

Is There ROI in Doing Good? By Mark L. Madrid

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Houston, TX – Recently, I re-read the editorial *The Case Against Corporate Social Responsibility* (wsj.com) by Dr. Aneel Karnani, Associate Professor of Strategy at the University of Michigan's Stephen M. Ross School of Business.

Dr. Karnani asserts that “corporate social responsibility will be truly embraced only by those executives who are smart enough to see that doing the right thing is a byproduct of their pursuit of profit. And that renders such pleas pointless.” This narrow view dismisses a critical subcomponent of CSR, Diversity and inclusion (D&I), which are directed value proposition and a far cry from a pointless plea.

This is not personal; this is business.

We live in a reputation economy, in which business and general public consumers evaluate corporate America not only on their financial ratios, but also on their corporate citizenship. If profit-centric, C-Suites and their corporate boards dismiss D&I because of perceived profit sacrifices, they face a harsh reality beyond their predictions of wounded P&L's.

Let's examine the burgeoning Hispanic business sector in Houston as an example. In 2007, the number of Hispanic-owned businesses in the Houston area rose to 104,368, up 38.8 percent from 2002, according to the most recent data from the U.S. Census Bureau. Associated receipts from these business surged to \$16.5 billion for the same time period. What does this mean for corporate players in Houston? Answer: engage Hispanic businesses. This is a win-win scenario; a win for your corporate procurement department, as it aspires to achieve appropriate industry benchmarks; and a win for Hispanic businesses, as bid engagement and securitization fosters revenue generation, expansion, and jobs.

There is another jackpot, the consumer. According to Cone Communications, “82 percent of consumers indicate that they are more likely to purchase a product that clearly demonstrates the results of the company's CSR initiatives than one that does not.” With regard to Hispanics in the U.S., they are buying. Hispanics devote a greater percentage (77 percent) of their disposable income to consumer spending compared to 70 percent for Non-Hispanics (2011 IHS Global Insight Hispanic Market Monitor). If connecting the dots, a brand awareness/preference/loyalty marketing campaign can result from a corporate commitment to D&I.

Another result is enrichment of corporate and organizational culture. Procter & Gamble recognizes this. According to the inaugural P&G Diversity & Inclusion Annual Report (2011-2012): “We see Diversity & Inclusion as an enabler to help us win with consumers where it matters most - in our top 40 markets, with our top 20 innovations, and in the top 10 developing markets where growth prospects are highest. And we will win with our employees as well, so that we can channel every employee's unique strengths, experiences, and background to deliver better business results for our Company and our shareholders.”

CSR drives business results and ROI.

Will corporate America open the window of ROI opportunity that results from D&I, or will the window be cemented shut by a narrow, profit-hungry, and out-of-touch philosophy? If turning away from the window of D&I opportunity, reach for that Charlie's Angel obsolete and chunky cell phone and make the call to upgrade that phone to a smarter version. Then, make the right call and invest in Diversity and Inclusion, which is a CSR component. Kill greenwashing and breathe life into D&I.

Why focus on Houston and Hispanics? Houston is now the most diverse city in the U.S., according to the Kinder Institute for Urban Research. “In 30 years, all of America will look like Houston,” asserts **Stephen L. Klineberg**, Co-director of the Kinder Institute for Urban Research and professor of sociology at Rice University. Hispanics now

comprise 1 in 6 Americans. This real-life and relevant dynamic in Houston is a current lesson about diversity and a solid forecast, not a history lesson.

Doing good as a corporate citizen does not have to imply a double standard or a separation from profit. Investment in D&I (Corporate Social Responsibility) has the upside of generating a number of legitimate results that qualify as ROI, including the expansion of procurement reach, penetration into emerged markets, and the enrichment of corporate culture.

There is ROI in doing good.

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