# The Financial Risks of Doing the Right Thing

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## CSR Practices

Corporate social responsibility (CSR) describes actions that businesses can take to participate in positive change (Digital Marketing Institute, 2022). A great example would be charitable global giving, or donating to charities and non-profits outside of the corporation’s community or region. A great example is Amazon’s AmazonSmile program that allows customers to choose any non-profit of their choice to receive one half of a percent of their purchases (Amazon, 2022). As an example of the kind of impact good CSR can have, note that the AmazonSmile program contributed over $602,000 to St. Jude’s Children’s Research in 2014 alone, which accounted for over 10% of all of the money the company received that year, which is pretty impressive (Gunther, 2018). Other examples of CSR include creating policies that benefit the environment, diversity, equity and inclusion, improving labor policies, participating in fairtrade, reducing carbon footprints, socially and environmentally conscious investments, and volunteering in the community (Digital Marketing Institute, 2022).

Increasingly, today’s youth and 20-year-olds are calling on corporations to implement more CSR and there are many companies “doing it right”, such as Johnson and Johnson with renewable energy, Google with championing social issues, Coca-Cola and its efforts towards sustainability, and Ford and their strides towards pay equity (Digital Marketing Institute, 2022). However, a CSR practice could actually turn out to backfire and have a negative impact on the organization. This could quickly happen if poor motives were to be detected by customers, such as customers’ belief that a company was promoting one of their CSR initiatives for some strategic or financial advantage and without genuine or intrinsic motives. Additionally, CSR practices could actually work against the company in a situation where it becomes obvious that the CSR initiatives are being funded through inflated pricing (Chadwick, 2016). A company's motivations for implementing CSR initiatives, and how they are funded, *really* matter to customers (Chadwick, 2016)! As one last example, customers really look down on organizations for implementing corporate social responsibility as a means to cover up an item of bad publicity. The potential negative impact an organization faces for falling into these poor practices can include customers becoming disenfranchised, decreasing spending at the organization, or worse: Encouraging others to avoid the company, altogether.

## Risks and Benefits of CSR Practices

Corporate social responsibility (CSR) practices can greatly benefit an organization by attracting new customers and clientele, raising awareness of the company among new and potential customers, increasing annual revenue, actually benefiting the environment or local communities, and increasing the dedication of employees, to name a few. However implementing CSR can come with some risks too, including disenfranchising a segment of the current customers, coming across as disingenuous, or customers thinking prices are inflated to subsidize or pay for the CSR initiative. A few statistics can really raise awareness to how easy it can be for CSR initiatives to go awry. According to Clayton (2022), 90% of consumers are likely to switch to a brand supporting a good cause, but over 75% of customers openly state that they would not do business with a brand that holds contradictory views. Is CSR worth it? Do the benefits outweigh the risks? Yes, it would seem so; in a 2019 survey, 70% of participants said that giving back to the local community and other CSR initiatives were more important than price or any other factor when choosing a business to patronize (Cox, 2022).

## Adhering to Ethical Standards and Positive Social Change

As advocated in this treatise, adhering to ethical standards and legitimately pursuing positive social change and corporate social responsibility initiatives is crucial. As aforementioned, the benefits of engaging in CSR outweigh the potential risks, and maintaining ethical standards can enable managers to overcome the potential for negative outcomes. Previously I provided three examples of how CSR practices could backfire, to wit; if poor motives were detected by customers, if initiatives were found to be funded through inflated pricing, or if CSR was being implemented to cover up for bad publicity. In the first example, ethical standards would actually have prevented the poor motives in the first place, enabling customers to see CSR initiatives as genuine. In the second example, companies could employ price matching practices which would prove that CSR initiatives were not being funded by inflated prices. Being transparent like this represents adherence to ethical standards. Finally, managers can exhibit good ethics by only pursuing CSR activities with pure motivations; ultimately, customers will see the thought that spurred the organization to engage in the CSR activity.

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