional return on investment. Over the past couple of years, wealth management clients have become increasingly interested in companies that focus on social responsibility and sustainable investing. Socially responsible investing, or SRI, is the practice of investing in companies that take various environmental, social and governance factors into account in their business models in order to create long-term positive change. This investment opportunity allows clients to diversify their portfolios, work toward financial goals, and at the same time, effect positive change.

A recent study conducted by the Ameriprise Investment Research Group showed that currently more than $7 trillion is invested in socially responsible or sustainable securities, accounting for roughly one-fifth of the money under management in the U.S. alone. There is reason to believe this could continue to increase over time, as the next generation starts to control the majority of the wealth in the U.S. According to the same study, it is estimated that 84 percent of millennial investors are interested in socially responsible investment options.

As the interest in SRI continues to grow, it appears more and more companies are recognizing the competitive advantages of making social responsibility part of their company mission. It seems to makes good business sense on many levels. First, it attracts customers and employees who are interested in working with businesses that are not only profit-driven but also socially responsible or even mission-driven. Second, socially responsible practices can improve the bottom line. For example, reducing carbon footprint in your manufacturing processes can decrease pollution and has the potential to reduce your exposure to environmental lawsuits and expensive site cleanups. Third, other corporate policies and practices, such as increasing diversity on your governing board, can bring in different and valuable input resulting in greater innovation, market leadership and profitability.

The interest in environmental, social and governance factors is not unique to the for-profit world. Some not-for-profits are beginning to look at the new socially responsible business models and legal structures as ways to increase revenue generation, financial support or address regulatory challenges without jeopardizing the organization’s not-for-profit status.

For businesses and nonprofits alike, social responsibility is becoming less of a trend and more of a mainstream way of thinking. As people become increasingly aware of the positive effects environmental, social and governance factors may have on the world, as well as their investments, those who do not follow suit should expect to be left behind. If you have not, it is time to get with the movement.

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