Americans Increasingly Orient Themselves with Social Causes.

How Do You Earn Their Business?

National Financial Educators Council

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Today more Americans than ever before actively promote social causes – participating in a broad range of philanthropy, advocacy, and activism aimed at making the world a better place. Consumers are more likely to give their business to firms they perceive as having positive social and environmental impact. And 85% of individual investors in the US now trend toward sustainable investments and funds, according to a recent Morgan Stanley survey.(1,2)

How do you earn the business of this growing tribe of socially conscious Americans? That's where corporate social responsibility (CSR) comes into play. Although CSR as a concept has been around since the early 1900s, its definition has evolved and popularity surged in pace with rising social awareness. Now it's virtually impossible for any business to capture market share without implementing – and being transparent about – some form of CSR strategy.

This article covers the scope of the socially responsible market, CSR and how it's measured, and keys and opportunities for financial service providers to attract this growing population segment.

Giving and Social Causes are Ingrained in Americans' DNA

Social activism and charitable giving runs deep in Americans' DNA, according to recent data. For example, the Charitable Aid Foundation (CAF) conducts global World Giving Index surveys with 1.3 million people to rank 128 countries in terms of charitable giving, using three questions that measure helping strangers, donating money to charity, and volunteering time to an organization. In its ten-year anniversary edition, CAF reported that the US had ranked first in charitable giving across the entire previous decade at 58%.(3,4)

The organization Giving USA reported that Americans gave $471 billion to charity in 2020 – a new record.(5) Giving by foundations increased the most (17%); among individuals by 2%; while corporate giving actually decreased by about 6% from the previous year. It's notable that individual giving went up, even in the face of the economic downturn spurred by the COVID-19 pandemic.

The National Center for Charitable Statistics indicates that US adults give between 2.4% and 5.9% of their income to charity.(6) Interestingly, lower-income individuals tend to donate at a higher percentage rate than do those in the higher income strata.

About 63 million Americans, representing 25% of the adult population, volunteered their time and energy to help make a difference as of 2016.(7) People in the 35-44 and 45-54 age groups are most likely to volunteer, and the average time spent volunteering is 52 hours per year.

The Rise of Corporate Social Responsibility

The perceived social responsibility of businesses has evolved across history in step with the social, economic, and political context.(8) In 1979, Archie B. Carroll posed the first unified definition of CSR: "The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time."(9) In the 1980s, global social concerns began focusing on environmental protection and sustainable development. As recognition of the growing threat of climate change intensified in the 1990s, so did interest in CSR. Business for Social Responsibility (BSR) was established in 1992, uniting 51 corporations with a shared vision of becoming a force for positive social change. The "Triple Bottom Line" – a company's social, economic, and environmental impact – emerged as a framework to increase corporate accountability.(10)

The United Nations Global Compact (UNGC) was launched in 2000, gathering 64 companies and organizations with the goal to fill governmental gaps in human rights, social, and environmental issues and to incorporate universal values into the global marketplace. The UNGC defined 10 principles of integrity for corporate behaviors of its members.(11) Changes to corporate policy in response to public interest inspired new definitions of CSR, including McWilliams and Siegel's definition as "actions that appear to further some social good, beyond the interests of the firm and that which is required by law,"(12) and Aguinis who defined it as "context-specific organizational actions and policies that take into account stakeholders' expectations and the triple bottom line of economic, social, and environmental performance."(13)

Corporate sustainability now refers to the level at which CSR is integrated into company policy and structure. Thus companies have a new role in society and must conduct strategic CSR to adapt to the evolving social context – i.e., CSR has become a strategic necessity. The emphasis is on creating shared value: for the companies themselves, for their stakeholders, and for the social context within which they operate. Today, generating sustainable value has been identified as the primary CSR objective.

How CSR Relates to ESG and SRI

Several acronyms have popped up in relation to CSR. ESG (Environmental, Social, and Governance) refers to the ways in which corporations consider these dimensions in their operations and investors consider these dimensions when they choose assets for their portfolios.(14) SRI is an acronym used for multiple phrases: Socially Responsible Investing; Sustainable and Responsible Investing; and Sustainable, Responsible, and Impact Investing. Choosing ESG investments is one way to implement SRI.

The goal of all three strategies (CSR, ESG, and SRI) is to “do well while doing good” – that is, earning high returns on investments that also have positive social outcomes.

ESG investing has grown rapidly worldwide over the past two decades. In the US, SRI had about $639 billion in assets under management (AUM) in 1995; by 2018, that figure had grown to $11.6 trillion; and by the start of 2020 to $17.1 trillion, an increase of 42%.(15) From 2018 through the first half of 2020, 149 institutional investors and 56 investment managers controlling $1.98 trillion in AUM either led or co-led shareholder resolutions on ESG issues. Many third-party organizations such as Bloomberg and Thomson Reuters now rate corporations and mutual funds for ESG, and Morningstar reported in 2018 that investors are tending to avoid traditional mutual funds that have low ESG scores. (14) Data providers have developed ratings for potential ESG investments, most prominently the Morgan Stanley Capital International (MSCI) scoring system.(16)

Currently more than 100 rating agencies provide ESG information and rankings, and all major asset managers offer some form of ESG products.(17) Also, the CFA exam now includes a section on the integration of ESG into the investment process.

Align with Social Causes to Meet Philanthropic & Business Objectives

As a financial services provider, you want simultaneously to help your community and build your legacy. Strategic CSR is mutually beneficial both for businesses and for their stakeholders. Participating in a social cause not only helps you strengthen and contribute to your community, it's also a way to connect with socially conscious clients to build your business.

Dhanesh (2020) suggests that the increased value individuals now place on charity, human rights, tolerance, and sustainability may represent an effort to counterbalance the self-focused consumerism of today's society. He suggests three strategies to communicate your CSR to potential stakeholders: 1) create employee well-being programs; 2) emphasize the emotive and experiential features of your CSR program; and 3) launch CSR programming in highly visible ways to attract people who are most impressed by "Instagrammable" events.(18)

Taking it a step further, He and Harris analyzed the potential effects of the COVID-19 pandemic on CSR.(19) They note that post-pandemic, CSR may accelerate as firms try to maintain the delicate balance between profitability and satisfying their stakeholders. The pandemic has taught consumers that we're all interconnected in terms of the impact of our product and brand choices. People will be more likely to judge themselves and others and form consumer identities based on their responsible consumer behaviors.

The pandemic made fundamental changes to people's lives that will affect their attitudes, beliefs, and behaviors. Marketing philosophy, then, should adopt goals and objectives that consider the company's long-term survival, strategic agility, and social responsibility while focusing around a social marketing orientation.

The best CSR initiatives represent far more than just writing a check. They specify clear, measurable goals toward which the company can track progress over time. Strategic CSR incorporates both inside-out (the company has social impact through its normal business operations) and outside-in (social conditions influence corporate status) dimensions. These components work together using an integrated, affirmative, proactive approach.(20)

Essential Elements to Consider when Aligning CSR with Your Business

Brand Alignment. Promote social impact initiatives that align with your business branding. Your brand is financial wellness – i.e., increasing individuals' financial well-being represents the outcome of the services you offer.

Deliver True Benefits. Ensure that your efforts produce measurable social impact Key Performance Indicators (KPIs) to show how you are benefiting the community.

Brand Integration. Saying you donate to a charity or support a local sports team is not enough. People expect that today. They want to see a cause integrated into the DNA of your brand. Participate regularly and actively to exhibit your commitment to CSR.

Causes that Unite. Many social issues are highly divisive, running the risk of immediately alienating half your prospects. Choosing a widely-accepted cause, like financial literacy and wellness, unites people and expands your opportunities.

Cohesive Promotions at Scale. To maximize their benefits, CSR initiatives must be promoted using a cohesive marketing strategy at a scale large enough to get the depth and breadth you need to connect your brand with the cause.

Aligning Prospect and Client Experience. Ensure a smooth transition from prospect to client by integrating your cause-based campaign into the client experience. Doing so can help deepen the relationship based on shared values.

Financial Wellness Programming as CSR Strategy: A Natural Fit

Financial education and financial wellness programming offers a natural avenue for those in the financial services sector to conduct CSR that makes a real difference and achieves high visibility. An excellent example is when banks and credit unions provide financial education for their employees. About 85% of employees want financial education, and 25 – 40% say they have trouble focusing on their work due to personal finance issues. (21) Gaining financial knowledge helps them feel more in control, reduces their stress, and boosts productivity. Thus employee financial education benefits both the employees and the employer's bottom line, meeting the essential criteria defining CSR.

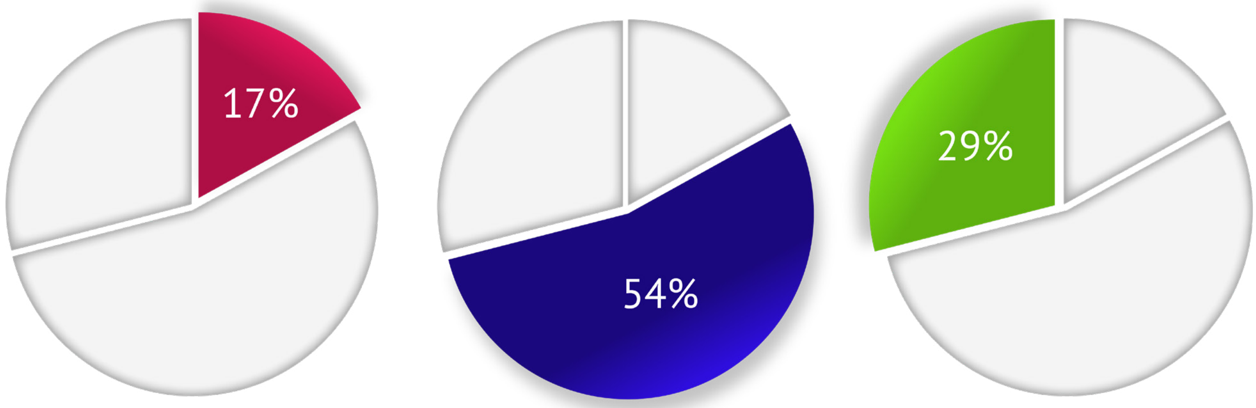
CSR for banks and other financial service providers might also include presenting financial literacy/financial education programs to the community; responsible and prudent lending; adopting fair and transparent financial service practices; and lending support to communities.(22)

Community financial education ties into economic empowerment, i.e., increasing the economic capabilities of vulnerable and low-income populations. Empowering community members with increased financial wellness offers a powerful way to exhibit sustainable and scalable CSR. Financial education also represents a non-divisive issue, further qualifying it as an excellent choice for a CSR program. According to the National Financial Educators Council, more than 83% of Americans agree that high schools should be teaching youth financial topics.(23)

The financial services industry gives billions annually toward charitable causes – the majority from industry leaders. A good portion of those donations are invested into financial wellness campaigns, to the tune of $160 billion a year or about 4% of their total marketing budgets, according to the Consumer Financial Protection Bureau.(24) Some local and regional providers are beginning to catch on to this philanthropic, marketing, and business growth strategy. You can tap into this wellspring of potential CSR opportunity by sponsoring financial wellness programming in your own community.

Your Community Needs Financial Wellness Programming

People in your community are going through financial challenges. From kids lacking basic necessities to families seeing their retirement dreams slip away, personal finances affect all areas of people's lives – from health and well-being to happiness and security.



Financially Vulnerable
(struggling in all
or nearly all areas)

Financially Coping
(struggling with some
but not all areas)

Financially Healthy
(resilient and can pursue
opportunities over time)

Sources:
Financial Health Pulse Report: https://s3.amazonaws.com/cfsi-innovation-files-2018/wp-content/uploads/2019/11/13204428/US-Financial-Health-Pulse-2019.pdf
American Banking Association: https://bankingjournal.aba.com/2019/11/study-majority-of-americans-continue-to-struggle-with-finances/

Your Financial Services Do Help – But Cannot Reach Everyone

Across all financial service sectors, there are individuals who are not qualified for the services you offer, lack interest, or lack the financial knowledge to make good decisions about learning what you provide.

Consider the following statistics:

- Most Americans are "winging it" when it comes to their finances; only 17% work with a financial advisor.(25)
- More than 60% of US adults are unable to qualify for a home mortgage.(26)
- Nearly half (48%) of Americans do not have life insurance, and many of those people have misconceptions about life insurance policies.(27)
- More than 63% of US adults don't hire a tax professional to help file their taxes.(28)
- As of 2019, 6% of American adults were unbanked (had no bank account) and 16% were "underbanked" (had a bank account but also used alternative financial services like payday loans).(29)
- Over 64% of Americans don't have a professional to whom to turn for financial guidance. (30)

Giving your community access to financial education programming can help them get the services they need to work toward better financial futures.

Working with Financial Service Professionals to Create More Secure Financial Futures for All Americans

For organizations with a desire to fulfill their CSR objectives and create a measurable social impact in targeted geographic communities, the National Financial Educators Council (NFEC) provides a comprehensive financial wellness solution.

The NFEC stands out above other community financial education providers due to its IRS-designated status as a Certified B Corporation. A B Corp is a for-profit organization that is driven by both profit and positive social impact. In other words, the NFEC must have a goal to benefit the community and the environment as part of its mission.

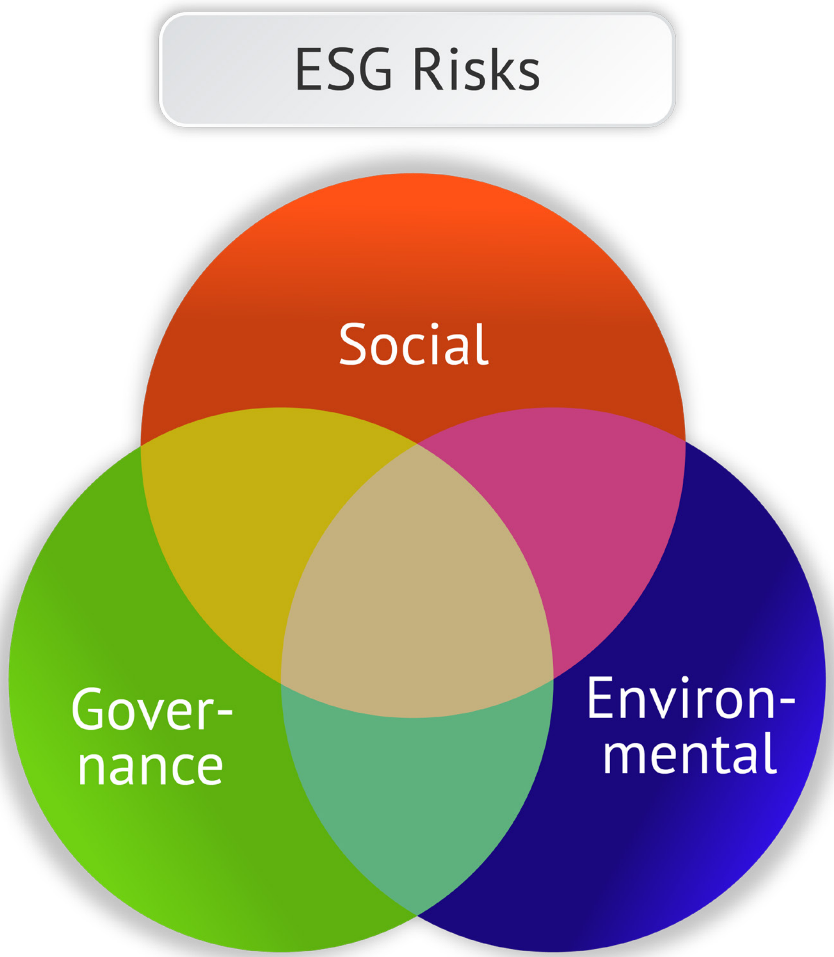
The NFEC also has earned accreditation from the International Accreditors for Continuing Education and Training (IACET). As such, the NFEC organization and all its resources meet internationally recognized standards that define a proven model for effective and valuable continuing education and training. When you select NFEC programming, you can offer accredited materials and Continuing Education Units (CEUs).

We help beneficiary organizations build financial empowerment programs and provide many community engagement touchpoints to serve a broad range of people within a community. With programs that serve all age groups and socioeconomic levels, the CSR initiative can focus on those specific individuals your organization wants to support.

Providing Financial Wellness Offers ESG Benefits

The NFEC solution can help you improve your ESG rating, and working toward a stronger ESG rating can help attract those investors and future clients who are motivated by SRI. You can leverage financial wellness programming to improve your ESG rating across two areas:

1. Social factors – demonstrate CSR by providing financial wellness programming to the community and individuals outside your organization.
2. Governance factors – you support an improved governance rating when you offer financial wellness programming internally to employees and/or team members.



Make a Measurable Difference in Your Community's Financial Health

The NFEC solution can help you improve your ESG rating, and working toward a stronger ESG rating can help attract those investors and future clients who are motivated by SRI. You can leverage financial wellness programming to improve your ESG rating across two areas:

We provide champions of financial wellness programming in their communities with detailed CSR reports that outline key performance indicators of the campaign's social impact. Some of the social impact factors we evaluate include:

- Participant financial outcomes
- Total reach and usage rates
- Content knowledge measures
- Impact on financial behavior
- Training graduation rates
- Net promoter score
- Number of centers of influence (COIs), beneficiaries, partners
- Media and awareness impact
- Organization adoption rates

We also generate an additional report for partners that outlines the business benefits our partners enjoy as a result of participation.

The NFEC helps small- to medium-sized financial service providers empower their communities as they grow their businesses by developing & managing their social impact campaigns.

Contact us and learn how we can develop, deploy, and manage your financial wellness CSR campaign.

National Financial Educators Council

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