The attitudes of both companies and consumers to social commitment

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The investment appeal that socially conscious projects hold, is gaining more traction in the present times. This is with reference to both the changing attitudes of companies and investment houses towards directing a flow of capital towards impact generating, socially heightened projects; and the consumers who increasingly invest or modify their purchase behavior in favor of such initiatives by companies. In this article, the dynamics of both will be explored and will be effectively substantiated by research articles and studies so as to provide a comprehensive understanding of the definitive change in attitudes of both companies and the consumers or investing public towards products and product initiatives, that are not only responsible to the society, but ones, that also generate an impact.

Changing attitudes of companies

The terms ‘ corporate social responsibility’ and more recently, ‘ impact investing’ are synonymous with what is widely regarded as a company’s obligation or ardent responsibility to the community and society in general. The term ‘ impact investing’, according to Global Impact Investing Network, may be defined as, “ investments made into companies, organizations and funds with the intention to generate social and environmental impact alongside a financial return”. GIIN, a non-profit organization dedicated to research on the subject further noted that, “ these can be made in “ both emerging and developed markets, and target a range of returns from below market to market rate, depending upon the circumstances.

A lot has changed since the era of pure profit making initiatives taken by companies. Over the years, the world has grown, and public has become more conscious of the environmental and social impact of their actions. This increased people awareness was initially a concern for the companies who benefited from their money making schemes and product delivery systems without such considerations being a factor in the decision making processes. Now, with legislations such as the Companies Act, mandating a percentage of the company's overall profits to be directed towards social causes, the previous attitude of companies towards directing a margin of their profit flow changed to accommodate their responsibilities. This global phenomenon could be further enunciated by the actions of the giants Walmart, and Ford Motors. Walmart, although not conducting a marketing campaign to advertise its commitment to the community, still conducts an evaluation of it's supplier systems and in pursuance of its strong impact investment policy, chooses to work with the supplier with the least identified environmental impact. Since 2009, Ford has reduced the amount of water used to produce each vehicle by 30 percent, and more than 60 of its manufacturing and non-manufacturing facilities worldwide now send zero waste to landfills. Ford is also the first automaker to join the Electronic Industry Citizenship Coalition which is a non-profit association of electronic companies committed to improving social, environmental and ethical conditions in their global supply chains. Such actions by leading business organizations indicate the definitive trend towards voluntary undertaking of a socially responsible attitude.

Profitability and social commitment

Every company wants to be an attractive option to investors by being a low risk, high stock option for an investment. Given the new attention being manifest in relation to socially conscious decisions, companies now have a new method to secure viable investment by conforming to the expectations of social duty and adhering to values of responsible business practices. However, some continue to see the requirements of profitability and of social action as essentially irreconcilable. It is substantiated in the understanding that ' responding to business concerns has always been a no-win proposition for managers. Others however argue that with further amplification in the demands for social and environmental responsibility, the cost to the firm of ignoring the social and environmental context in which it operates may not be profit; the cost may well be survival.

The companies seem to acknowledge this. According to a study conducted by the prestigious firm J. P. Morgan in collaboration with GIIN which involved the assessment and comprehensive analysis of about 125 fund managers, foundations and development finance institutions, about $46 billion dollars were made under the management in impact investments in 2014 alone. This is a dramatic increase of 20% from the previous year. Recognizing this upward trend, GIIN maintains an IRIS metrics catalog which is a compilation of the generally accepted metrics of impact measurement in order to measure the social, environmental and financial performance of investments, which would then allow investors to measure the impact sought to be generated while formulating their investment strategy. In fact, we may only perceive a positive growth trend. The market for conservation impact investing, which focuses on generating profit while driving positive impact on natural resources and ecosystems, grew to $23 billion from 2009 to 2013.

That figure is expected to increase to $37. 1 billion over the next five years, according to a 2014 report by the Nature Conservancy's Nature Vest division and EKO Asset Management.

According to Robert N. Stavins, who is an Associate Professor of Public Policy, at Harvard University, Cambridge, Massachusetts, " the conventional wisdom is that environmental regulations impose significant costs on private industry, slow productivity growth, and thereby hinder the ability of companies to compete internationally. In testing this notion, after reviewing over a hundred statistical reports from academic and government studies, he concluded that there was little evidence to suggest that there existed an adverse impact on the ability of the company to compete profitably. A recent study by MIT Sloan Management Review found that investors recognize that good sustainability performance is a source of many types of business value. The most crucial factor, as recognized by the participants in the survey is the company's potential for long term value creation. This value creation occurs when a company is in accordance with its social responsibilities and fulfills its obligations concerning the same. A survey conducted by MIT Sloan Management Review and The Boston Consulting Group (BCG) in 2015, which consisted of respondents of more than 3, 000 managers and investors in organizations from over 100 countries; found that investors increasingly possess a definite belief that sustainable performance creates tangible value and in pursuance of the same, even prepared to divest from companies with a poor sustainability footprint. In Asia, too this trend is on an upward slope. According to the Rockefeller foundation's forecast, Asia, especially South

East Asia will grow to become one of the major hubs for impact investing. In specific relation to India, as according to Intellecap, a prominent India based advisory firm, estimated that about $1. 6 billion of capital has been invested in more than 220 impact initiatives across the country. The majority of investment although presently sourced from outside the country, local institutional and high net worth investors are definitively displaying an active and increased interest in impact bonds and system investment plans regarding the same. Therefore, we may understand that after reference to the above mentioned studies and statistics, that there exists a piqued, and voluntary interest that companies now display in ensuring their compliance with social and ethical norms. This may also be due to the increased attention of the major investment stakeholders and the people in general towards the responsibilities a company is seen to possess towards the society such as the environmental, human and ethical obligations. In pursuance of the same, it may also be said, as was concluded in various studies, that there exists no particular adverse effect on the companies that choose to fulfill their obligations and address the above mentioned concerns. Even if we were to proceed with that notion, the appeal that a company's attitude towards its obligations holds to it' consumers and investors and the actions taken by the latter due to the former, as will be effectively substantiated subsequently, ensures that there is a positive reflection in the market profitability of the company's products, which in turn ensures the protection of the company's interests.

The phenomenon of ‘ socially conscious’ consumers

It is suggested that there exists a definitive appeal that socially responsible companies hold especially when it comes to investors making real time investment decisions and even simply, a consumer deciding to buy a product. As Peter Gamel, the director of Business Evaluation at the accounting firm, Fiske & Company in the United States, while dealing with the subject of valuation of a company noted, ‘ adherence to social responsibility does clearly have an impact on a company’s value and profitability.’ Socially responsible companies, who fulfill their obligations, are therefore an inherently more attractive option to consumers and additionally more appealing to high quality potential employees. Among the socially conscious consumers, an overwhelming 66% percent of those surveyed would prefer companies that support the cause of environmental sustainability. In order to statistically understand this substantial connection further, it becomes necessary to refer to a document prepared by the Bank of Finland, which assessed companies that were included or excluded in a key social responsibility ranking between 1990 and 2004, and the impact that it had on the value of their stock. The study found that stocks dropped by an average of 3 percent when a company was removed from a list of socially responsible companies. However, in a positive establishment, when a company was added to the list, its stock enjoyed a market value boost of about 2 percent.

In the leading study on the subject where researchers from Harvard Business School, University of California and the University of Michigan reviewed about 167 scholarly studies in order to produce their comprehensive report titled, “ Measuring the Value Of Corporate Philanthropy: Social Impact, Business Benefits, And Investor Returns,” produced by the Committee Encouraging Corporate Philanthropy. Their conclusions substantiate the proposition of this article in a definitive manner. They concluded that “ after thirty-five years of research, the preponderance of scholarly evidence suggests a mildly positive relationship between corporate social performance and corporate financial performance and finds no indication that corporate social investments systematically decrease shareholder value.”

A real time example of this would be the project ‘ Ecomagination’ which was launched by General Electrics in 2005. The primary aim behind this project was to invent products of relevance that could in addition to satisfying customer needs could also be more environmental friendly. A mere three years later, the products innovated due to the operation of the project, made up 1/8th of General Electric’s overall turnover. The concrete perception that the consumers possess concerning their responsibility to only purchase products from companies that are fulfilling the acceptable social responsibilities may be further reinforced by referring to a 2013 study by public relations and marketing firm Cone Communications and Echo Research, according to which, 90 percent of shoppers worldwide are very likely to purchase from brands that support a socially relevant cause, given similar price and quality. The study in addition, states that businesses that aren’t socially responsible run the risk of losing customers. This may be substantiated statistically as, 90 percent of the shoppers surveyed would boycott companies if they found the firms engaged in irresponsible business practices. Furthermore, the presence of a socially responsible attitude allows for the capturing and retention of a segment of the market. The above mentioned study also dealt with the retention perspective, and found that about 90% of those surveyed would in fact be loyal to those brands and companies and are more likely to purchase their products on a regular or frequent basis, if they are socially conscious organizations. However, it remains as to whether consumers would pay more for products that possess environmental and social attributes. The answer, as according to the Network for Business Sustainability’s systematic review of 91 studies is that customers are willing to in fact pay a higher price, the average premium being about 10% in order to support such products and initiatives. This may be substantiated by the classic Starbucks example. Starbucks uses the means of marketing, to convey that it’s use and sourcing of the cocoa and coffee beans are in addition to being in accordance with the ethical standards, are infact beneficial to the growers themselves. It’s social responsibility in part, as it seeks to convey, is justification for its coffee prices being higher than the average. It’s sales and organizational performance continues to grow, thus indicating the definitive existence of the ‘ green appeal’ that such projects hold or the ‘ socially conscious consumers’ being a concrete market segment, that organizations need to take into serious consideration in order to be able to effectively ensure their product placement. The study further concludes that there exists primarily an altruistic motive for the consumers purchasing the products that are made by companies who are in conformity with their social responsibilities as nearly 40% of those surveyed state that the purchases are an attempt to improve society or reduce the environmental footprint. By contributing to such causes, it allows them to indulge in a more positive outlook due to fulfillment of their values, which in turn allows them to live a more satisfying life.

Conclusion

Therefore, it may be seen that there exists a significant change in the attitudes of both companies and consumers with regard to social awareness of societal and environmental responsibilities and obligations. The companies are becoming more conscious of the same and are adopting sustainable business practices and follow the stringent Corporate Social Responsibility criteria and shape their business policies accordingly. Consumers too, in an attempt to contribute to the environment and society, purchase products primarily from those companies that are in adherence to the above mentioned social values, thus effectively establishing the existence of a specific ‘ appeal’ that such projects and initiatives as may be taken by the company hold to a definitive market segment whose purchase behavior and buying decisions due to such appeal, has a significant impact on the profits earned by the company, as stated above and substantiated by references to various studies that provide both statistical and descriptive evidence of the same.