



Corporate Social Impact Initiatives Make Employees More Loyal

An opportunity to give back to society without having to give up a promising business career turns out to be a major incentive for valuable employees to stay.

Companies are realising that, in order to have a sustained and large-scale social impact, their societal agenda has to be integrated with their core business. Creative thinking can help generate innovative business models for social engagement without undermining commercial objectives. The key is to take a long-term perspective, and to consider a broader-than-usual set of performance drivers.

Of particular interest to forward-looking companies are the potential benefits from a human capital perspective. Many companies already have CSR departments coordinating short evening or weekend volunteering opportunities. However, such things rarely build upon the unique capabilities a company might have. Of late, interestingly, we have seen a **new form of social engagement** emerging - one that recognises that the social impact might be much larger if employees apply their existing skills from their commercial activities to social issues. At the same time, these projects also offer a chance for extending these skills in ways that might also be commercially relevant.

Having the opportunity to give back to society, while maintaining the privileges of a corporate job, ought to be something that employees value both personally and professionally. We should expect

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this to ultimately help companies improve their ability to retain top talent. However, existing academic literature offers few empirical studies that test this proposition in a rigorous fashion.

To fill this gap, I have been working on a study analysing more than six years of employee data from a leading global management consulting firm. The results have been published as the article "**Corporate Social Initiatives and Employee Retention**" (forthcoming in *Organization Science*, co-authored with **Michelle Rogan** and **Christiane Bode**). We found a strong link between retention rates and participation in a corporate social initiative (or "CSI" for short) being run by the firm as a business integrated with the rest of the organisation.

Since employee turnover is often cited as the **top challenge facing HR departments**, our findings hold major significance for companies, especially for would-be "**social intrapreneurs**" looking to buttress the business case for proactive social engagement.

Social initiatives as a business

The consulting firm in question offers its employees the option to step away from commercial client projects for a few months, and put their well-honed

consulting skills to work for a project with an NGO, development agency or another organisation explicitly prioritising social impact – often in a developing world context.

Importantly, the projects are not pro bono, as the company feels that such an approach would be neither scalable nor sustainable. Instead, clients are asked to pay, albeit at lower than commercial rates in order to ensure affordability. A really novel aspect of the model is that consultants are also asked to accept a salary reduction (up to 50 percent) and go without customary consulting perks (business-class travel and luxury hotels) for the duration of the project. Despite this requirement, there continues to be a long waiting list of employees keen on being staffed on a CSI project.

Overall, we studied a database of 10,634 employees, including both those who participated and those who did not. Our analysis found that consultants who participated in CSI were up to 32 percent less likely to leave the firm relative to their non-participating counterparts. On digging deeper into employees' reasons for leaving as well as their performance record, it emerges that voluntary departures were indeed what made the difference and that the individuals retained due to CSI are also exactly the kind of high-performing individuals worth retaining.

For the sceptics

A sceptical reader might wonder whether the kind of individuals who opt into CSI would be more likely to stay with the firm anyway. That possibility occurred to us as well, and we addressed it in two ways. First, the stringent research criteria used ensure that our sample of participants and non-participants is comparable, at least on dimensions we observe. In addition, we surveyed current employees who had not yet participated in CSI in order to compare their interest in CSI with their stated enthusiasm for their day-to-day responsibilities. The survey revealed that, if anything, the employees most keen on CSI were slightly more likely, not less, to consider leaving their current role. In other words, innate, pre-existing differences between participants and non-participants in CSI are unlikely to be the full story behind the observed retention benefits.

The transformative effect of the CSI experience also came up over and over again in our numerous interviews with participants. Here are some representative quotes from the interview transcripts:

- “Once I settled back into commercial practice, I realised that I really enjoy this kind of work... I was making more of a difference... Doing CSI was one of the reasons I wouldn't move from [the firm].”

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- “I certainly came back refreshed from my experience... It helped me stick around for another two years.”

- “I think it flips a switch in your brain that even if development isn't for you, you've had that experience... I feel very loyal toward [the firm] for providing me this opportunity.”

Transition management and re-integration

While the retention effects were positive on average, not all CSI projects were equally beneficial for retention. The retention effect was significantly stronger for participants in shorter CSI projects than for those whose CSI projects lasted six months or more. Moreover, the increase in retention rate disappeared entirely when we considered employees who served in far-afield emerging markets. This suggests a boundary condition for the overall finding: that there is such a thing as too much time away from business-as-usual and too much distance. The explanation is that, beyond a certain point, an employee's connection back to the company's commercial activities might become too weak. This is consistent with what we found in the interviews. Employees found that the transition back into their normal work routine after CSI could be a challenge, especially when they had lost touch with their commercial peers. They noted that not enough effort went into re-integrating them back or applying the new skills gained from their unique experience into commercial work.

These points imply that in order to derive the full business benefit from initiatives like CSI, companies would have to more carefully design the processes around the transition into and out of projects as well as maintain communication with the employees during such projects. While there would certainly be some employees that still feel the need to leave as their career goals just do not align with what the company can offer, the companies would still be better off doing their best to retain a subset that can see their continued relevance at the firm.

Dollars and sense

Our paper does not argue that mandatory participation for employees in initiatives like CSI would increase retention. The benefit, instead, comes from giving employees with an inherent interest in social impact the chance to participate. Firms that offer something like CSI provide a new kind of career track that the more socially-minded employees value and are willing to stay for: one that allows them simultaneously to pursue a business career and engage closely with societal issues, rather than having to make a stark choice between one or the other.

It's hard to know the exact cost of replacing a highly skilled executive such as a management consultant, but some reports have placed it at **over 200 percent** of the executive's annual salary. It therefore seems reasonable to conclude that this particular firm saved millions in turnover costs as a result of CSI. Therefore, despite the fact that CSI projects are not as profitable as commercial projects in terms of direct financial contribution, there starts to be a persuasive business case once broader considerations are taken into account. At a minimum, it certainly seems worth exploring whether initiatives like these might be a better way of spending the "CSR dollars" that a company would otherwise be spending - often on projects unrelated to where their competitive advantage and unique value creation lie.



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