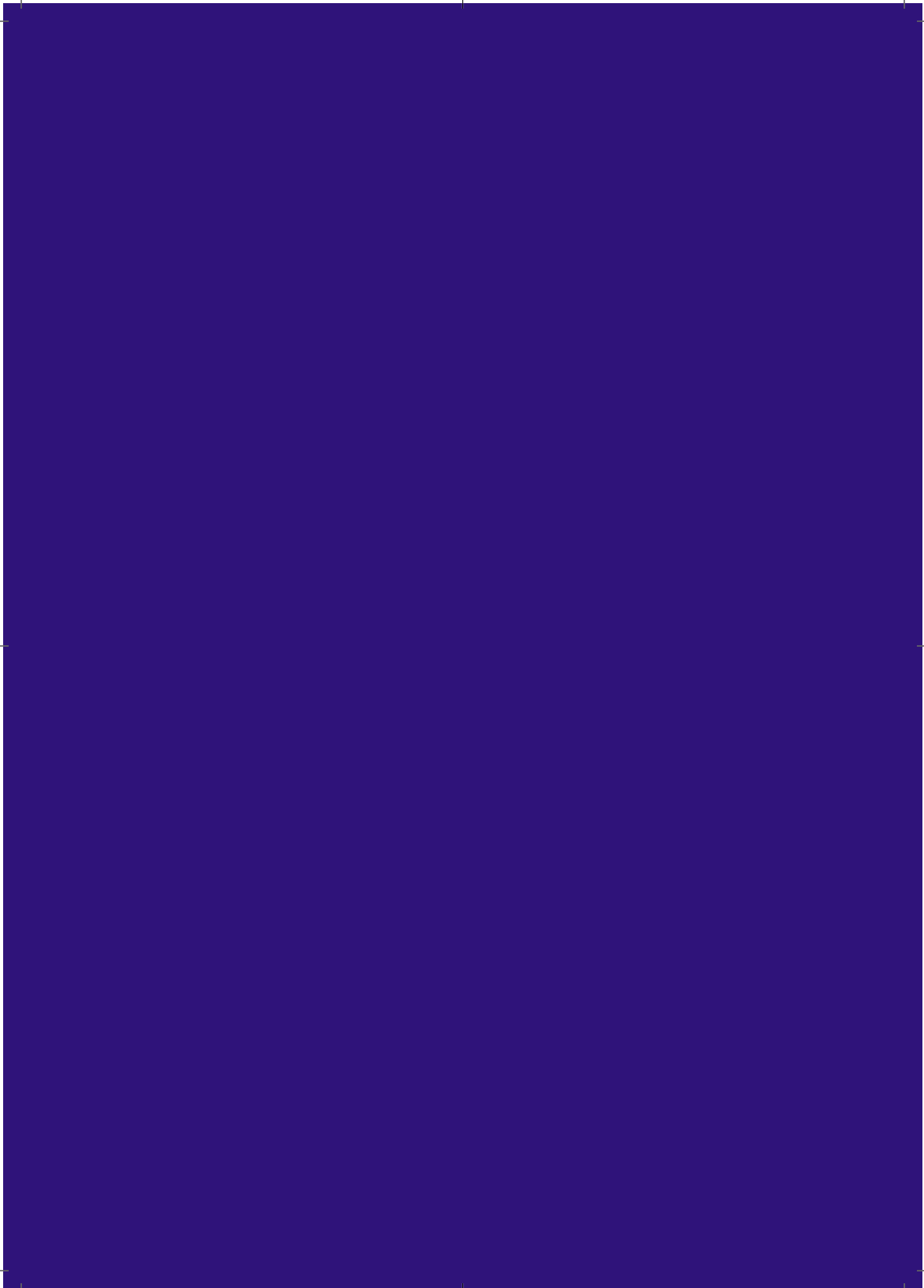


Corporate  
Citizenship



## The Shape of Corporate Citizenship in

# 2008



As we move into the first few weeks of 2008, many commentators are predicting that the issue of climate change will frame the debate about corporate responsibility in the year ahead.

However, findings from a new survey by Corporate Citizenship suggest that the issues facing business are more complex. Successful businesses will need to address a range of social challenges that are of concern to employees, customers and the wider society.

Indeed, as the climate change talks in Bali mark the end of 2007 there is increasing scepticism that the “hot air” produced by such events does little either to reduce greenhouse gas emissions or address the broader social challenges facing us.

In order to get an informed perspective, Corporate Citizenship polled over 170 business professionals in the UK and USA working in the field of corporate citizenship, corporate social responsibility and sustainable development. The results of the survey, carried out between 17 December 2007 and 14 January 2008, were analysed with similar data from two other audiences - social activists and business leaders.

## The key findings to emerge from the initial analysis of the results are:

- There is a growing divergence of views between corporate responsibility practitioners, business leaders and social activists on the key priorities for business in 2008. While businesses see climate change as the major challenge, activists are more concerned about poverty and social inequality.
- There are strongly different views on either side of the Atlantic on who should take responsibility for addressing climate change. UK business is far more supportive of intergovernmental initiatives like the United Nations, whereas US business feels that industry itself should take the lead.
- We are seeing the emergence of the “Bali backlash”. Unimpressed by the slow progress of the UN climate change talks, the business community want regulators to issue clear rules, targets and incentives to provide greater certainty for their efforts to become greener.
- Many commentators point to campaigning organisations and the media as the most influential groups militating for a change in corporate behaviour. While this may be true in certain high profile cases, the majority of corporate responsibility practitioners think that more pressure comes from employees. This has important implications in attracting and retaining good people to a responsible company.
- Corporate responsibility is here to stay. 92% of respondents agree that “CSR makes a tangible contribution to the bottom line” and 97% also think “business will have to respond positively to the greater expectations society places on it”. However, practitioners are not naïve – some six in 10 respondents (56%) feel that “in a time of economic recession, there will be pressure to cut back on CSR efforts”.

## The Challenges Facing Business and Society

The pressure on business to “do the right thing” has never been greater. The media, consumers, employees and investors are increasingly questioning the social and environmental performance of business. In the light of such pressure, does business have a clear understanding of the issues that are of concern to society? It would appear not.

**Which one of the following issues poses the greatest challenge to society today?**

Social Activists	CSR Practitioners
<b>37%</b> Poverty	<b>53%</b> Climate change
<b>22%</b> Health and obesity	<b>26%</b> Poverty
<b>20%</b> Climate Change	<b>9%</b> Poor educational standards
<b>10%</b> Security and terrorism	<b>4%</b> Health and obesity
<b>11%</b> Other issues	<b>8%</b> Other issues

There is a significant mismatch between those issues of concern to social activists and those identified by practitioners working in the field of corporate responsibility.

Among those in business, the issue of climate change is clearly seen as the greatest challenge facing society today. This is reinforced by data from McKinsey’s survey of global business leaders<sup>1</sup> – 51% place environmental issues including climate change at the top of their list of concerns likely to gain the most public and political attention over the next five years.

However, social activists have a very different take on the issues. Their major concern is rising levels of poverty, including unsustainable levels of debt and the unavailability of affordable housing. Although these issues have been brought into sharp focus by the collapse of the Northern Rock bank, only one in five UK practitioners are concerned by poverty. Interestingly, the crisis in sub prime mortgage lending in the USA has had an impact – 44% of American CSR practitioners see poverty as the greatest challenge to society today.

For those businesses working in the food and drinks sector there is also a worrying message about public concern over health and obesity. One in five social activists feel this issue is the greatest challenge to the UK – yet only 4% of CSR practitioners are concerned. Even among those working in the FMCG sector, the proportion concerned about the issue remains exceedingly small.

<sup>1</sup> - “Assessing the Impact of Social Issues: A McKinsey Global Survey” 2007

## Climate Change - Whose Responsibility?

If we accept for the moment the corporate view that climate change is the most important challenge facing society, it is fair to ask who is responsible for addressing the issue?

Which one of the following do you think will have the greatest positive impact on slowing further climate change over the next five years?

Options	USA	UK	Total
Intergovernmental initiatives such as the UN Framework Convention on Climate Change	9%	29%	25%
National government initiatives	33%	29%	31%
State / regional government	6%	2%	2%
Industry / business	36%	28%	29%
Non-government organisations	0%	0%	0%
Local communities	0%	1%	1%
Individual citizens	9%	4%	5%
Other	6%	8%	7%

Among CSR practitioners, there are strongly different views on either side of the Atlantic. UK respondents have confidence in three bodies – intergovernmental initiatives like the United Nations, national governments and business itself.

In the USA, business is far less confident of the UN's ability to deliver improvements in climate change. Rather, the largest proportion feels that business itself holds the key to climate change with a slightly smaller number thinking national government initiatives are the answer.

It is worth noting that no-one in business rated non-government organisations – the campaigning groups such as Greenpeace and Friends of the Earth – as the primary force for positive change. According to the results of this survey, they are less powerful than individual citizens in slowing climate change.

In the light of these findings the question becomes – is business actually taking action to address climate change?

To what extent is your company acting or working with others to address the following issues? Respondents answering “to a great intent”

	Total
Reducing the company’s own energy consumption	<b>50%</b>
Reducing environmental impacts	<b>47%</b>
Addressing climate change	<b>38%</b>

As can be seen, a significant proportion of companies in both the UK and USA are taking their environmental responsibilities seriously and taking action on the issues. In addition, the majority of companies are publicly reporting on one aspect of environmental performance, their level of carbon emissions – 59% already report on this and 72% plan to do so in the next two years. It is worth noting that this is one area where the actions of business do match societal expectations – 86% of social activists believe businesses should be reporting publicly on their carbon footprint.

## The “Bali Backlash”

It is clear from the data above that companies on both sides of the Atlantic are convinced of their own ability to address climate change. This is leading to the unusual phenomenon of business calling for greater regulation of its own corporate activities – something that might be dubbed the “Bali backlash”. Unimpressed by the slow progress of the UN climate change talks that took place in Bali in December, the business community want regulators to issue clear rules, targets and incentives to provide great certainty for their efforts to become greener.

While it seems counter-intuitive to hear companies asking for more legislation, business leaders argue that they need a clear policy framework on climate change in order to make long-term investment decisions with confidence. Capital markets operate on a clear set of rules, and those rules need to be underpinned by clarity and consistency in government policy and thinking.

This finding is reinforced by a recent survey of business leaders undertaken by Grant Thornton<sup>2</sup> which found that nearly three-quarters of executives (72%) believe that the government should regulate companies for their impact on the environment.

2 - “Corporate Responsibility: Burden or Opportunity?” Grant Thornton LLP Survey of US Business Leaders, 15th Edition, 2007

This sentiment extends to wider aspects of the corporate responsibility debate. Only 32% of all respondents positively agreed with the statement “CSR is a voluntary activity – there should be no laws or regulations governing it”. Slightly more than half (52%) disagreed with the statement and a further 16% were neutral about this issue.

## Who is Driving the Agenda?

Overall, it is clear from the preceding discussion that business is responding to some of society’s concerns. So, who is pushing business to behave in a more socially and environmentally responsible way?

Many point to vociferous campaigning organisations and the media as the most influential commentators highlighting the changing role of business in society. While this may be true in certain high profile cases, it is interesting to note that corporate responsibility practitioners think that more pressure comes from employees.

**To what extent does your company feel pressure from the following groups / stakeholders to take action on CSR issues? Respondents answering “a large degree of pressure”**

	USA	UK	Total
The public	16%	10%	11%
Customers / consumers	18%	18%	19%
Shareholders	13%	4%	6%
Non-government organisations	27%	21%	24%
Government led initiatives	12%	16%	15%
The media	19%	10%	13%
Employees	33%	33%	32%
Peers and competitors	18%	19%	19%

Around a third of businesses feel employees are exerting a large degree of pressure on them to behave in a more socially and environmentally responsible way. In this age of a “war for talent” this would suggest that such factors will become increasingly influential in shaping peoples’ decision on who they would like to work for. This could mean that the most mobile employees – by definition the most talented – might well move on if they are unhappy about a company’s track record on social and environmental issues.

## Is CSR Recession Proof?

Is all this energy expended on attempts to mitigate the negative social and environmental impacts of business having a positive impact on business results? While it is not always possible to produce hard data on this question, it is clear that there is a real strength of feeling about the issue – 92% of respondents agree that “CSR makes a tangible contribution to the bottom line”.

Again this finding is backed up by data from other sources. According to the Grant Thornton survey cited earlier, eight out of ten executives (77%) also agree that corporate responsibility programmes enhance profitability.

In addition, it appears that corporate responsibility is here to stay. Among corporate responsibility practitioners, only 3% of respondents think that “public concern for issues relating to CSR is a passing fad.” Although executives in the Grant Thornton survey are slightly more sceptical, still only 16% of business leaders agree that corporate responsibility is a fad.

Indeed, among respondents to the Corporate Citizenship survey, almost all (97%) think that “business will have to respond positively to the greater expectations society places on it”.

Despite this, the future for corporate responsibility is not entirely rosy. For a start, there is strong evidence of hype with rhetoric outstripping the reality. In total, almost two thirds of respondents (64%) agree with the statement that “many companies promote CSR but are not truly committed to it”.

In addition, some six in ten respondents (56%) feel that “in a time of economic recession, there will be pressure to cut back on CSR efforts”.

One way of reconciling the tension of increasing demand for action together with pressures on costs is for companies to integrate corporate responsibility practices further into mainstream business activities. In our view, the key for future success – for business and society – is this notion of integration.

As we all know, predicting the future is a risky business. However, it seems clear that this trend towards integration will be more pronounced in the coming months. Narrow debates about climate change will give way to wider considerations of sustainable business that encompass a range of social, market and quality of life issues.

As such, Corporate Citizenship predicts that good social and environmental management practice will no longer be seen as an additional expense but as an integral part of the way the way an organisation operates in 2008 and beyond.

## Appendix

Corporate Citizenship would like to thank all of the CSR practitioners who responded to this survey. By way of an incentive, the first 100 respondents were invited to nominate one of three charities working to address social and environmental issues to receive a £10 (\$20) donation. Following the preferences of respondents, these charities received the following donations from Corporate Citizenship:

UNAIDS – Joint United Nations Programme on HIV/AIDS	<b>£240</b>
UNICEF – United Nations Children’s Fund	<b>£440</b>
UNEP – United Nations Environment Programme	<b>£320</b>
<b>Total</b>	<b>£1,000</b>

**Please note:** All figures quoted in this report are rounded to the nearest whole percentage, therefore totals may not add up to 100.

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