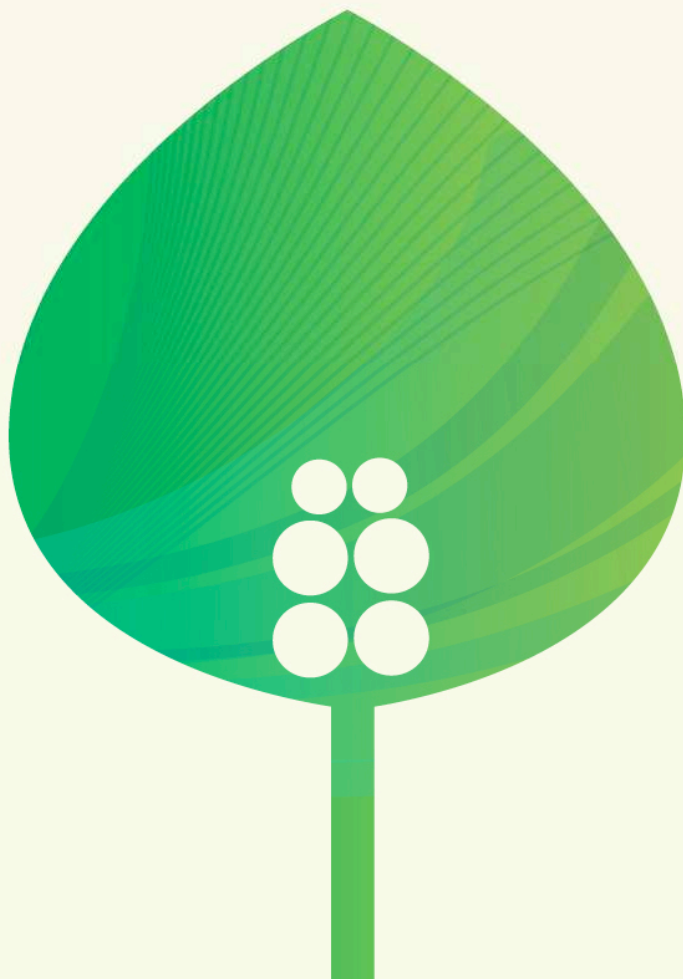


Credit Union Social Responsibility Tool

# DEVELOPING THE BUSINESS CASE FOR CREDIT UNION SOCIAL RESPONSIBILITY





## ACKNOWLEDGEMENTS

Credit Union Central of Canada would like to acknowledge Coro Strandberg, Principal of Strandberg Consulting for researching and writing this tool on *Developing the Business Case for Credit Union Social Responsibility*.

In addition to being a former director at Vancity Credit Union, Coro is a global thought leader in the areas of sustainable governance; sustainable purchasing; sustainable human resource management; and sustainable finance, insurance, and asset management. She has provided facilitation and training on social responsibility to credit union managers and directors and has helped more than a dozen credit unions develop Credit Union Social Responsibility and sustainability strategies.

We are also extremely grateful to the many credit union staff and directors who have contributed their time and advice to Coro's research. Their generosity in this way is an investment in the continued strength of Canada's credit unions and the communities they serve.

## EXECUTIVE SUMMARY

Twenty years ago *corporate social responsibility* was just a buzz-phrase, a management fad at most. Today this has changed. Corporate social responsibility (CSR) has become increasingly mainstream, boosted by a growing awareness of the business benefits of a strategic CSR approach. As more organizations begin to manage their social and environmental performance to achieve greater outcomes and benefits for society and the environment, they have come to realize CSR can have bottom-line benefits as well.

This paper documents the emerging business case for social responsibility as it applies to the Canadian credit union sector. It pulls together results from recent global studies of executive opinions on the CSR business case, and considers a number of global reports analyzing the financial performance of CSR-oriented firms in other sectors over the past decade. This scan reveals the global business case for CSR, with most CEOs acknowledging its shareholder value proposition, and most financial analyses reinforcing this interpretation.

Next, the paper examines the various business case elements, including those factors which can generate growth (top-line benefits) and those which can reduce costs (bottom-line benefits). Twelve business benefits are described, and where possible, quantified, using practical examples and testimonials from nine credit unions across the country.

As this paper demonstrates, there is no “one size fits all” business case for credit unions. Some will choose to focus on employee satisfaction, others on reducing their resource costs, and others on attracting new members. Still others will adopt their CSR programs because it remains “the right thing to do”. Their experiences will deepen the current body of knowledge of credit union social responsibility. Indeed, many are already contributing to this evolution. As more and more credit unions adopt a strategic, results-oriented CSR approach, it is expected that the credit union social responsibility business case will become more robust in the years ahead. Hopefully the following paper will serve as a modest catalyst for this evolution, by laying out a comprehensive framework for understanding the return on investment from strategic CSR investments for credit unions.

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# INTRODUCTION

Fifteen years ago when Vancity Credit Union, Assiniboine Credit Union and Alterna Savings and Credit Union were pioneering their first generation corporate social responsibility (CSR) strategies they lacked two essential ingredients: a practical CSR management framework and a documented CSR business case. Today this has changed for credit unions. A proven CSR management framework exists (see *Credit Union Social Responsibility: A Roadmap for the Development of a Sustainability Strategy* at <http://cusr.cucentral.com>) and the CSR business case has evolved. This paper pulls together globally documented and credit union specific business case items which Canadian credit unions can tailor for their own purposes to move along the CSR path.

The paper starts by putting the credit union social responsibility business case into context, reflecting on how and why the CSR return on investment (ROI) has emerged on the scene. Next, the paper provides an overview of the global CSR business case quantified and qualified by management firms, academics, investors, and companies seeking to understand the benefits of sustained CSR investments of time and resources. The following section sheds light on the “top-line benefits” which can generate growth for your credit union, and the “bottom-line benefits” which can help you drive down costs.

Four credit union CEOs were interviewed for their thoughts and evidence of the CSR business case, including Willy Robinson from iNova Credit Union in Halifax (\$25 million in assets), Al Morin from Assiniboine Credit Union in Winnipeg (\$2.8 billion), Paul Kelly of First Calgary Financial in Calgary (\$2.3 billion) and Tamara Vrooman from Vancity Credit Union in Vancouver (\$14.4 billion). Credit union facts and figures are used to illustrate the business benefits of CSR implementation whenever possible.

The paper concludes with a discussion of how to manage and position CSR expenses in the context of developing a longer term CSR strategy. Resources are included in the appendix for those who would like to drill deeper into the topic.

The paper defines the “CSR business case” as the tangible and intangible benefits to the business from managing its social and environmental performance. Some of the business case benefits can be realized from ad hoc, incremental or basic CSR. However, this guide is developed to inform the business case for *strategic* CSR – where credit unions develop a CSR vision and set and implement goals, targets and management systems to realize their CSR aims.

It bears noting that there is no textbook formula for the CSR business case in any sector. Indeed, there appears to be little consensus on the core elements of even a standard business case. Thus, this paper has scanned and compiled the various CSR business case components in common use today, from which the credit union social responsibility business case has been derived. Further, this paper looks at the overall business case, but does not analyze how to prepare a cost-benefit analysis of a particular CSR project or initiative. Resources are available for those who wish to do so (see Appendix).

## CSR WORD SALAD: TERMS AND DEFINITIONS

There is considerable diversity in CSR terminology and CSR definitions. Credit unions have used sustainability, corporate social responsibility, corporate citizenship, the triple bottom line of social, environmental and economic returns, and co-operative social responsibility, to name but a few. The term credit union social responsibility is also used to recognize the inherent community involvement missions that are unique to the sector.

Definitions abound, too, but typically include the following key elements:

“The balanced integration of social, environmental and economic factors in business decision making, including governance, strategy and operations, while taking stakeholder interests into account”.

## Context

Many in the credit union system argue that a business case analysis is unnecessary. They hold that CSR is at the heart of credit union philosophy, core to the mandate of credit unions and a natural extension of meeting member needs. Or, it's “the right thing to do.” Thus, they don't build their CSR strategies and make their investments on the basis of ROI or formalized cost-benefit analyses. It is possibly because of this inherent values orientation that credit unions have not generally invested in understanding the business case to date – there has not been a reason to do so.

“In our five year strategic planning process, we stepped back and asked ‘are we simply here to maximize profit?’ We believe we have an obligation to do more than make profit and pay tax. It's inherent in being a co-operative, a credit union, that we would have a CSR approach. However, in order to be more strategic around our values, we integrated a CSR framework with our strategic framework.”

**Paul Kelly, Chief Executive Officer  
First Calgary Financial**

However, increasing CSR expectations of members, employees and communities are raising the performance bar for credit unions, necessitating a more strategic approach to CSR and therefore, more soul-searching about the business case for CSR investments. Going forward, more and more credit unions will be challenged to answer the questions:

- Is credit union social responsibility worth burning some of my capital for, or spending my time on?
- Should we divert our training budget towards CSR and how much marketing will it take to generate a return on our efforts?
- Given the demands on board, executive, manager, and staff time, and inherent communications, marketing, tracking and reporting efforts, what is the ROI?

Indeed, there are many in the system that see CSR as a cost, a constraint or, at best, simple charity and wonder what all the fuss is about.

This paper hopes to address these concerns and answer these questions. Certainly CSR must compete for organizational resources. There are real costs associated with staff training, facilitators, stakeholder consultation, auditing and benchmarking a credit union's

CSR performance, renovations and facility upgrades, product development, market research, branding and communications, collateral, and reporting – to name a number of items on the cost side, not to mention hiring or appointing CSR staff for those who go this route. While the costs are unique to each credit union, the benefits are similarly unique. There is no one size fits all approach; it is important to identify and focus on your own credit union's business case. This paper will provide you a menu from which you could craft your unique value proposition.

## Why Develop the Business Case?

Effective CSR strategy implementation requires that the organization clearly understand its motivation for pursuing CSR. This helps ensure it is not the flavor of the month, and that it can withstand board and management turnover. Ideally, early in the development of a CSR vision and strategy, credit unions should be clear on their underlying motivations for developing them. Strong motivation towards CSR ensures everyone rows in the same direction, and to inform their credit union's focus and priorities.<sup>1</sup> For some credit unions, clarifying the CSR business case may be instrumental to accelerating the CSR effort because it speaks to a business imperative – influencing decisions on the allocation of scarce resources.

"We see this as a sustainable economic model to drive future business. The more you are investing in the health and sustainability of your future market, the more able the future market can sustain your credit union's growth."

**Tamara Vrooman, Chief Executive Officer**  
**Vancity Credit Union**

"You need a healthy balance sheet and profit and loss statement. This is not the kind of change or approach you would embark on if your credit union was suffering financially. Financially healthy credit unions will realize more success implementing their CSR goals."

**Al Morin, Chief Executive Officer**  
**Assiniboine Credit Union**

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<sup>1</sup> For more information on this process, read Credit Union Social Responsibility Tool: Developing a CSR Vision and Policy Statement at [www.cusr.cucentral.ca](http://www.cusr.cucentral.ca)



# CHAPTER 1: THE GLOBAL BUSINESS CASE

To set the context, the paper reviews the global CSR business case quantified and qualified by academics, investors, pollsters and companies seeking to understand the business case benefits of sustained CSR investments of time and resources.

Corporate social responsibility (CSR) has been described as an emerging business mega-trend comparable to electrifying, the rise of mass production, globalization, the formation technology revolution and the quality movement of the 1970s and 1980s.<sup>2</sup> According to this view, “business mega-trends force fundamental and persistent shifts in how companies compete,”<sup>3</sup> and may arise from technological innovations or new ways of doing business. As such, they are “inescapable strategic imperatives for corporate leaders...requiring business to adapt and innovate or be swept aside.”<sup>4</sup>

In 2005, two of the world’s largest companies – Walmart and General Electric Company (GE) gave CSR a big boost, reinforcing the mega-trend when they launched major initiatives to improve their bottom-line through CSR. Walmart, the largest retailer in the world, asked that its 100,000 global suppliers answer 15 questions focused on energy and climate, material efficiency, natural resources and people and community. This supply chain effort is expected to have a ripple effect across the globe. To many of their 100,000 suppliers, bettering their social and environmental impacts is now a “do or die” proposition. GE, for their part, announced “ecomagination,” a commitment to invest in solutions that solve environmental challenges while benefiting customers and society. They committed to invest \$1.5 billion in cleaner technologies over five years, a target they achieved a year early. Four years into the initiative, they have grown revenues from “ecomagination” products by 6 per cent to \$18 billion.<sup>5</sup>

These companies are not likely to have adopted these initiatives because “it is the right thing to do.” Clearly the business case rationale guides their CSR investments. That these two giants have moved so centrally on a bold CSR agenda suggests there is a powerful shift taking place in the market. The CSR mega-trend is taking root, driven by corporate strategic advantage, however until recently, its strategic advantage has remained elusive, questioned by many.

Over the past number of years, there has been a plethora of global studies looking at the relationship between corporate social performance and corporate financial performance in search of a “holy grail,” or a model for the optimal path forward for CSR. The following reviews:

- 1) *Qualitative* studies which assess the views of company executives on the CSR business case (“opinion”), and
- 2) *Quantitative* research which compiles empirical data to draw numeric conclusions of the financial trends (“facts”).

## 1. Executive Views of the CSR Business Case

Brand and reputation are named as a top driver of CSR, followed by employee recruitment and retention according to global executive opinion.

<sup>2</sup> See David A. Lubin and Daniel C. Esty. “The Sustainability Imperative,” *Harvard Business Review*. May 2010. Note that the author uses the term “sustainability” in this instance.

<sup>3</sup> *Ibid.*

<sup>4</sup> *Ibid.*

<sup>5</sup> General Electric. “ecomagination 2009 Annual Report.” 2009.

[http://files.gecompany.com/ecomagination/ge\\_2009\\_ecmagination\\_report.pdf](http://files.gecompany.com/ecomagination/ge_2009_ecmagination_report.pdf)

Whether they call it CSR, *sustainability* or *corporate citizenship*, CEOs and company executives believe CSR can create competitive advantage and is important to a company's present and future profitability. Of the eight global, U.S. and Canadian studies reviewed for this paper (and summarized in Table 1 below) roughly 70 per cent and more respondents believe that CSR activities can create shareholder value.

There is a convergence of opinion, too, on the top benefits and drivers of a CSR approach: brand and reputation were named as the top or second benefit or driver in six of the eight studies; followed by employee recruitment and retention (four references); then cost savings and customers (three each); and lastly two mentions of revenue growth.

<b>Table 1: Executive Opinions on the CSR Business Case and Top Drivers</b> (See Appendix for source documents)					
<b>Author</b>	<b>Year</b>	<b>Survey Respondents</b>	<b>Coverage</b>	<b>Comment on Business Case</b>	<b>Top Benefits &amp; Drivers</b>
UN Global Compact – Accenture	2010	766 CEOs	Global	“96% of CEOs believe that sustainability issues should be fully integrated into the strategy and operations of a company (up from 72% in 2007)” p. 13; “93% believe that sustainability issues will be important or very important to their future success” (p. 16)	<ul style="list-style-type: none"> <li>• Brand, Trust &amp; Reputation</li> <li>• Revenue Growth</li> <li>• Cost Reduction</li> <li>• Customer Demand</li> </ul>
MIT Sloan Management Review and Boston Consulting Group	2009	1,560 corporate executives and managers	Global	“92% of survey respondents told us that their company was already addressing sustainability in some way” (p. 7)	<ul style="list-style-type: none"> <li>• Brand</li> </ul>
IBM	2008	1,130 CEOs, business and public sector leaders	Global	“Overall the CEOs see opportunities in CSR and are using it for their competitive advantage. They indicated that CSR is critical to maintaining market share” (Press Release)	<ul style="list-style-type: none"> <li>• Customer Expectations</li> <li>• Reputation</li> <li>• Attract &amp; Retain Employees</li> </ul>
McKinsey & Company	2008	238 CFOs, investment professionals and finance executives	Range of industries and regions	“Among those who had an opinion, two-thirds of CFOs and three-quarters of investment professionals agree that environmental, social and governance activities do create value for their shareholders in normal economic times” (p. 2)	<ul style="list-style-type: none"> <li>• Reputation &amp; Brand</li> <li>• Attracting, Motivating &amp; Retaining Employees</li> </ul>
PricewaterhouseCoopers	2003	Nearly 1,000 CEOs	Global	“More CEOs agreed that sustainability is vital to the profitability of any company, an increase from 69% last year to 72% this year” (Press Release)	<ul style="list-style-type: none"> <li>• Reputation &amp; Brand</li> </ul>
Economist Intelligence Unit	2008	566 executives	US	“Agree that companies can improve the bottom line through corporate citizenship” (p. 16)	<ul style="list-style-type: none"> <li>• Revenue Growth</li> <li>• Increased Profit</li> <li>• Cost Savings</li> </ul>
Siemens/McGraw-Hill Construction	2009	203 C-suite executives of large companies	US	(Study does not comment on business case. See Top Drivers column.)	<ul style="list-style-type: none"> <li>• Customer Retention &amp; Attraction</li> <li>• Drop in Operating Costs</li> <li>• Greater Productivity</li> <li>• Employee Retention &amp; Recruitment (slide 4)</li> </ul>
Hewitt Associates	2010	2,000 leaders	Canada	(Study does not comment on business case. See Top Drivers column.)	<ul style="list-style-type: none"> <li>• Reputation</li> <li>• Employee Engagement (p. 2)</li> </ul>

Every year there is another cluster of studies on CEO and executive perception of the value of CSR. A shift can be seen from a low 69 per cent in the PricewaterhouseCoopers study in 2003 to 93 per cent by 2010. While one should take caution comparing across studies and years in this way, clearly there is an emergent awareness on the part of executives that CSR can contribute to shareholder value. Among the top benefits, executives cite brand and reputation, followed by employee recruitment and retention. One can imagine that the reverse might also be true: by not investing in CSR executives might expect their firms to experience a long-term erosion of brand and employee reputation.

According to Innovest Strategic Advisors, a company's environmental and social performance is an increasingly potent proxy and leading indicator for three drivers critical to future profitability potential: corporate agility or adaptability; durability of a firm's competitive advantage; and the quality of its strategic management.

**Source:** Innovest Strategic Advisors  
("Eco-Value 21 Rating in Practice," June 17, 2003, p.4  
[http://www.asria.org/events/kores/jun03/index\\_html/lib/HewsonBaltzell.pdf](http://www.asria.org/events/kores/jun03/index_html/lib/HewsonBaltzell.pdf))

## 2. Financial Trends

Over the last decade, academics and finance professionals have been analyzing stocks, indices, and mutual fund performance to assess if there is a performance penalty or bonus for firms and funds that integrate CSR or "ESG" (ESG is used in the investment industry to refer to the sustainability – standing for the environmental, social and governance – performance of a firm).

Table 2 provides an at-a-glance summary of a number of benchmarks and watershed studies produced over the past five or so years, which point to a neutral to positive correlation between a firm's CSR performance and its financial performance. Many in the investment industry are coming to believe that integrating CSR cannot harm performance and may in fact enhance performance, an outlook which is increasingly shared by executives as well, given the results of the international studies profiled earlier.

As these studies and performance results reveal, there is a strong case to be made that CSR can add value to a company's bottom-line. They are certainly indicative of the underlying trend that sees companies increasingly managing their social and environmental performance for results and impact – a mega-trend as argued earlier.

This paper will next turn to the specific business case elements, some of which have already been alluded to such as reputation and brand, employee attraction, retention and motivation, customer attraction, cost savings and revenue growth.

<b>Figure 2: Financial Trends</b> (See Appendix for source documents)				
<b>Source</b>	<b>Coverage</b>	<b>Benchmark</b>	<b>Time Frame</b>	<b>Results</b>
Innovest Strategic Value Advisors	Global	100 companies from the MSCI World Index that address their ESG risks and opportunities	2005 – 2010	“From its inception in February 2005, the Global 100 Most Sustainable Corporations has achieved a total return of 23.67%, outperforming its benchmark (the MSCI All Country World Index) by 334 basis points per annum” Press Release
Social Investment Forum	Global	160 socially responsible mutual funds	2009	“A review of 160 socially responsible mutual funds [...] finds that the vast majority of the funds – 65% - outperformed their benchmarks in 2009, most by significant margins. These SRI funds topped benchmarks across nearly all asset classes, including balanced, large cap, small cap, and global funds, as well as bonds” Press Release
Sustainable Asset Management (SAM)	Global	Over 2,000 largest global companies listed annually	2001 – 2008	“Annual share performance of sustainability leaders exceeded that of sustainability laggards by 1.48 percentage points” Press Release
A.T. Kearney	Global	99 CSR companies drawn from the Dow Jones Sustainability Index or the Goldman Sachs SUSTAIN focus list; their average indexed performance was compared to the market indexed performance	2008	“In 16 of the 18 industries examined, companies recognized as sustainability-focused outperformed their industry peers over both a three-month and six-month period and were well protected from value erosion. Over three months, the performance differential across the 99 companies in this analysis worked out to 10%; over six months, the differential was 15%. [...] This performance differential translates to an average \$650M in market capitalization per company” p. 1
UN Global Compact and Sustainable Asset Management (SAM)	Global	76 UN Global Compact signatories listed in the DJSI World Index (Global Compact is a UN CSR Program; the DJSI is the Dow Jones Sustainability Index, a list of CSR companies)	2001 - 2004	“The study found that in a declining market the group of 76 outperformed the mainstream MSCI World by 3.7% over the three-year period between June 2001 and June 2004” p. 5
Mercer and the United Nations Environment Program	Global	Review of key academic and broker research on ESG factors and analyses 20 pieces of academic work and 10 key broker studies	Various years; study published 2007	“Of the 20 academic studies reviewed, 10 found a positive relationship between ESG factors and performance, seven neutral and three negative” Press Release
Jantzi Social Index (JSI)	Canada	60 companies rated on environmental, social and governance (ESG) criteria; market capitalization-weighted common stock index modeled on the S&P/TSX 60	2000 – 2010	“The JSI achieved an annualized return of 5.01%, while the S&P/TSX Composite and the S&P/TSX 60 had annualized returns of 4.98% and 4.83% respectively, over the same period” Website
Ipsos Mori	UK	33 CSR companies in UK Business in the Community CSR Index & listed on LSE	2002 – 2007	“Companies consistently participating in the CSR Index outperformed the FTSE 350 on total shareholder return by between 3.2% and 7.7% per year” p. 2



## CHAPTER 2: THE CREDIT UNION BUSINESS CASE

While it is notable that CSR is emerging as a strategic imperative at the global level, and that the financial metrics of leading CSR companies reveal profitability benefits, it is important to consider the specific business case opportunities of CSR for Canadian credit union. This section will review both the growth generating opportunities to drive down costs and generate operational efficiencies for your credit union to grow your “bottom-line.”

It bears repeating that “one size does not fit all.” The business case benefits which might accrue from adopting a strategic approach to CSR will differ from credit union to credit union based on a number of factors, including the scope and goals of the strategy and the credit union’s ability to execute. So, think of the following list as a menu of benefits available to your credit union depending on your priorities.

The benefits profiled below are not mutually exclusive categories. Some of them are very relevant to credit unions and others less so. Some are more or less measurable than others. Every attempt has been made to quantify the benefits, by providing either credit union statistics where these are available, or general industry statistics to fill in the gaps. However, at present there is limited data from Canadian credit unions to document the business case benefits from managing their social and environmental performance.

“According to Citigroup, the business case for sustainability is to reduce risk, reduce expenses, increase revenue, deepen relationships with clients, enhance reputation, and attract and retain the best employees.”

*“The Business Case for Environmental and Sustainability Employee Education”*  
National Environmental Education Foundation, 2010 p.12

“We use CSR to differentiate ourselves, enhance our brand and realize significant growth opportunities.”

**Al Morin, Chief Executive Officer**  
**Assiniboine Credit Union**

### Top-Line Benefits: Growth Generating Opportunities for Credit Unions

The following seven “top-line” benefits have been realized by companies large and small, including credit unions, as a result of strategic CSR efforts. They are classified as “top-line” because they generate revenues and growth opportunities for credit unions, supporting you in your efforts to increase loans, deposits and fees.

#### 1. Attract and Retain Customers

A key benefit of a CSR approach is the ability to attract and retain customers. This includes building market share, developing new markets, increasing the share of wallet and the opportunity to attract new, younger demographics into membership.

A national survey of 1,013 adult Canadians conducted in 2007 by Environics Research Group revealed that “fully two-thirds of consumers are likely to switch their spending to companies that have demonstrated a commitment to green policies. [...] 67 per cent said they are likely to switch to banks, stores and other retail or service outlets that have demonstrated their commitment to the environment. In addition, 75 per cent of Canadians surveyed said they are likely to change their own shopping habits to purchase more

environmentally friendly goods and services, even if it means paying a premium price.” Further, the poll found “women consumers (80 per cent) were more likely than men (69 per cent) to change their shopping habits in favour of environmentally friendly goods and services. However, consumer interest in green companies, including banks, malls and retail stores did not vary between different income levels.”<sup>6</sup> The study concluded that we are witnessing a fundamental shift in consumer behavior that reflects that increased mainstreaming of environmental consciousness.

Millennials (those born between 1979 and 2001) show a similar interest. A 2006 U.S. survey of 1,800 members within this demographic showed that 69 per cent consider a company’s social or environmental commitment when deciding where to shop; 89 per cent are likely to switch from one brand to another (price and quality being equal) if the second brand is associated with a good cause; and 66 per cent will consider a company’s social/environmental commitment when deciding whether to recommend its products and services.<sup>7</sup>

Assiniboine Credit Union’s (ACU) 2008 market research of Manitobans’ views on CSR as it relates to financial institutions reinforces this assessment. It studied the overall importance of different aspects of CSR to Financial consumers and reviewed the impact of CSR on loyalty.

As Figure 1 shows, ACU members demonstrated similar or better results than millennials overall: 96 per cent felt that a commitment to conduct business ethically is important for their financial institution. A contribution to community was deemed important by a similar 86 per cent. Eighty-seven per cent felt a commitment to fair hiring or employment practices was important. And 88 per cent believed that a commitment to sound environmental practices was important from their financial institution.

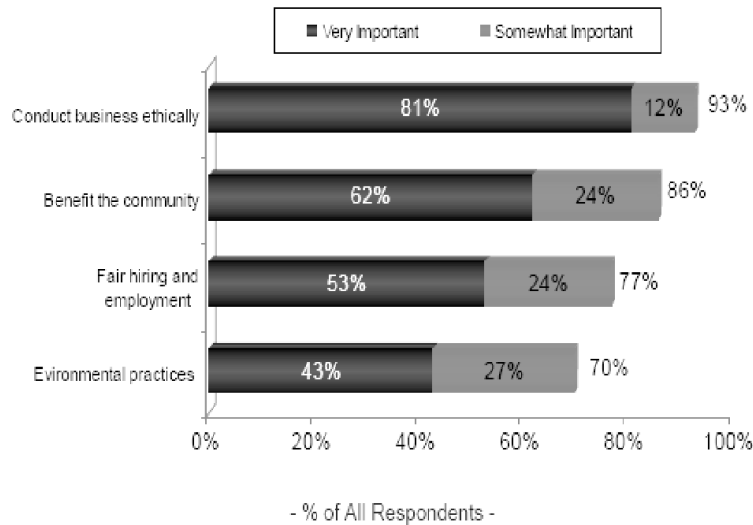
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<sup>6</sup> Bullfrog Power. Press Release: “Companies that Commit to Green Policies Will Attract Consumers.” February 26, 2007. <https://www.bullfrogpower.com/news/Consumers%20looking%20for%20green%20options.pdf>

<sup>7</sup> Cone. “Civi-Minded Millennials Prepared to Reward or Punish Companies Based on Commitment to Social Causes.” October 24, 2006. [http://www.cswire.com/press\\_releases/19345-Civic-Minded-Millennials-Prepared-to-Reward-or-Punish-Companies-Based-on-Commitment-to-Social-Causes](http://www.cswire.com/press_releases/19345-Civic-Minded-Millennials-Prepared-to-Reward-or-Punish-Companies-Based-on-Commitment-to-Social-Causes)

**Figure 1: Importance of Aspects of CSR to Consumers of Financial Services**  
*Assiniboine Credit Union 2008*

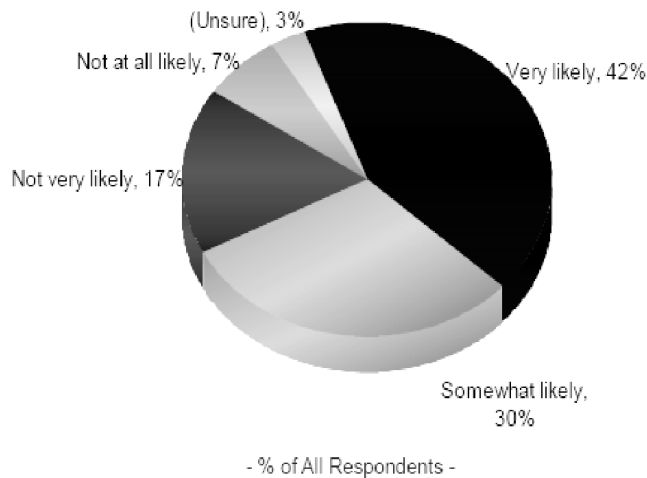
Question: "Now I'd like to ask you some questions about your financial institution. On a scale of 1 to 5, where 1 means "not very important" and 5 means "very important," how important is it to you that your financial institution demonstrates the following..." (n=950)



Similarly, the survey also found a very strong inclination among those surveyed to move their business to another financial services provider in the event that they were dissatisfied with their current provider's commitment to aspects of CSR. Nearly three quarters (72 per cent) said they would be likely or very likely to change providers, while 24 per cent said they would be not likely, or not at all likely to change (see figure 2).

**Figure 1: Impact of CSR on Customer Loyalty**  
*Assiniboine Credit Union 2008*

Question: "If you were not satisfied with your household's financial services provider's commitment to the community, its employees, to the environment, and to doing business ethically, how likely would you be able to take your business over to another financial services company." (n=1,100)



One other question posed in ACU's study asked, "Is there any one bank or credit union in particular that, in your opinion, does a good job in demonstrating a commitment to the community, to its employees to the environment, and to doing business ethically." ACU received top mention with 10 per cent in Manitoba, 14 per cent in Winnipeg, followed by the Royal Bank of Canada with 8 per cent in Manitoba.

"We have members who come to us because of our CSR. Anecdotally, we have many, many examples of people – including people who are leaders in the community – who moved their account to us because of our efforts. Businesses too. Recently we acquired a substantial small business and another large account which moved their banking to us due to our strong CSR position. We have found that if you raise your profile this way members and potential members get to know you and trust you."

**Willy Robinson, General Manager**  
iNova Credit Union

Vancity surveyed a random sample of existing retail and business members in 2007 which revealed that customer acquisition was most often influenced by referrals or convenient branch location (31 per cent and 29 per cent respectively). Other factors included because it was a credit union (22 per cent); quality of service (22 per cent); contribution to the community (17 per cent); and rates or fees (16 per cent). Other contributors included its local ownership (13 per cent) and its contribution to the environment (10 per cent). Vancity found that factors influencing customer retention included service quality (37 per cent); branch location (32 per cent); rates (25 per cent); contribution to the community (20 per cent); local company (15 per cent); and contribution to the environment (14 per cent).

Vancity's research has revealed that members differ from non-members in that they care about issues, they like the credit union concept and they feel good about giving back to community. Beyond meeting members' core banking needs of service, convenience and rates, CSR and community contribution is a key factor in retaining members.

#### **Bergengren Credit Union discovers member loyalty benefits**

Bergengren Credit Union has found that its CSR efforts have generated strong customer loyalty. The credit union attributes its higher percentage of members in the two lowest age categories (1-18 and 19-30) compared to other credit unions to the fact that it has been running a school savings program for many years. Overall, its members are evenly distributed across the age groups as opposed to heavy concentrations in the older age categories.

The Co-operative Bank (Co-op Bank) in the United Kingdom – known for its strong CSR position – also found that CSR was a major determining factor for its current account customers: 26 per cent cited the bank's ethics and sustainability policies and co-operative identity as the most important reason for opening and maintaining an account. Its research also indicated that ethically motivated customers were more likely to have more than one product with the bank and were more likely to recommend than the bank's average customers.<sup>8</sup>

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<sup>8</sup> Co-operative Financial Services. Sustainability Report 2005, p.33. <http://www.co-operativebank.co.uk/servlet/ContentServer?cid=1161931604048&pagename=CFSSustain/Page/tplSusBlank&c=Page>  
<sup>9</sup> Scotiabank. "2007 Scotiabank Corporate Social Responsibility Report." 2007. P.3 <http://scotiabank.com/images/en/files/aboutscotia/17460.pdf>

Alterna Savings and Credit Union's (Alterna Savings) 2007 member survey points to the profitability link between CSR oriented members and their use of the credit union's services. Of those who agree that Alterna's community involvement makes them feel good to be a member (compared to those that disagree):

- 88 per cent are more likely to recommend Alterna Savings to others versus 43 per cent.
- 35 per cent plan to use Alterna Savings for all their banking business or increase their wallet share versus 10 per cent.
- 24 per cent use Alterna Savings exclusively versus 12 per cent.
- 64 per cent would consider financial planning versus 50 per cent.
- 54 per cent find Alterna Savings' rates better versus 16 per cent.

"We exist for the long-term benefit of members and are interested in the long-term social and environmental sustainability to our communities. Our ability to compete in the market is driven by our ability to demonstrate this; it is a major differentiator for us."

**Tamara Vrooman, Chief Executive Officer**  
**Vancity Credit Union**

"About one in five Canadians (19 per cent) would switch to another financial institution if it demonstrated a higher degree of excellence in its CSR commitments."

Source: Results from a 2007 study sponsored by Scotiabank.<sup>9</sup>

The Co-op Bank in the U.K. conducted a "Sustainability Value Analysis" of its customers as reported in its 2005 Sustainability Report, wherein it looked at the profitability contribution of the bank's ethical and sustainability positioning (per cent pre-tax profit). The bank found that the profitability contribution of customers who state that ethics is the *most important* factor was 17 per cent and the profitability contribution made by customers who state that ethics is an *important* factor was 34 per cent. Of the profitability attributed to customers who cite as the *most important* factor, 57 per cent was attributable to personal banking customers and 43 per cent to corporate and business banking customers. Of the profitability attributed to customers who cite it as an *important* factor, 48 per cent is attributable to personal banking customers and 52 per cent to corporate and business banking customers.<sup>10</sup>

These numbers suggest that the bank's approach to social and environmental management might have had much to do with its 29 per cent growth in assets from £11.9 billion at the end of 2005 to £16.4 billion at the end of 2008.

Keeping in mind the limited credit union data available, a number of early conclusions are emerging from these surveys:

1. Environmentally and socially responsible practices are important to the public and customers.
2. About 20 per cent of credit union customers are attracted for CSR reasons.
3. CSR is a factor in customer retention.
4. Credit union members value the CSR role.
5. CSR-oriented customers are profitable.

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<sup>10</sup> Co-operative Financial Services. Sustainability Report 2005. P.28-29.

Financial institutions are finding that CSR can be a factor in customer acquisition, retention, loyalty and profitability.

#### **Assiniboine Credit Union Targets Underserved Inner City Market**

Assiniboine Credit Union's (ACU) West Broadway Branch demonstrates that it is possible for a financial institution to deliver both financial returns to the credit union and social returns to the community. West Broadway is in inner-city neighbourhood with one of the lowest average household incomes in Winnipeg. The West Broadway Branch was opened in 2001 to fill the gap when other financial institutions had left the area. It was a strategic initiative to test the viability of serving an underserved inner-city market. Using a cost-recovery approach, the business case showed that a small full-service branch would be financially sustainable if it achieved \$7 million in assets in five years. The goal was to keep costs to a minimum and still maintain a high level of service. The West Broadway Branch exceeded expectations, achieving sustainability earlier than planned.

Since opening, the West Broadway Branch has grown at an average rate of 11 per cent per year and is currently serving nearly 3,000 members. The busy branch has outgrown its space and is looking to expand. It has attracted new members and business, earned ACU tremendous goodwill, and reinforced its brand as a credit union that cares about the community. Most importantly, it has demonstrated that it is possible to operate successfully in a disinvested community.

Building on the success of the West Broadway inner-city experience, ACU plans to open a branch in another underserved community in 2011. The North End Branch will be a small CED-focused (community economic development) branch serving north end residents and organizations and helping to revitalize the community. With significant community support, ACU has already exceeded the target of \$6 million in new business for the branch to start-up.

## **2. Build and Maintain Competitive Advantage**

In a crowded marketplace, companies need to find a unique value proposition that can distinguish them from their competitors. Credit unions have historically benefited from their member focus and local roots in strengthening their competitive position. As more and more companies, including the major banks, start to manage their CSR performance for improved results, the opportunity exist for credit unions to further differentiate their value proposition through higher impact CSR outcomes. Indeed, credit unions in Canada have often been first-movers in CSR innovation, fostering a durable competitive advantage for the credit union's business.

"A significant number of members banking with us do so because we are different – and one of the differentiators is our role in the community and our CSR leadership."

**Al Morin, Chief Executive Officer**  
**Assiniboine Credit Union**

"We have seen a 60 per cent increase in deposits from non-profit (NPO) members in two years. While the ability to provide a 100 per cent deposit guarantee in this economic climate is a key contributor to this growth, our CSR values alignment encourages NPOs to take advantage of this guarantee with Vancity Credit Union. Many our NPO members tell us they bank with us simply because of our values alignment. We see our lending to this member segment as ways that we can uniquely, as a financial institution, support change and the good that these members do in our communities. We give them that leverage. In turn, this attracts other members to us to grow further."

**Bill Corbett, Director Strategy**  
**Vancity Group**

To realize these benefits, credit unions need to pro-actively manage their social and environmental performance, and foster the innovation that can maintain this leadership.

### 3. Improve Employee Satisfaction, Engagement and Productivity

As every successful employer knows, and credit unions have bred in the bone, satisfied employees are productive employees. Today employee satisfaction is often referred to as “engagement”: an engaged employee is “one who is fully involved in, and enthusiastic about, his or her work, and thus will act in a way that furthers their organization’s interests.”<sup>11</sup>

International research conducted by Hewitt Associates, the global human resources consulting company and owner of the “Best Employers in Canada” brand, reveals that “organizations with high engagement generated total shareholder returns that were 29 per cent above average. Those with moderate engagement produced returns that were only 1 per cent above average. Organizations with low engagement had total shareholder returns that were 60 per cent below average. Hewitt’s research across more than 7,000 organizations indicates that each disengaged employee can cost an organization an average of \$10,000 in profit annually.”<sup>12</sup>

“If you look at the shift in demographics, staff engagement is very important. We are in a very competitive labour market; we compete for those looking for work. CSR is a retention tool as well.”

**Paul Kelly, Chief Executive Officer**  
**First Calgary Financial**

Hewitt Associates has also discovered the business case for CSR as a contributing factor to employee engagement. Their 2010 study of the Best Employers in Canada – a study of over 100,000 employees and 2,000 leaders at more than 230 workplaces – found that there was a high correlation between employee engagement and CSR. Employees within high engagement organizations have more positive perceptions of their employers’ commitment to CSR: “86 per cent of employees at organizations with *high* engagement agreed or strongly agreed with the statement that they worked for an employer that was socially and environmentally responsible. That figure was 71 per cent at employers with *moderate* engagement and only 60 per cent at those with *low* engagement.”<sup>13</sup> (emphasis added). The study also found that an employee’s perception of the company’s CSR is one of the top five threats to employee engagement over a third of the time.<sup>14</sup>

Another global study, this one conducted by Towers Perrin (today, Towers Watson), an international professional services firm, surveyed 90,000 randomly chosen employees working in 18 countries in 2007 and found that their organization’s reputation for social responsibility to be among the top three drivers of employee engagement (after “senior

<sup>11</sup> [http://en.wikipedia.org/wiki/Employee\\_engagement](http://en.wikipedia.org/wiki/Employee_engagement)

<sup>12</sup> Canadian Business for Social Responsibility. “CSR as a Driver of Employee Engagement.” 2010, p.1 <http://www.cbsr.ca/cbsrftp/Communications/Hewitt%202010%20Best%20Employers%20in%20Canada%20Study%20-%20Corporate%20Social%20Responsibility%20Research%20Findings%20-%20final.pdf>

<sup>13</sup> Hewitt Associates. Press Release: “Hewitt and CBSR Data Establishes Strong Relationship between Employee Engagement and Views on CSR.” January 25, 2010. <http://www.hewittassociates.com/Intl/NA/en-CA/AboutHewitt/Newsroom/PressReleaseDetail.aspx?cid=8046>

<sup>14</sup> Canadian Business for Social Responsibility “CSR as a Driver of Employee Engagement.” 2010. p. 1. <http://www.cbsr.ca/cbsrftp/Communications/Hewitt%202010%20Best%20Employers%20in%20Canada%20Study%20-%20Corporate%20Social%20Responsibility%20Research%20Findings%20-%20final.pdf>

management sincerely interested in employee well-being” and “improved my skills and capabilities over the last year”).<sup>15</sup>

“One benefit of our CSR work is more engaged employees. We have found it vital to be clear on our CSR role with employees. If you say you are a credit union and you are not acting on it then in a material way you create conflicts for employees. Employees are our #1 asset and they are #1 expense. You want them engaged.”

**Willy Robinson, General Manager**  
iNova Credit Union

Assiniboine Credit Union’s 2008 and 2009 Employee Survey provides some added insight into how these international and national statistics play out at the credit union level.

<b>TABLE 3: Corporate Social Responsibility and Employee Perception</b>		
<i>Assiniboine Credit Union (emphasis added)</i>		
<i>Per cent of employees who agree/strongly agree with the statement</i>	<b>2009</b>	<b>2008</b>
<i>“What Assiniboine Credit Union (ACU) is doing in each of the following areas makes me proud to work for ACU?”</i>		
Providing financial services to those who may have trouble getting access to these services at other financial institutions.	81%	79%
Commitment to contributing to the community.	92%	91%
Fair hiring and employment practices.	79%	76%
Providing Socially Responsible Investment (SRI) choices for members.	87%	85%
Commitment to sound environmental practices.	87%	87%
Commitment to conduct business ethically.	91%	86%
<b>AVERAGE</b>	<b>86%</b>	<b>84%</b>

<b>TABLE 4: Corporate Social Responsibility and Employee Perception</b>		
<i>Assiniboine Credit Union</i>		
<i>Per cent of employees who agree / strongly agree with the statement:</i>	<b>2009</b>	<b>2008</b>
Assiniboine Credit Union uses its resources and expertise to make a positive difference in the community.	90%	89%
Assiniboine Credit Union uses its resources and expertise to benefit the environment.	85%	86%
Overall, what Assiniboine Credit Union does for the community and environment makes me feel proud to be an employee.	85%	82%
I trust Assiniboine Credit Union to make business decisions that are socially responsible.	88%	84%
I trust Assiniboine Credit Union to make business decisions that are environmentally responsible.	88%	84%
<b>AVERAGE</b>	<b>87%</b>	<b>85%</b>

<sup>15</sup> Towers Perrin. “Closing the Engagement Gap: A Roadmap for Driving Superior Business Performance.” 2008. p. 9. [http://www.towersperrin.com/tp/getwebcachedoc?webc=HRS/USA/2008/200803/GWS\\_Global\\_Report20072008\\_31208.pdf](http://www.towersperrin.com/tp/getwebcachedoc?webc=HRS/USA/2008/200803/GWS_Global_Report20072008_31208.pdf)

**TABLE 5: Employee Engagement***Assiniboine Credit Union*

<i>Per cent of employees who agree / strongly agree with the statement:</i>	<b>2009</b>	<b>2008</b>
Overall I am satisfied with ACU	81%	72%
I know and understand ACU's mission	89%	89%
I know and understand ACU's values	91%	88%
I believe in ACU's mission and values	86%	82%
I would recommend ACU to my friend as a good place to work	73%	67%

The foregoing statistics appear to play out the Hewitt Associates findings: ACU employees agree that the credit union uses its resources and expertise to make a positive difference in the community and the environment, they are proud to work for the credit union for what it does for the community and the environment and they are satisfied with ACU and would recommend it as a good place to work. The fact that many of the indicators have increased from 2008 to 2009 is further testament of the credit union's CSR success in leveraging employee engagement, as year over year ACU continues to invest in a strong CSR program.

#### **Employee Productivity Benefits From Green Buildings**

A 2009 study of 154 buildings in ten widely dispersed geographical markets across the U.S., totalling over 51 million square feet, aged three to 40 years old found that "over 55 per cent of respondents experienced reduced employee sick days in "green" spaces over their previous locations, with an average reduction of 2.88 days. When extrapolated to employee compensation levels, the economic benefit translated to slightly more than \$5.00 per square foot. For those who saw an increase in productivity and had tracked productivity improvements, they cited an improvement of 4.88 per cent. [...] Applying the self-reported compensation levels to this percentage, we can predict an additional economic benefit of nearly \$20.00 per square foot for the typical occupant. Overall our study indicates that occupants gain on average nearly \$35.00 per square foot in economic benefit from a "green" space, or more than 85 per cent of the average rate."

Source: CB Richard Ellis Study cited in Sustainable Industries, "Do Green Buildings Make Dollars and Sense?" p.44-45. David Pogue, Sustainable Industries, March 2010. No.85, San Francisco, California

Mecu Credit Union Ltd. in Australia (\$1.52 billion AUD) has experienced similar benefits as Assiniboine. The credit union is committed to sustainability and "responsible banking", aiming to become the pre-eminent socially responsible banking brand in Australia. By year end 2009, staff commitment to sustainability was at 92 per cent and 98 per cent of employees were committed to contributing to the success of the credit union (employee engagement). While the credit union does not have staff satisfaction scores from prior to its shift towards "responsible banking", it estimates engagement was about 20 per cent lower.

### **Engaged Employees Enhance Business Results**

Fully engaged employees are 2.5 times more likely to exceed performance expectations than their “disengaged” colleagues

(Cited at: <http://www.forumforthefuture.org/blog/engaging-employees>)

At Best Buy™, a two per cent increase in employee engagement at one of its electronics stores corresponds, on average, to a \$100,000 annual rise in its sales

“Is Optimism a Competitive Advantage?” Michelle Conlin, Bloomberg Business Week, August 13, 2009 cited at: [http://www.businessweek.com/magazine/content/09\\_34/b4144052828198.htm](http://www.businessweek.com/magazine/content/09_34/b4144052828198.htm)

As these organizations have found, increased employee morale and motivation from CSR efforts, leading to greater employee engagement and productivity can be a leading indicator of future profitability for a CSR oriented company.

## **4. Foster Innovation and Opportunity Creation**

As described earlier, the CSR business mega-trend is forcing shifts in the competitive landscape. This is resulting in many market innovations – some game-changing – and new ways of doing business. A commitment to integrate CSR into the corporate DNA and to manage CSR as a core business strategy can unleash creative potential in an organization and attract new opportunities.

As Canadian credit unions are discovering new products and services, new business lines, new markets, and new partnerships can generate increased revenues and grow market share. (See Case Study of Assiniboine Credit Union’s approach to tapping underserved markets in Winnipeg’s inner-city on page 19.) Implementation of an effective CSR strategy can be the catalyst for a mother-lode of credit union innovation. Product offerings or business models that meet new and emergent needs can increase differentiation and become a new source of revenue or enhanced cash flow. New technologies and process innovations for unmet environmental or social needs can open markets and create income streams.

### **Vancity Credit Union’s CSR Approach Inspires New Products and Opens New Markets**

CSR has been a large driver of innovation at Vancity Credit Union (Vancity).

At the end of 2009, Vancity’s CSR-minded Shared Growth and Shared World deposits from members, to finance community development locally and internationally respectively, as well as from deposits from an inner-city branch, Pigeon Park Savings, in an undeserved area of Vancouver accounted for \$15.7 million in “community deposits” for the credit union. In the preceding three years, the credit union witnessed a 60 per cent increase in deposits from non-profit and community organizations amounting to \$643.6 million by 2009 and had \$136.3 million in outstanding loans to this sector by 2009 year end.

Other retail CSR products for members such as clean air auto loans, eco-renovation loans and affordable housing mortgages had generated a \$6.3 million loan portfolio. On the way to doing good works for their members, community and developing countries, Vancity has also opened new markets and grown their financial bottom-line.

Emerging environmental products, for example can be a new source of revenue. Pollsters and pundits are tracking consumer interest in these products. Ipsos Reid, for example, has been conducting environmental research from RBC. Its second annual study of Green Financial Services in Canada (a 2009 survey of 2,209 Canadian adults) found that “despite a decline in focus away from issues such as environment, healthcare and education and sustained focus on the economy, Canadians are adopting more green financial services,” including green auto loans (preferential rates for the purchase of an energy-efficient vehicle; green savings accounts (accounts earmarked for investing in energy-efficient companies) and green auto insurance (reduced rates for customers driving energy-efficient vehicles).<sup>16</sup>

Studies also show increasing consumer interest in green products. Ipsos Reid had found that year over year, Canadians were continuing to buy environmentally-oriented products: half (53 per cent) of Canadians were buying more “green” products in 2008 than 2007 with nearly half (46 per cent) purchasing the same number.<sup>17</sup>

A 2008 Bensimon Byrne study of Canadian consumer trends also found a majority of Canadians buying green: three-quarters of Canadians say they consider the environmental impact when they make a purchase decision, while only 20 per cent say they rarely or never do and “40 per cent of Canadians are very likely to make purchasing decisions to aid the environment even if it costs more.”<sup>18</sup> Another RBC sponsored study by Ipsos Reid (a 2008 survey of 3,733) adult Canadian revealed that six in ten Canadian homeowners were planning environmentally-friendly renovations,<sup>19</sup> suggesting a potential market for eco-renovation loans.

All of these suggest a much higher resiliency of demand for environmentally-friendly products than have traditionally been the case. Based on past experience, the conventional presumption is that in tougher economic times, consumers will re-rank environmental concerns lower than “pocket book” issues. Yet, the surveys, conducted between 2008 and 2010 showed that environmental concerns remained “sticky” in the minds of Canadians even during the early and mid-stages of the economic downturn.

“There are revenues to be generated on the social side. Due to our CSR efforts, we have a significant market share of community organizations and non-profits. We are seeing strong results with our “Community Financial Centre” which provides community economic development financing. We recently launched an Islamic mortgage product which is translating into new membership growth for our credit union.”

**Al Morin, Chief Executive Officer**  
**Assiniboine Credit Union**

This research into Canadian consumer shopping habits reveals one of the opportunities that can be tapped into by companies that choose to innovate in their environmental products as part of their CSR approach.

CSR-inspired innovations have also resulted in new products aimed at markets underserved by other financial institutions. For example, ACU has explored innovations

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<sup>16</sup> Ipsos Reid. “Economy Not Stopping Canadian From Going Green; Canadians Adopting More Green Financial Products, Despite Focus on Economy.” October 2, 2009. <http://www.ipsos-na.com/news-polls/pressrelease.aspx?id=4543>

<sup>17</sup> Ipsos Reid. “Canadians are Buying More ‘Green’ Products Than They Were A Year Ago,” July 15, 2008. <http://www.ipsos-na.com/news-polls/pressrelease.aspx?id=4025>

<sup>18</sup> Bensimon Byrne. “Consumerology report: The Impact of Environmental Issues.” July 2008, pgs. 11 & 13. <http://www.bensimonbyrne.com/ConsumerologyReportJuly24.pdf>.

<sup>19</sup> Royal bank of Canada. “RBC Finds Canadian Homeowners Turn to Eco-Friendly Renovations to Save Them Money,” September 17, 2008. <http://www.rbc.com/newsroom/2008/0917-renovations.html>

aimed at providing mortgage-type products to the Muslim community. Devout Muslims' opposition to the payment of interest on religious grounds has resulted in their being left out of the conventional mortgage market. For their part, ACU collaborated with North American Islamic scholars, leading to the first Islamic mortgage product offered by a major financial institution in Canada.

As several Canadian credit unions have come to learn, the willingness to innovate through CSR can lead to unique partnerships, preferential access to new markets and member benefit opportunities.

"As a result of our CSR work with the Calgary Homelessness Foundation, the City of Calgary approached us to participate as a lender in their Attainable Home Calgary Corporation program. Through this program we provided an interest free line of credit to the Foundation, and generated significant exposure. The Foundation talked a lot about what we had done and how meaningful it was to them. Once you get this recognition it brings in partnerships and gives us the ability to attract new members as well. Our CSR approach creates a virtuous circle."

**Paul Kelly, Chief Executive Officer  
First Calgary Financial**

## 5. Build and Maintain Brand and Reputation

Brand and reputation were cited as top – if not *the* top – business case benefits of CSR by corporate executives in a number of global studies, as reviewed in the "Global Business Case" above (see pages 9-10). And not surprisingly, a firm's reputation is a strategic asset, and a source of economic value. Intangible assets such as a firm's reputation can create barriers to competition because they are difficult to imitate. Market value has been shifting from tangible to intangible assets over the past few years. Research into the financial value of a firm's reputation has revealed: "between 80 – 85 per cent of the market value of the S&P 500 was comprised of intangible assets. [...] Reputation contributes between 3 – 7.5 per cent of revenues yearly".<sup>20</sup> A firm's good reputation is increasingly linked to improved sales, employee morale, stakeholder goodwill and attracting and retaining talent.

Research shows CSR is strongly linked to a firm's reputation. The Reputation Institute, a global research and advisory services firm specializing in reputation management, conducts an annual global study of the reputations of over 600 companies through roughly 300,000 online interviews with consumers in twenty-seven countries. Its research reveals that CSR's impact on corporate reputation comes from a combination of three reputation dimensions (from a list of seven overall):

1. Citizenship: A good corporate citizen is one that supports good causes and protects the environment;
2. Governance: A responsibly-run company is one that behaves ethically and is open and transparent about its business dealings; and
3. Workplace: An appealing place to work is one that treats its employees well.<sup>21</sup>

In its 2008 and 2009 studies, the Institute found that how companies performed on these three measures (which it refers to as a "CSR Index") predicted 40 per cent of their overall reputation. Sometimes these aspects were experienced directly by consumers, but are primarily learned about from corporate communications, media coverage and word of mouth.<sup>22</sup> In the context of the United States, when examining 200 of the largest American companies, 65 per cent of the general public will "definitely recommend" the top CSR

<sup>20</sup> Elliot S. Schreiber. "Reputation", December 2, 2008. [http://www.instituteforpr.org/essential\\_knowledge/detail/reputation/](http://www.instituteforpr.org/essential_knowledge/detail/reputation/)

<sup>21</sup> Reputation Institute. "Reputation Intelligence: Why CSR Matters to Corporate Reputation", Vol. 2 Issue 1, Spring 2010. p. 7. [http://www.reputationinstitute.com/knowledge-center/intelligence\\_files/Rep\\_Intel\\_Why\\_CSR\\_Matters\\_in\\_2010.pdf](http://www.reputationinstitute.com/knowledge-center/intelligence_files/Rep_Intel_Why_CSR_Matters_in_2010.pdf).

<sup>22</sup> *Ibid.*

companies on the basis of their reputation, while only 26 per cent recommend the bottom 20 CSR companies.<sup>23</sup>

"We operate out of a Canada Post building. We are not on a street corner and don't have high street visibility. We launched a signature CSR project in 2005 and it put our name on the map across the country. We were covered by national TV in both English and French and by a Quebec radio station. Both local newspapers profiled our work. We were internally focused until that time. It absolutely changed our focus when we realized the opportunities and brand benefits of a strategic CSR approach."

**Willy Robinson, General Manager  
iNova Credit Union**

"CSR builds brand and reputation. Newspaper articles and TV coverage of our efforts are worth more than our ads. We get awards and positive responses when our name is mentioned and have received a lot of free publicity or recognition for what we've done."

**Paul Kelly, Chief Executive Officer  
First Calgary Financial**

Canadian research on corporate reputation conducted with 1,500 Canadians in the summer of 2010 tells a similar story. Asked to list the key elements of reputation, corporate social responsibility came third (60 per cent very important and 32 per cent somewhat important: "it acts in a socially responsible way"), after "it has the best value for money for its products and services (83 per cent very important and 13 per cent somewhat important) and "it offers products and services that are attractive to you (78 per cent very important and 18 per cent somewhat important). Other factors that ranked lower on the list included (in declining order): it creates local jobs; it is a Canadian-owned business; it is a good corporate citizen; it is supportive of activities in my community; it is an innovative/ground-breaking company; it has a high profile; it employs a lot of people; and it is a good performing stock on a major stock exchange.<sup>24</sup>

Even without generally strategically managing their CSR performance, Canadian credit unions are already riding the wave of reputational benefits, as revealed by the Canadian Co-operative Association's July 2010 Business Awareness Survey. Ipsos Reid conducted the online survey of 1,006 Canadians in 2010 and found that a high proportion of respondents identified strongly with the role credit unions play in their communities. Those surveyed agreed (strongly or somewhat) that co-operatives keep money in the local economy (70 per cent); are an important part of their communities (69 per cent); and create jobs that help support local communities (69 per cent). Three in five (61 per cent) agreed that co-operatives invest their profits in improving service to members and promoting the well-being of their communities.<sup>25</sup>

Credit unions can expect to enjoy the reputational benefits of their community involvement for years to come. However, there are reputational risks of appearing to stand still, while other businesses advance their CSR strategies. Scotiabank<sup>®</sup>, for example, has studied consumer interest in CSR (including how customers and the public perceive Scotiabank's CSR performance). In 2007 they found that "more than two-thirds (68 per cent) of Canadians take a company's CSR performance into consideration when they make

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<sup>23</sup> Ibid., p. 8

<sup>24</sup> Bensimon Byrne. "Consumerology Report." August 2010, pgs 13 and 14.  
[http://www.consumerology.ca/pdf/Consumerology\\_Aug2010.pdf](http://www.consumerology.ca/pdf/Consumerology_Aug2010.pdf)

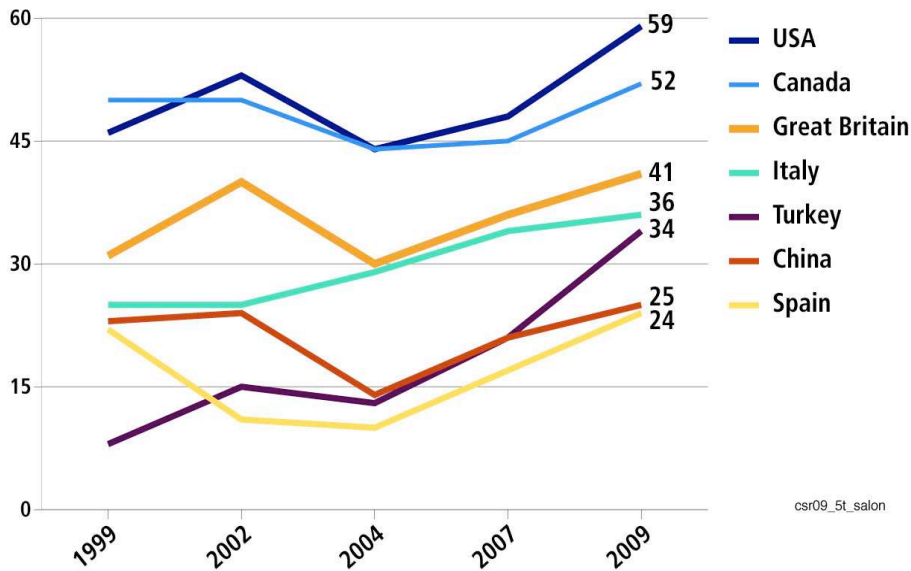
<sup>25</sup> Ipsos Reid. "CCA Baseline Awareness Survey", July 2010. p. 6.  
[http://www.coopscanada.coop/public\\_html/assets/firefly/files/files/National\\_survey.pdf](http://www.coopscanada.coop/public_html/assets/firefly/files/files/National_survey.pdf)

everyday purchases.”<sup>26</sup> It is not hard to imagine what Scotiabank is doing with these results.

GlobeScan® trend research reveals that across seven markets, with the exception of the those surveyed in the U.S., Canadians are the most likely to reward companies seen as socially responsible, and this number has grown since 2004 (see Figure 3).

### Figure 3: Rewarded Companies Seen as Socially Responsible

“Have Done” Increases: 1999 – 2009 Source: GlobeScan® 2009<sup>27</sup>



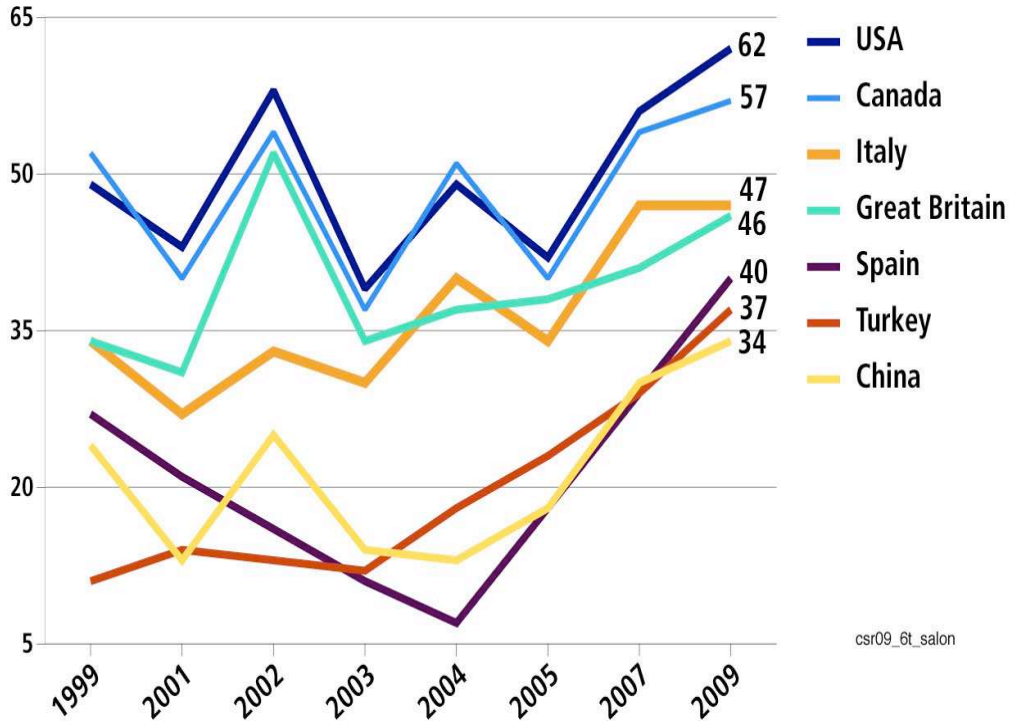
<sup>26</sup> Scotiabank. “2007 Scotiabank Corporate Social Responsibility Report.” 2007. p. 2. <http://scotiabank.com/images/en/files/aboutscotia/17460.pdf>.

<sup>27</sup> Alterna Savings and Credit Union. “The Board’s Role in Championing Sustainability.” CUCC Conference Powerpoint. Slide 7..

This also holds for the inclination of Canadians to punish companies seen as socially irresponsible, which has increased considerably since 2005 (see Figure 4).

**FIGURE 4: Punished Companies Seen as Socially Irresponsible**

“Have Done” Increases: 1999 – 2009 Source: GlobeScan® 2009<sup>28</sup>



To a great degree, credit unions already benefit from strong reputations in the marketplace. However, credit unions which invest in efforts to build and enhance their brand equity are likely to profit over the long term. Credit unions that do not invest these efforts which may suffer as their reputations languish against their competitors or even other businesses who are effectively managing their social and environmental performance. Reputation earned from an effective CSR strategy can add value to a credit union’s growth strategy.

**Bergengren Credit Union’s CSR Builds Its Profile and Enhances Its Brand**

56 per cent of high schools in Nova Scotia are using Bergengren’s High School Financial Literacy Program.

The credit union received the 2007 Coady Award as the Nova Scotia credit union that best exemplified leadership, support and community involvement. It also received the 2007 Ethics Award from the Maritime Better Business Bureau, the 2008 Excellence in Business Award from Antigonish Chamber of Commerce, two environmental awards and one of the top 25 places to work in Atlantic Canada by Progress Magazine.

In a 2009 customer satisfaction survey, members were asked to rate Bergengren Credit Union as a good corporate citizen. A total of 72 per cent said “very good,” 24 per cent said “good” and 4 per cent were neutral.

<sup>28</sup> Alterna Savings Credit Union. “The Board’s Role in Championing Sustainability.” CUCC Conference Powerpoint. Slide 8.

## 6. Build and Maintain Social License to Operate

Closely linked to reputation, building and maintaining a social license to operate is a core business benefit of a strong CSR program. A license to operate refers to the notional permission granted by a government or government agency to undertake a trade or carry out a business activity, subject to government regulation or supervision; a *social license to operate* is earned when a business has gained *society's* permission to carry out its activities. As with reputation, credit unions benefit from a pre-existing social license, embedded in provincial and federal regulation and policy that create the context in which credit unions can thrive. Organizations lacking a social license to operate can incur serious delays and costs in advancing their activities or business aims.

This unwritten authority to conduct business, granted by a company's stakeholders at large, typically has to be built and maintained. Credit unions' strong local ties – hiring, sourcing and investing locally – earn the social license to operate so critical to their continued ability to succeed in the marketplace. However, this social license to operate cannot be taken for granted as American credit unions are finding with their favourable tax treatment under threat. Canadian credit unions might face these issues when branching into new markets such as inner city, ethnic or aboriginal communities. First impressions are long lasting and conflict can arise quickly if the credit union fails to bring its CSR competencies to its relationships and overlooks the need to build its social license. Investment in maintaining a high standard of social license can also act as a cushion when a credit union suffers a setback like an employee issue or customer complaint that becomes part of the public discourse.

## 7. Improve Access to Capital

Businesses need capital to grow. Increasingly, investors are taking a company's environmental, social and governance (ESG – another term for CSR) performance into account in their pre-investment research and analysis. The United Nations has launched the Principles for Responsible Investment in which investors commit to integrate ESG factors into the investment process. By September 2010, over 800 asset managers around the globe, with assets valued at \$22 trillion, representing over 10 per cent of the estimated total value of global capital markets,<sup>29</sup> were committed to assess the CSR performance of their portfolios as per the Principles. In addition, over 530 institutional investors holding \$64 trillion in assets under management have signed on to the Carbon Disclosure Project, an effort seeking disclosure on how their investments are managing their carbon and energy use.<sup>30</sup> With this degree of interest on the part of capital markets, it becomes increasingly important to demonstrate management quality in the area of CSR for those who fund their growth this way.

In terms of loan capital and project finance, global banks are endorsing the Equator Principles ([www.equator-principles.com](http://www.equator-principles.com)), a set of social and environmental performance guidelines for their investments. General and life insurers are also beginning to integrate social and environmental risks in their premium calculations. One way or another, the investment and finance industry is beginning to take CSR performance into account in financing or insuring business operations.

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<sup>29</sup> United Nations Environment Program Finance Initiative and the UN Global Compact. "Record Number of Global Investors Commit to Responsible Investment Initiative." September 14, 2010. p. 1. [http://www.unpri.org/files/2010\\_Report-on-progress-press-release.pdf](http://www.unpri.org/files/2010_Report-on-progress-press-release.pdf)

<sup>30</sup> Carbon Disclosure Project. Webpage: "What we do." <https://www.cdproject.net/en-US/WhatWeDo/Pages/overview.aspx>

Of course, credit unions aren't capital market players. However, from time to time some sell investment shares to their members. As financial markets increasingly come under scrutiny, CSR managed companies are likelier to find it easier to attract capital, thereby lowering their cost of capital. Credit unions with a strong CSR brand seeking to raise capital from members may find it easier to compete with other mainstream investments.

### In Sum: Top-Line Benefits

Seven business case benefits of an effective CSR strategy have been profiled, many of which credit unions can actively leverage to build their competitive advantage, not to mention the member value proposition. These benefits can help credit unions enhance their "top-line", by generating growth opportunities, enhancing revenues and increasing market share.

The next section reviews the "bottom-line" benefits of CSR – five areas that can further the credit union's business success so it can provide quality financial services to members.

### Bottom-Line Benefits: Operational Efficiency Opportunities for Credit Unions

The following five "bottom-line" benefits are areas where credit unions are experiencing positive returns for their CSR investments. They are classified as "bottom-line" because they reduce costs, enhance management quality and improve efficiency ratios.

#### 1. Avoid and Reduce Operating Costs

Most companies – including many credit unions – find that by reducing waste and their use of energy, materials, resources, and water they are able to improve operational efficiency and decrease costs. While such efficiencies can require initial capital investments to upgrade technologies or business processes, the returns can be significant. In some instances, by building a new branch to conform to green standards for example, the credit union can actually avoid ongoing operating costs. Altogether this can add up to a financial bonanza for an enterprising credit union. The list seems endless:

- Savings on electricity for lighting, appliances and equipment
- Savings on fuel used for heating, cooling and transportation
- Savings from water conservation and improved handling of waste
- Savings from reduced business travel through virtual meetings
- Savings from more efficient use of materials

"We are seeing cost savings from our eco-efficiencies in branch design, for example. We expect more of this in the future."

**Al Morin, Chief Executive Officer  
Assiniboine Credit Union**

### **Vancity Saves Millions of Dollars From Energy Efficiency Efforts**

In its move to become carbon neutral and reduce its energy costs, Vancity maintained a program of retrofitting existing buildings, using more energy efficient products on new premises and changing behaviours of staff, including building operations staff. It achieved savings in lighting, HVAC (heating, ventilation and air conditioning) equipment and controls for both lighting and HVAC systems. From a 1991 baseline prior to the energy efficiency upgrades to 2009 fiscal year end, Vancity has saved a cumulative \$3.1 million in energy costs (roughly \$180,000 per year) and saved 3,200 tonnes of CO<sub>2</sub> equivalent in greenhouse gas emissions.

Simple acts such as using less toner and paper can reduce the cost of inputs. Credit unions can reduce their pollution and other environmental impacts, while generating productivity gains in lower costs of materials, energy and utility services.

Of course, sometimes the up-front capital cost can seem prohibitive. However, through life-cycle costing and full cost-accounting techniques, in which the actual costs of transporting, assembling, operating, maintaining and disposing of a product are calculated over its entire life-cycle, it is often possible to see how an initial outlay can reap benefits over the longer term. For example, studies have shown that a small additional capital investment – now less than two per cent and shrinking – to build a green building instead of a conventional one typically has a return on investment of 40 per cent per year over the building's life.<sup>31</sup>

SaskCentral has conducted a scan of credit union environmental initiatives, which provides an overview of credit union efforts in this area. Contact SaskCentral for a copy of *Canadian Credit Union Environment Scan*, April 2010.

### **Credit Union Paper Initiatives Save Hard Cash**

5,000 members signed up to electronic statements at First Calgary Financial, representing approximately 8 per cent of overall statement production and equating to 29 trees. A 10 per cent conversion saves approximately \$80,000 in postage and statement production costs.

#### **-First Calgary Financial**

In 2009, the staff newsletter was switched from paper to electronic, saving over \$3,000 in printing costs. The credit union also switched from paper to electronic Christmas cards, saving \$4,431 in 2009. Finally, Human Resources used online human resource reports instead of paper which accounted for a savings of \$650.

#### **-Conexus Credit Union**

### **Conexus Credit Union Reduces Travel and Greenhouse Gas Emissions**

In 2009, one management meeting went virtual, eliminating traveling and accommodation which resulted in a \$40,000 cost savings.

The Employee Advisory Committee held a virtual meeting rather than a face to face and saved \$1,718.

Conexus have discovered many significant positive economic and environmental impacts of video conferencing. It has 17 cameras at 12 locations that are logging close to 8,000 meetings and over 6,000 hours per year (the actual number of meetings is less as there are at least two cameras linked at a time).

<sup>31</sup> As reported in Peter Senge, Bryan Smith, Nina Kruschwitz, Joe Laur, Sara Schley. "The Necessary Revolution." 2008. p. 112.

### **Servus Credit Union Hits Gold with Energy Efficient Branch Network**

To improve the energy efficiency of its branch network Servus Credit Union has been replacing roofs, windows, insulation and HVAC equipment across its branches since 1995. A 2008 review of their energy efficiency improvements indicated potential annual savings of \$250,000 in utility bills with costs for the retrofits amounting to about \$1 million over 35 branches. Servus estimates it has already achieved net positive financial benefits from this investment in energy efficiency.

### **Two Green Branches Save Assiniboine Credit Union \$11K a Year and Reduce its Carbon Footprint**

Two recent construction projects undertaken at Assiniboine Credit Union are powerful examples of eco-efficiency initiatives where cost savings have been achieved and measured.

Assiniboine Credit Union's (ACU) Rivergrove Branch, opened in 2006, was built using LEED (Leadership in Energy and Environment Design, a North American green building standard), and PowerSmart commercial building standards for guidance. The Pembina branch, which opened in 2008, was awarded LEED Silver in August 2010.

ACU tracks the energy consumption of its locations and had found that the average energy consumption cost for its Rivergrove branch over the past three years was \$1.43 per square foot. The Pembina branch (built under the higher green standard) per square foot energy cost for 2009 was \$1.28 (9.5 per cent better than its modeled performance and an estimated 39 per cent improvement over the performance of the building it replaced). The average energy cost for ACU's entire building inventory is \$2.65 per square foot. Compared to this average, in 2009 the Rivergrove branch achieved energy savings of \$5,632 and the Pembina branch saved the credit union \$5,311. Together, these two branches saved \$10,943 while reducing ACU's greenhouse gas emissions.

Both branches use geothermal systems for heating and cooling. The newer Pembina branch has also integrated a solar wall (for pre-heating fresh air) into its HVAC system. Neither of these branches uses natural gas for heating purposes. This decision, combined with the overall low carbon emissions associated with the generation of hydroelectricity in Manitoba, greatly reduced the carbon footprint of these branches. For 2009, the average GHG emissions for the Rivergrove and Pembina branches was 0.27 kgCO<sub>2e</sub> per square foot, which is significantly less than the 2.81 kgCO<sub>2e</sub> per square foot for the remainder of the building inventory.

### **Credit Union CSR Saves Marketing Costs**

Alterna Savings and Credit Union's (Alterna Savings) Community Micro-Loan Program is one of its best known CSR programs. According to analysis by FPInfomart, the newspaper coverage Alterna Savings earned for its micro-lending program from January to June 2010 equalled over \$82,000 in advertising value.

Similarly, Meridian Credit Union (Meridian) closely monitors its earned media. Its support of a program that provides local high school students with refillable stainless steel water containers to reduce disposable plastics generated \$20,000 in public relations value in one month. It also estimates \$41,000 in public relations value from coverage of its support of United Way campaigns in 2008 and 2009. Overall, Meridian's community involvement, through its CSR-related initiatives, as well as other business, resulted in over \$1.7 million in public relations value for the first nine months of 2010.

## 2. Improve Recruitment, Retention and Development of Talented Employees

The previous section on generating top-line benefits reviewed the productivity benefits of engaged employees. This section reviews the cost-saving, bottom-line benefits CSR oriented credit unions and other firms experience from their enhanced ability to attract and retain the “best and the brightest”. Companies report and studies find that businesses have lower costs related to turnover and recruitment due in part to their CSR brand and efforts.

Credit unions are likely to need little convincing of this, as they already benefit from this business case advantage. However, a 2007 Aspen Institute survey found that MBA students from 15 business schools in the U.S. are more interested in finding work that offers the potential of making a contribution to society: 26 per cent of respondents say this is an important factor in their job selection up from 15 per cent in 2002.<sup>32</sup> A Hill & Knowlton 2008 study found that “40 per cent of MBA grads rated CSR as an “extremely” or “very” important company reputation measure when job hunting.<sup>33</sup>

It is becoming particularly important to employees that the company they work for have environmental practices in place. Ipsos Mori interviewed 16,823 workers across 15 countries, including Canada, in 2007 and found that almost 80 per cent of global workers believe working for an environmentally ethical organization is important; this amounts to over 700 million workers worldwide. 86 per cent agreed with this statement in Canada.<sup>34</sup>

Millennials feel equally. The 2006 U.S. survey of 1,800 members of this group cited earlier found that 79 per cent want to work for a company that cares about how it impacts and contributes to society; 69 per cent are aware of their employer’s commitment to social/environmental causes; 64 per cent say their company’s social/environmental activities make them feel loyal to that company; and 56 per cent would refuse to work for an irresponsible corporation.<sup>35</sup>

Some studies have even found that employees are willing to earn a lower wage in order to work for a company with a credible CSR approach: “a 2003 Stanford University study, ‘Corporate Social Responsibility Reputation Effects on MBA Job Choice’, found that MBA graduates would sacrifice an average of \$13,700 in salary to work for a socially responsible company”.<sup>36</sup>

The graduate student market is very competitive, especially during a labour shortage, as Canada will increasingly witness with baby-boomer retirements. With potential recruits asking about a firm’s CSR policy during an interview, it helps to have a comprehensive CSR program in place.

CSR can also help a firm enhance retention and reduce turnover. Global research by Towers Perrin, referenced earlier, reveals that the most engaged employees are least likely to have plans to leave (51 per cent compared to 35, 23 and 15 per cent for less engaged

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<sup>32</sup> The Aspen Institute. “Where Will They Lead?” 2008. p. 1.

<http://www.aspeninstitute.org/documents/ExecutiveSummaryMBAStudentAttitudesReport2008.pdf>

<sup>33</sup> Cited in <http://johnmolson.concordia.ca/en/career-services/alumni/sustainability/facts-figures>

<sup>34</sup> Tanber and Ipsos Mori. “Corporate Environmental Behaviour and the Impact on Brand Values.” 2007. p. 2007.

<http://www.ivci.com/pdf/corporate-environmental-behaviour-and-the-impact-on-brand-values.pdf>

<sup>35</sup> Cone. “Civic-Minded Millennials Prepared to Reward or Punish Companies Based on Commitment to Social Causes.” October 24, 2006. [http://www.csrwire.com/press\\_releases/19346-Civic-Minded-Millennials-Prepared-to-Reward-or-Punish-Companies-Based-on-Commitment-to-Social-Causes](http://www.csrwire.com/press_releases/19346-Civic-Minded-Millennials-Prepared-to-Reward-or-Punish-Companies-Based-on-Commitment-to-Social-Causes)

<sup>36</sup> Adrienne Fox. “Corporate social responsibility pays off: by being good corporate citizens, companies can woo top talent, engage employees and raise productivity.” August 2007 at: [http://findarticles.com/p/articles/mi\\_m3495/is\\_8\\_52/ai\\_n20525141/pg\\_2/](http://findarticles.com/p/articles/mi_m3495/is_8_52/ai_n20525141/pg_2/)

groups.)<sup>37</sup> Given the role CSR plays in employee engagement, as discussed on pages 20 - 23, CSR clearly is a factor in reducing employee turnover.

Employee turnover is costly. According to some estimates, losing and replacing a good employee can cost a company between 70 per cent and 200 per cent of an employee's salary.<sup>38</sup> Another study estimated that it can cost a business \$3,500 to replace one \$8.00 per hour employee, taking into account the recruiting, interviewing, hiring, training and reduced productivity costs.<sup>39</sup>

Fortunately, CSR can help increase employee loyalty. According to a 2006 GlobeScan<sup>®</sup> study, 83 per cent of employees in G7 countries say their company's positive CSR reputation increases their loyalty.<sup>40</sup> Scotiabank<sup>®</sup> found in its 2007 commissioned research that 70 per cent of employed Canadians would consider changing jobs if their employers did not operate in a socially responsible manner.<sup>41</sup> With the cost of replacing unhappy employees, it warrants finding measures to encourage their commitment and loyalty.

To keep on top of these issues, Assiniboine Credit Union surveys its employees to assess their support for the credit union's CSR approach. High employee support can be an indicator of employee loyalty and hold the line on employee turnover. As was illustrated in Table 3, Assiniboine's employees value the credit union's CSR role, specifically:

- 79 per cent agreed / strongly agreed that fair hiring and employment practices made them proud to work for ACU;
- 81 percent agreed / strongly agreed that providing access to financial services to the underserved made them proud to work for ACU;
- 87 per cent agreed / strongly agreed that providing socially responsible investment products made them proud to work for ACU;
- 87 percent agreed / strongly agreed that ACU's sound environmental practices made them proud to work for ACU;
- 91 percent agreed / strongly agreed that ACU's ethical conduct made them proud to work for ACU; and
- 92 percent agreed / strongly agreed that ACU's contributions to the community made them proud to work for ACU.

ACU's research shows that employees place a very high value on the particular goals of the credit union's CSR's mission.

On the whole, as Table 3 also demonstrates, ACU has found that on average 86 per cent of its employees say that ACU's CSR efforts make them proud to work there, a likely driver of employee retention.

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<sup>37</sup> Towers Perrin. "Closing the Engagement Gap: A Roadmap for Driving Superior Business Performance." 2008. p. 6.

[http://www.towersperrin.com/tp/getwebcachedoc?webc=HRS/USA/2008/200803/GWS\\_Global\\_Report20072008\\_31208.pdf](http://www.towersperrin.com/tp/getwebcachedoc?webc=HRS/USA/2008/200803/GWS_Global_Report20072008_31208.pdf)

<sup>38</sup> National Environmental Education Foundation. "The Business Case for Environmental and Sustainability Employee Education." 2010. p. 9. [http://www.neefusa.org/BusinessEnv/white\\_paper\\_feb2010.pdf](http://www.neefusa.org/BusinessEnv/white_paper_feb2010.pdf)

<sup>39</sup> R. Blake. "Employee Retention: What Employee Turnover Really Costs Your Company" Web Pro News. 2006. [www.webpronews.com/expertarticles/2006/07/24/employee-retention-what-employee-turnover-really-costs-your-company](http://www.webpronews.com/expertarticles/2006/07/24/employee-retention-what-employee-turnover-really-costs-your-company)

<sup>40</sup> Bob Willard. "Communicating the Business Case for Sustainability." Powerpoint, Slide 18, at: [www.sustainabilityadvantage.com/documents/dvdsldes\\_updated.ppt](http://www.sustainabilityadvantage.com/documents/dvdsldes_updated.ppt)

<sup>41</sup> Scotiabank. "2007 Scotiabank Corporate Social Responsibility Report." 2007. p. 3. <http://scotiabank.com/images/en/files/aboutscotia/17460.pdf>

“CSR is a magnet for recruiting. Young people don’t see social and financial performance as a trade-off. They expect it. They are the future leaders for our organization. CSR enhances the recruitment and retention of our most valuable asset, our people.”

**Tamara Vrooman, Chief Executive Officer**  
**Vancity Credit Union**

“People applying for employment at Assiniboine Credit Union state that they are applying because of our commitment to community and they want to be part of it. Staff engagement levels are high. There is a large and growing body of staff who really value our CSR role.”

**Al Morin, Chief Executive Officer**  
**Assiniboine Credit Union**

Hewitt Associates’ research into leadership development reveals that many companies are also using CSR as a means to attract, groom and motivate their leaders. According to their 2008 research of 563 companies there was a strong link between companies that excelled at leadership and their commitment to CSR: “85 per cent of Top Companies report CSR as a significant component of their corporate brand and 75 per cent report it as a significant component of their leadership brand”.<sup>42</sup> They found that leading companies not only have a CSR strategy in place (100 per cent did so, compared to 70 per cent of other companies), but that they are leveraging it for their leadership agenda. These top companies believe that in order to have a steady supply of leadership talent it pays to have a CSR program to help attract, develop and inspire leaders.

Global studies and credit union experience build the case that CSR can improve workforce efficiency, by lowering costs related to recruitment and turnover, in addition to helping to attract and groom the best and the brightest - every employer’s dream.

### 3. Manage Risk

Ethical breaches, environmental disasters and worker fatalities are raising the importance of CSR risk management for boards and executives around the world. More and more organizations are reviewing their risk radars and assessing their tolerance for immediate and longer term social and environmental incidents, threats and trends.

The prospect of an environmental or social misstep is a business case driver for some. In efforts to avoid undue attention from regulators, courts, governments and the media, companies undertake CSR investments to offset these risks by building a culture of “doing the right thing.” Companies also face competitive risks, supply chain risks, reputation risks, stakeholder risks, regulatory risks, climate change risks, environmental risks, and demographic risks, many of which can be addressed over time through strategic CSR management.

Effective risk management through a robust CSR strategy that identifies these risks, and finds ways to manage them, leverage them or transfer them, can reduce fines and lower liability, insurance, fines, litigation and clean-up costs.

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<sup>42</sup> Hewitt Associates. “Leadership and CSR.” *Hewitt Quarterly Asia Pacific*, Volume 6, Issue 3, 2008. at: [http://www.hewittassociates.com/intl/ap/en-ap/knowledgecenter/magazine/HQ\\_23/leadership-and-csr.html](http://www.hewittassociates.com/intl/ap/en-ap/knowledgecenter/magazine/HQ_23/leadership-and-csr.html)

"If we have a strong community we will have a stronger credit union; there is a symbiotic relationship."

**Al Morin, Chief Executive Officer**  
**Assiniboine Credit Union**

While not a driving force for credit unions at present, the exercise of integrating CSR into an enterprise risk management program can help the credit union identify and manage emergent issues that could otherwise challenge the credit union's competitiveness in the future. Indeed, one risk which might become increasingly relevant to many credit unions is "leadership risk": the prospect that they might not meet employee, member or community expectations for basic CSR performance.

#### 4. Foster Good Government Relationships

As a regulated industry, the credit union sector can benefit from good government relationships. Many firms find that a strong CSR program can help forestall costly government regulation, by staying one step ahead of government expectations. Indeed, the most proactive companies and industries lead regulation and may even advocate stricter regulations to advantage them against their competitors. Businesses that lead in areas of future regulation often earn "trusted advisor" status and are given opportunities to influence standards and shape regulations and programs. Less paperwork and scrutiny can be the result of positive relations with regulators, as can access to government officials and resources when needed.

Indeed, a good CSR program can not only help manage regulatory pressures, it can result in preferred partner status for government programs and give the company license to participate in public policy debates.

With 65 per cent of consumers (aged 25 – 61 across 20 countries; 2009) agreeing that government should impose stricter regulations and greater control over business across all industry sectors in the future, according to the Edelman Trust Barometer,<sup>43</sup> companies would do well to keep a watchful eye on government regulators.

There has been a shift towards a preference for CSR regulation amongst Canadians. A GlobeScan® survey of a representative sample of 1,022 Canadian adults between December 15, 2009 and January 15, 2010, found that the number of those who agree "our government should create laws that require large companies to go beyond their traditional economic role and work to make a better society, even though this could lead to higher prices and fewer jobs" has increased from 44 per cent in 2002 to 55 per cent in 2010 while the number of those who disagree has decreased from 52 per cent in 2002 to 38 per cent in 2010.<sup>44</sup>

#### 5. Improve Management Quality

Organizations that commit to managing their social and environmental performance, in addition to their traditional financial performance, stretch the bounds of management responsibility. As such, managers – and all staff – are expected to demonstrate new competencies in their day-to-day work. By bringing social and environmental responsibilities into organizational scope, the organization goes through a learning period to better understand its new accountabilities and relationships. As a result of this organizational learning effort, managers and staff become more aware of the role of business in society and of the needs and interests of various stakeholders. These

<sup>43</sup> Edelman. "Edelman Trust Barometer, 2009: The Tenth Global Opinion Leaders Survey." p. 15.  
[http://www.edelman.com/trust/2009/docs/Trust\\_Book\\_Final\\_2.pdf](http://www.edelman.com/trust/2009/docs/Trust_Book_Final_2.pdf)

<sup>44</sup> GlobeScan Radar 2010 cited in:

<http://www.cbsr.ca/cbsrftp/Events%202010/Globescan%20Radar%202010%20Summary%20Final.pdf>

influences position the organization for improved opportunity identification, resulting in enhanced operating efficiency and an innovative culture.

That high-performing environmental, social and governance (ESG/CSR) programs are a proxy for how effectively a business is managed is borne out by a McKinsey & Company survey from December 2008 of 238 chief financial officers and professional investors from around the world. The survey found that more than 80 per cent of both groups say that it is at least “somewhat” true that strong ESG management can be an indicator of effective overall management quality, which in turn is an indicator of investment quality.<sup>45</sup>

Those credit unions that integrate their social and environmental commitments into their purchasing programs, for instance, find that sustainable purchasing can also enhance their supply chain management, develop relations with suppliers, and identify further opportunities for cost-savings and process improvements.

By building higher management qualities, developing capabilities in individuals and re-engineering organizational systems businesses can retool their organizations to better enable success and foster a more flexible and resilient innovation culture.

“Mecu Credit Union (in Australia) has a vision to become the pre-eminent socially responsible banking brand in Australia. Since adopting this commitment, we have achieved capital adequacy of 20 per cent, an ROE of 20 per cent, and ROA after tax of 1 per cent. We are the only credit union in Australia to have been issued with an S&P investment grade credit rating. We are confident that commitment amongst staff leads to engagement which in turn increases productivity. This ensures cost efficiency which leads to price competitiveness and increased member benefit. Since adopting our sustainable development strategy, members stay longer, do more business with us than ever before and are more satisfied. 80 per cent of new business is referred to us by a satisfied member. This reduces the cost of our marketing effort.”

**Rowan Dowland, *General Manager Development***  
**mecu Credit Union Ltd.**

## In Sum: Bottom-Line Benefits

These five bottom-line benefit areas may not apply to every credit union in every instance. However, collectively they add up to a range of opportunities available to credit unions seeking to reduce costs, enhance management quality and improve their credit union’s operating efficiency. Along with the seven top-line, income generating benefits reviewed earlier, they tell a consistent story that a managed CSR approach can reduce costs and increase revenues.

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<sup>45</sup> McKinsey & Company. “Global Survey Results: Valuing Corporate Social Responsibility.” McKinsey Quarterly. 2009. p. 4. [commdev.org/.../2393\\_file\\_McKQ\\_Valuing\\_Corporate\\_Social\\_Responsibility.pdf](http://commdev.org/.../2393_file_McKQ_Valuing_Corporate_Social_Responsibility.pdf)



## CHAPTER 3: MANAGING CSR EXPENSES

As with any new effort, there are start-up costs associated with initiating a CSR strategy. Staff time, external resources, stakeholder consultations, energy audits, renovations, product development and reporting are some of the costs one can expect, depending on the route you take. Of course, once social and environmental performance management become business as usual, many efforts evolve to become the new way of doing business, without generating ongoing costs. Indeed, new efficiencies in the form of reduced human resources costs and reduced utilities and resource expenses can decrease expenses over time.

However, for those starting out on a CSR path, here are a few suggestions for managing the expense side of the effort.

- *Small Steps:* Manage costs by planning small steps to generate early success and build organizational support for further projects.
- *Quick Wins:* Find initiatives that can generate organizational support up front, which are easy to implement and have quick pay-back.
- *Pilot Projects:* Test new ideas through pilot projects. Evaluate the pilot and proceed based on lessons learned.
- *Track Savings:* Many organizations overlook this step. Put systems in place to measure the cost savings of your CSR initiatives, especially your eco-efficiency projects which reduce paper and energy use. Set aside some or all of your green cost-savings to fund other CSR initiatives.
- *Results-Based Approach:* Set clear goals and expectations for each step of your CSR strategy process. Take a results-based approach for each deliverable. Phase your plans so that you build your CSR strategy over time, measuring your success along the way.

Assiniboine Credit Union's inner city pilot project (profiled on page 19), demonstrated this approach. They opened an inner city branch in Winnipeg in 2001 on a cost-recovery basis and have operated this branch successfully for a number of years. Building on the success of this first inner city branch, they are planning to open a second in 2011.

It is important to put your measurement systems in place at the outset. Set your goals and track your financial and CSR results as you go along. This can help you build your credit union social responsibility business case over time.

**Consider the non-alternative:** What is the opportunity cost of doing nothing?



## CHAPTER 4: BEYOND THE BUSINESS CASE TO THE LEADERSHIP CASE

Many credit unions pursue a CSR agenda because they believe it is the right thing to do and central to the roots of the credit union movement. As such, they do not perceive the need to develop a formal “business case” for their CSR efforts. By aligning the drivers of business success with the needs of their members and their communities, leading credit unions can create ‘win-wins’ for society and for their business.<sup>46</sup> Businesses that focus on the common gains, such as improving efficiency or product innovation, risk making investments that are too small to secure competitive advantage or come too late relative to their competitors. By not only improving the current business with efficiency measures and the like, but by making long term investments that change customer demand, reengineer supplier relationships and innovate new business arrangements, credit unions can enable their long term success and foster an environment in which their members and communities can thrive. While there are risks in being out too far ahead of current and potential members, suppliers and others, committing to leadership in the face of uncertainty can offer real, sustained competitive advantage.

“The business case for any these initiatives is driven from our strategic goal to be a good corporate citizen. They have not been driven by any specific member or employee targets for which we would have solid metrics. Our green initiatives had a secondary cost-savings goal, however this is a long-term goal and the returns have not yet been realized.”

**Tami Scott, *Executive Vice-President of Marketing and Human Resources***  
**Spectra Credit Union**

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<sup>46</sup> Forum for the Future. Comments on the Leadership Case influenced by Forum For the Future “Better Decisions Real Value Toolkit.” July 2010. p. 17. [http://www.forumforthefuture.org/files/BDRV\\_Foundations\\_0.pdf](http://www.forumforthefuture.org/files/BDRV_Foundations_0.pdf)

## CONCLUSION

The business case for CSR has taken shape over the past decade. Myriad studies of executive perception of the value of CSR and of the financial performance of CSR oriented companies point to CSR's inherent return on investment. The global business case reveals that brand and reputation, followed by employee recruitment, retention and motivation are two central benefits of CSR investments. A detailed analysis of the business case drivers points to seven revenue-enhancing and five cost-reducing benefits of a managed CSR approach. Many of these benefits are available to credit unions which operate incremental or ad hoc efforts. However, the greatest gains are available to those credit unions which apply their management and strategy skills to building out and implementing a concerted CSR effort.

This tour of business benefits in implementing a CSR framework and strategy was produced in the hope that it can help CEOs, managers and Boards focus their rationale for advancing on a credit union social responsibility path, whether because it's the right thing to do, returns them to their roots, builds the member value proposition or feeds the financial bottom-line. What credit unions and other businesses find when on the CSR journey is that a well-executed CSR strategy is not a trade-off between good works and profitability. Credit union social responsibility can help lower costs, increase revenues and manage risks while generating benefits for members, employees, communities and the environments in which they live.

“Credit unions are similar in terms of who we are and how we operate – and we compete in a business with large multi-national Toronto-based financial institutions. CSR is something every credit union can adapt in some fashion. This is one area where we can differentiate from our competitors. If you don't differentiate using CSR, it is difficult to compete with those who have large economies of scale.”

**Paul Kelly, *Chief Executive Officer***  
**First Calgary Financial**

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