



CEOs on Citizenship

Citizenship has found its way onto the permanent corporate agenda—a new Conference Board report¹ finds that the average corporate citizenship statement has been in place for fourteen years. Surveyed separately for the report, managers and board members agree that CEO leadership is crucial both in charting their own company’s course and in shaping an emerging global consensus on citizenship. But as the report’s CEO survey reveals, differing regional priorities provide vital subtext to the ongoing conversation.

Survey highlights:

- Company traditions and values to act ethically and be a force for economic development are far and away the primary drivers for corporate social involvement throughout the world.
- But there is also a clear commitment to a long-term investment to improve society, including expanding economic progress to underserved segments, which (it is felt) ultimately benefits the business.
- CEOs see an active role for their companies in assuring future business success through their citizenship programs, but are divided on whether their companies should be partners or leaders. Merely supporting the process is generally seen as somewhat less attractive.
- Among companies that opt not to lead the process, government is the clear choice for leadership, followed by business associations. This suggests considerable variation in outlook on where accountability should lie.
- CEOs in the United States, Brazil, and Europe say that their efforts to create future success through citizenship initiatives have been only “somewhat” effective to date. In other regions—but especially in Asia-Pacific—CEOs see their results as “not very” effective.
- Asked what is needed to improve future business success, CEOs are split between internal and external factors:
 - Strong preferences for (1) better managing external involvements and for (2) creating industry-led guidelines and collective corporate initiatives reflect a felt sense of accountability; but
 - External factors are also important, including (1) clear leadership from government and (2) a clearer consensus in civil society about solutions to critical challenges.

¹ *The New Corporate Citizenship*, The Conference Board, Report 1314-02-RR (scheduled for publication in March 2002).

Why Social Investment?

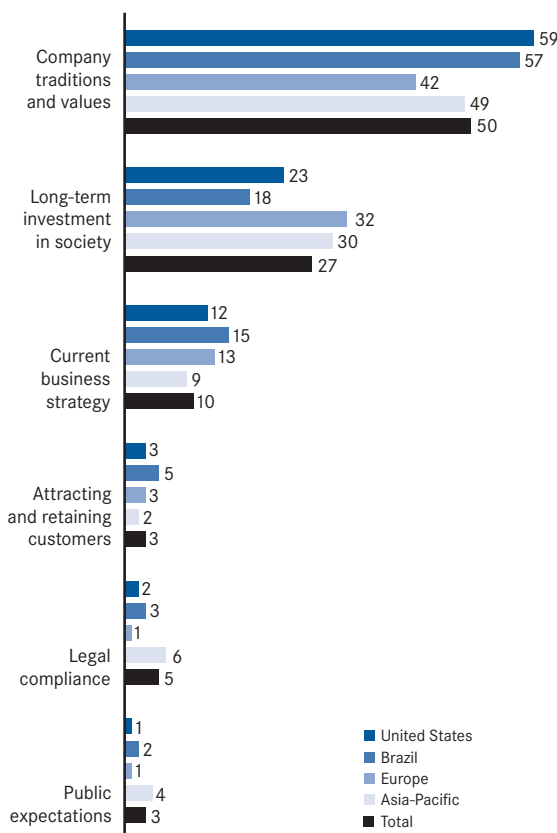
Asked what drives their company’s social involvement—in particular, its investment in community and economic development—CEOs arrived at a global consensus rooted in two leading factors (Chart 1):

50% Company traditions and values to act ethically and be a force for economic development

27% Long-term investment in society (which will ultimately benefit our business)

CEOs in the United States (59 percent) and Brazil (57 percent) show a slight preference for company traditions that link ethical impulses to economic development; European and Asia-Pacific CEOs share this preference, although less strongly. CEOs in Europe and Asia-Pacific also rank long-term investment in society more highly—32 and 30 percent, respectively—than

Chart 1
What Drives Your Social Involvement?



their U.S. and Brazilian counterparts. These differences play to expectations—a more capitalistic “New World” perspective *vs.* a more “social” outlook in the other regions—although one might also expect a greater emphasis on long-term investing in Brazil, given the social and economic disparities there.

Some (Un)surprising Also-rans

The following social investment drivers elicited diminished responses from CEOs. The global numbers were:

- 5% legal compliance;
- 3% attracting and retaining customers; and
- 3% public expectations.

The response to the legal compliance driver is unsurprising, given the paucity of specific rules worldwide. What does seem counterintuitive is the very low ranking of the customer and public expectations drivers, especially given that each has featured prominently in general discussions and in the literature. (Responding to a different question about how to strengthen effectiveness, CEOs do attach importance to a *clearer consensus in civil society about solutions to critical challenges*. This suggests that, as a *social investment* driver, public expectations get a muted response because of the present lack of clarity as to what those expectations are.)

Whither Future Success?

Asked to select factors important to their companies’ ability to create future business success through their citizenship programs, CEOs across the board consistently ranked two at the top (Chart 2):

- 45% economic and political stability
- 33% an educated and skilled workforce

Third in importance—although much lower overall—was *the environment and sustainable development*.

Second Tier Exposes Regional Differences

A second tier of success factors reveals significant regional distinctions:

Expanding economic progress to disadvantaged and underserved segments of society is clearly very important in Brazil, where 5 percent of CEOs list it as the most important factor, and 43 percent the second most. In Asia-Pacific, 1 percent list it as most important, and only slightly more—5 percent—list it as the second most.

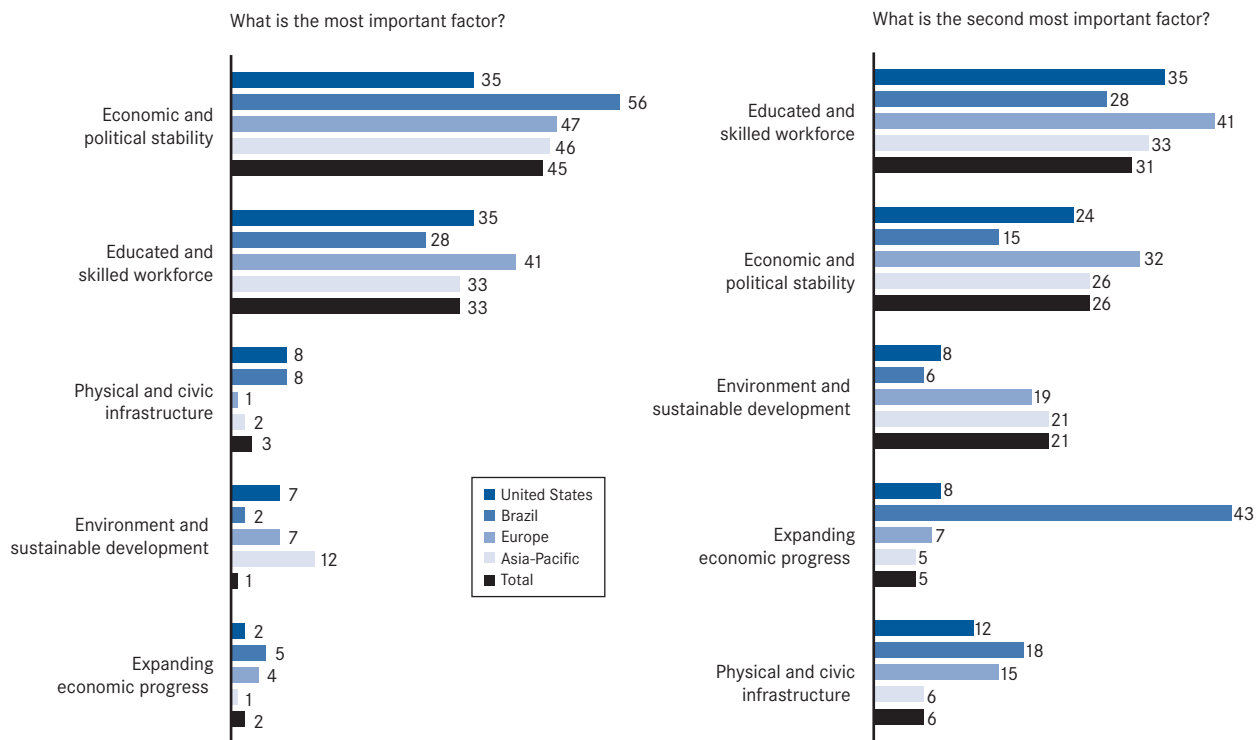
Environment and sustainable development rank highly in both Europe and Asia-Pacific, where 7 and 12 percent of CEOs, respectively, list it as the most important factor. Compared to Asia-Pacific’s 12 percent, only 2 percent of CEOs in Brazil list the factor as most important to their future success. Asia-Pacific and Brazil’s contrasting views of (1) expanding economic progress and (2) sustainability may mean that CEOs in these regions understand the meanings of these factors differently.

Heart vs. Hands

While CEOs see the *motivation* for citizenship as an internal matter, the factors for *success* are seen as being dominated by the outside world. Concerns for a stable economic and political environment and a talented workforce—reflecting traditional business ideals—persist in an environment newly shaped by factors that have not traditionally been seen as primary *business* concerns. Among drivers for social involvement and future success, *long-term investment in society, sustainable development, and expanding economic progress* all figure prominently in CEO visions. But depending on the region, leaders can have very different ideas about the relative importance of any of these factors.

Chart 2

Assuring Future Business Success



Corporate Roles

Given three choices—leadership, partnership, or support—CEOs were asked to envision the role their companies would play in creating a successful business environment (Chart 3). Global preferences are to be a:

- 41% partner
- 33% leader
- 25% supporter

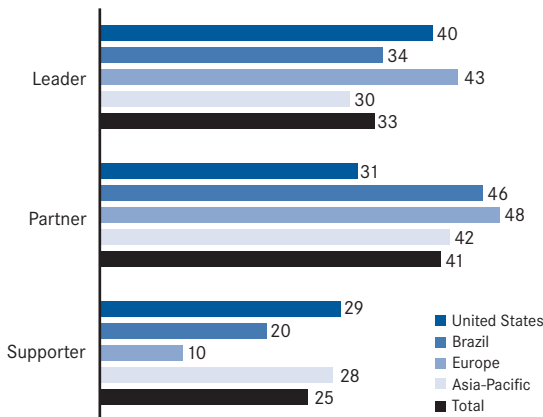
The strongest regional preferences are:

- Brazil partner (46 percent)
- Asia-Pacific partner (42 percent)
- United States leader (40 percent)

Businesses in Europe—which indicate a slight preference for partnership (48 percent) over leadership (43 percent)—are the least inclined to supporting roles (10 percent). Brazil shares this disinclination, although less strongly, at 20 percent. Apart from European companies’ rather strong stance against the supporter role, overall responses to this query were fairly balanced, perhaps reflecting equivocation on business’ role in promoting future success in society.

Chart 3
The Corporate Role

What role will your company play in creating good business *and* good society?



Other Leaders

Among CEOs opting against a leading role for their companies, responses to a follow-up query were more diverse. Asked, Who should lead? (Chart 4), global responses favored:

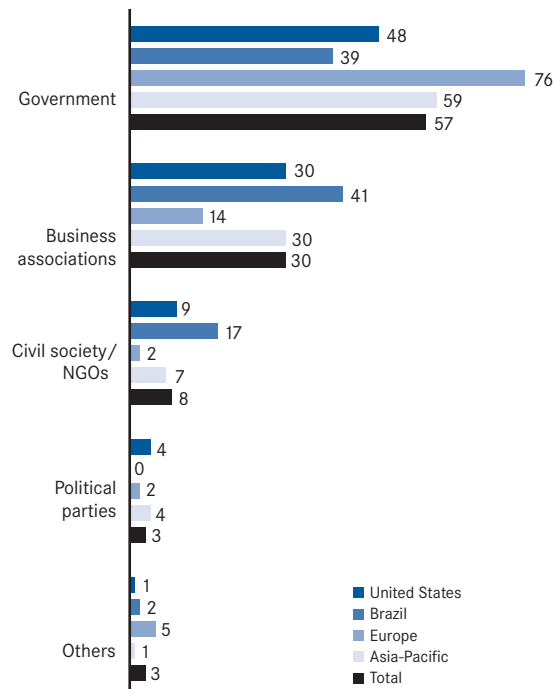
- 57% government; and
- 30% business associations.

The clearest preference for government leadership (76 percent) is in Europe; the weakest (39 percent) is in Brazil, followed by the United States (48 percent). Here again, the contrasts in attitudes toward the role of government in leading social development suggest an “old world, new world” difference in outlook.

Business associations—which come in a very distant second (14 percent) in Europe—are slightly preferred (41 percent) in Brazil and appear to be a strong second everywhere else. This may reflect the generally held understanding that business works more closely with government in Europe.

Chart 4
If Not You, Who?

If your company should not assume the leadership role, who should?



How Effective Are You?

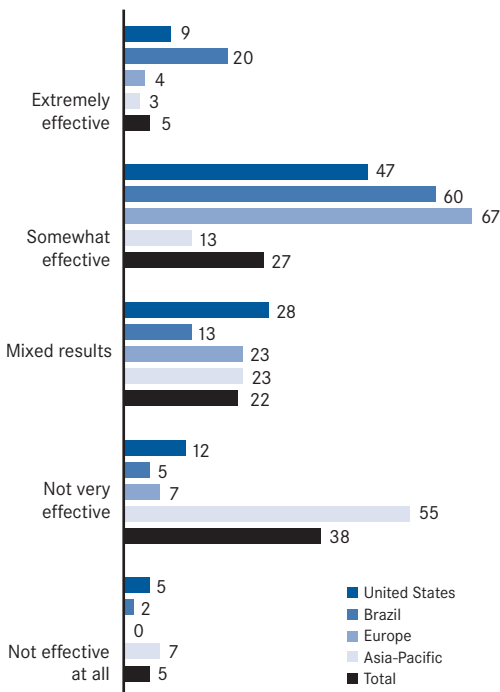
Companies shaping a global citizenship consensus are nonetheless at different points along the spectrum. To see where they are—and where they want to be—CEOs were asked to evaluate their companies’ present effectiveness. Given the range of nontraditional business drivers (see Charts 3 and 4), it is not surprising that CEOs see great opportunity for improvement (Chart 5).

Globally, a 38 percent majority say that they have been “not very effective”; this is slightly misleading, since it reflects the 55 percent of Asia-Pacific leaders who registered the same response, by far the most negative self-assessment of any region. In fact, nearly half of CEOs (a total of 49 percent) indicate either that their companies’ citizenship efforts have been

27% somewhat effective; or that they have had 22% mixed results.

Chart 5
Room for Improvement

How effective are your efforts today to address the primary factors that will assure your business success tomorrow?



Learning to deal effectively with this new area of corporate accountability is expected to take time, and—as these responses confirm—many companies are at the developmental stage.

Brazilian CEOs are the most positive about their successes, with 80 percent claiming that they have been “somewhat” (60 percent) or “extremely” (20 percent) effective. Given the social and economic similarities between Brazil and Asia-Pacific, this makes for another interesting contrast, perhaps (again) explained by the regions’ contrasting perceptions of the relative importance of (1) expanding economic progress and (2) sustainability to future business success.

How Can You Get Better?

Asked which factors would strengthen the effectiveness of their citizenship programs, CEOs showed a global preference for (see table below):

- better managing their companies’ external involvements; and
- creating industry-led guidelines and collective corporate initiatives.

Boosting Effectiveness: The Global Consensus

	Factors selected as having:		
	Greatest impact	Second greatest impact	Third greatest impact
Better internal management of our external involvements	27%	14%	14%
Clear leadership from government	18	–	–
Clearer consensus in civil society about solutions to critical challenges	16	12	–
Creating industry-led guidelines and collective initiatives	–	15	13
Better relationships with stakeholders	–	–	11

Acknowledging that they must be responsible for their own success in the future, rather than depending on external expectations, 27 percent of CEOs indicated that better management will have the single greatest impact. This self-reliance is corroborated by their emphasis on industry guidelines and collective initiatives, which ranks highest (15 percent) as the having the second greatest impact.

Setting the Parameters

But what *are* the external expectations, and who creates them? The global consensus is that both government and civil society have important roles to play—both register among the factors CEOs believe will have the greatest impact:

18% Clear leadership from government

16% Clearer consensus in civil society
about solutions to critical challenges

From Theory to Practice

The CEO survey suggests a somewhat equivocal situation. Companies are proud of their traditional commitment to social involvement and understand that they must take responsibility for assuring their future business success by managing that involvement even more effectively. But it is equally understood that success likely cannot be assured without clearer alignment of “external” influences—including government leadership and civil consensus—factors that are viewed as very important. Many businesses appear to accept this situation, but have yet to come fully to grips with how to deal with it.