



ENTREPRENEURS
FOUNDATION
CORPORATE COMMUNITY CONNECTIONS

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Stages and Strategies of Corporate Citizenship

Bradley K. Googins is executive director emeritus of the Boston College Center for Corporate Citizenship, a membership-based research center that serves as a leading voice in the U.S. on the role of business in society. He took over leadership of the Center in 1997 and served in that capacity until 2009. He is also a Professor in Organizational Studies at the Boston College's Carroll School of Management. In 1990 Dr. Googins founded the Center for Work & Family at Boston University and directed it for six years before moving the center to Boston College.

He has authored dozens of books, monographs, and articles on corporate issues, most recently *Beyond Good Company: Next Generation Corporate Citizenship*, published by Palgrave in December 2007. He has served as principal investigator for many research grants on corporate citizenship, including The Role of Corporations in Community and Economic Development, (Ford Foundation) and The State of Corporate Citizenship: A Global Survey, (Hitachi Foundation).

He sits on the review board of the *Journal of Corporate Citizenship* and the advisory boards of Corporate Voices for Working Families, the Brazilian research and education center Uni-Ethos. Vincular at the Pontifical University in Valparaiso Chile, and the Center for Corporate Citizenship in Berlin Germany. He was selected as a National Kellogg Leadership Fellow in 1989.

Dr. Googins holds a Ph.D. in Social Policy from The Heller Graduate School at Brandeis University; a M.S.W. from Boston College and a B.A. in philosophy and sociology from Boston College.



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2010 Corporate Citizenship Conference
PHILANTHROPY 3.0: The New Reality for Corporate Practitioners
March 5, 2010, Oracle Conference Center, Redwood Shores, CA



BOSTON COLLEGE CARROLL SCHOOL OF MANAGEMENT

STAGES AND STRATEGIES OF CORPORATE CITIZENSHIP

Entrepreneurs Foundation

March 2010

**Bradley Googins PhD Professor Boston
College School of Management**

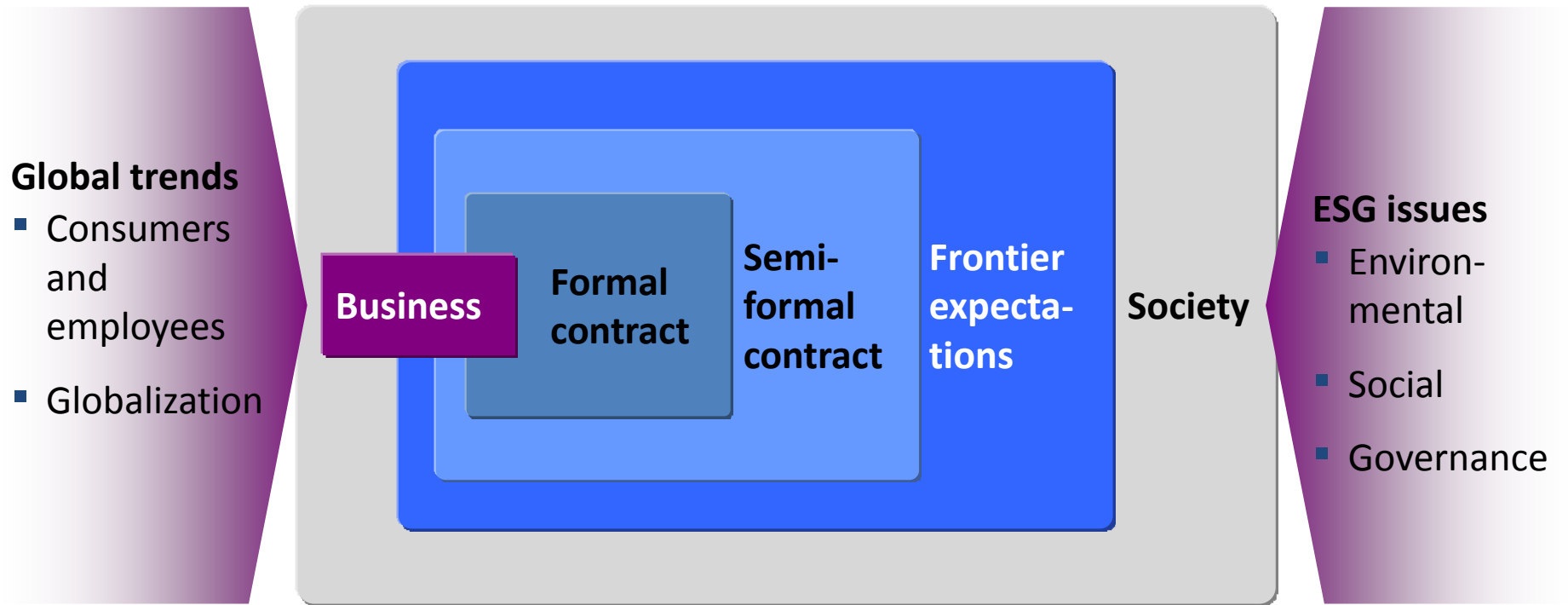
A Time of Uncertainty and Turbulence



Big issues on the Horizon

- Are institutions viable?
- Is complexity overwhelming us?
- How do you restore trust?
- How do companies set social priorities
- How do you imbed purpose with profits?
- How do companies move from a reactive to an active engagement?
- What does responsible leadership look like?

Business operates within an overall social contract



License to operate

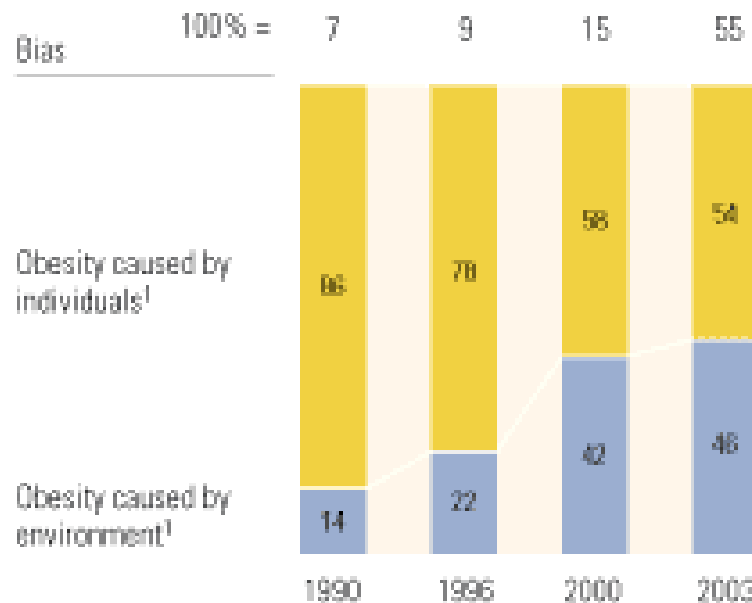
Growth and opportunity

How Responsibility Can Shift

EXHIBIT 3

Responsibility shifts

New York Times articles on obesity by causation bias, % of new editorials or page-1 articles

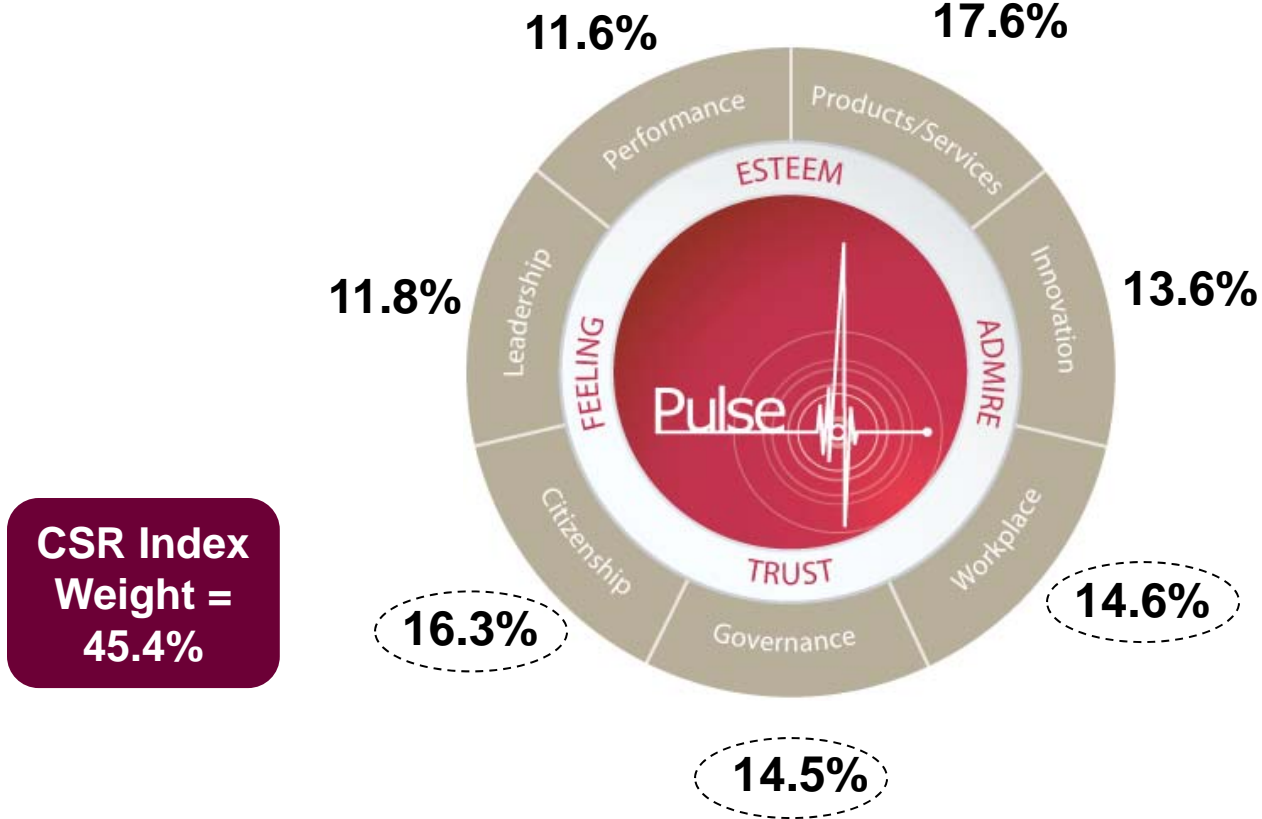


Growing concern around obesity was evident as early as 1996, ~5 years earlier than 1st announcement by US Surgeon General that obesity had become national epidemic

¹ Individual causes are biological or behavioral factors (eg, overeating, lack of exercise); environmental causes are systemic factors (eg, corporate marketing, lack of government guidelines on healthy eating).

Source: Regina G. Lawrence, "Framing obesity: The evolution of news discourse on a public health issue," Harvard University working paper number 2004-5, 2004 (www.ksg.harvard.edu); McKinsey analysis

Citizenship, Governance and Workplace Account for Over 40% of Reputation Globally



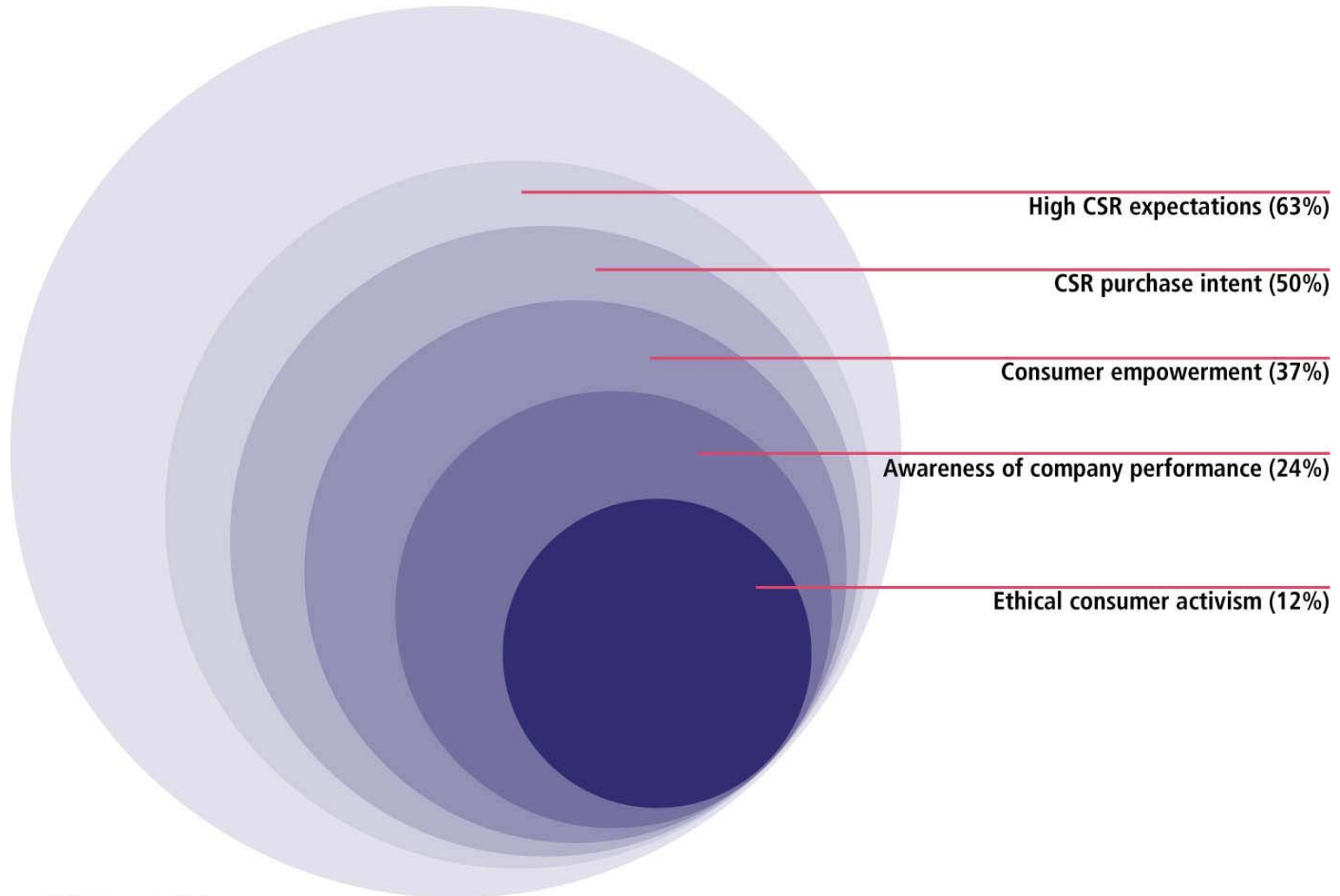
Adjusted R-squared = 0.774
n = 27,000

Note: Based on random sample of 1,000 rating per country

Ethical Consumerism Funnel

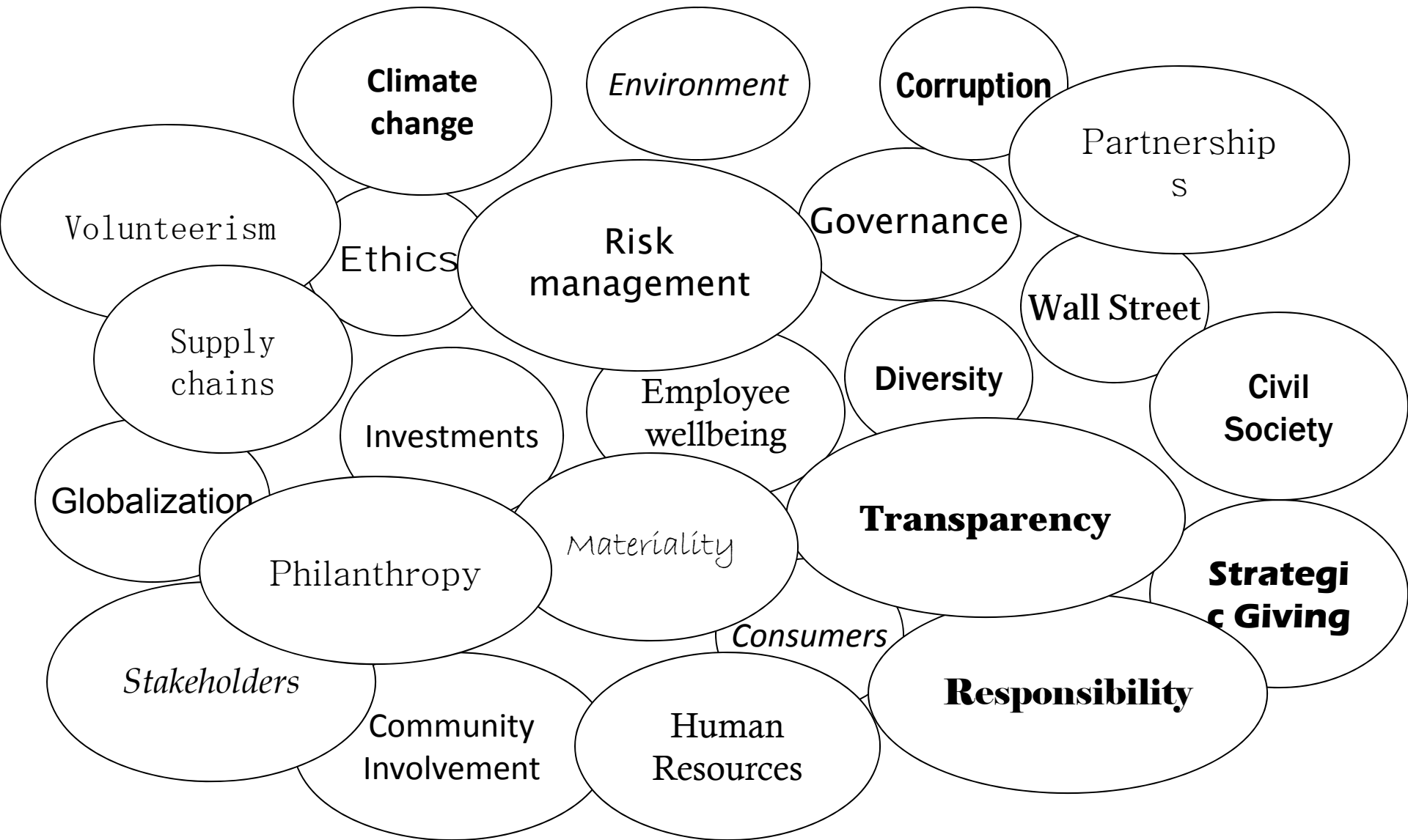
- Getting to Activism

32 country average



CSR09_funnel_global

IS SOCIETY TOO BIG FOR ONE COMPANY?



Development of Citizenship



		Stage 1 Compliant	Stage 2 Engaged	Stage 3 Innovative	Stage 4 Integrated	Stage 5 Transforming
<i>Engaging the Environment</i>	Issues Management	Defensive	Reactive, Policies	Responsive, Programs	Pro-Active, Systems	Defining
	Stakeholder Relationships	Unilateral	Interactive	Mutual Influence	Partnership	Multi-Organization Alliances
	Transparency	Flank Protection	Public Relations	Public Reporting	Assurance	Full Exposure
<i>Managing Citizenship</i>	Citizenship Concept	Jobs, Profits & Taxes	Philanthropy, Environmental Protection	Responsible to Stakeholders	Sustainability or Triple Bottom Line	Change the Game
	Strategic Intent	Legal Compliance	Reputation	Business case	Value Proposition	Market Creation or Social Change
	Leadership	Lip Service, Out of Touch	Supporter, In the Loop	Steward, On Top of It	Champion, In Front of It	Visionary, Ahead of the Pack
	Structure	Marginal: Staff driven	Functional Ownership	Cross-Functional Coordination	Organizational Alignment	Mainstream: Business Driven

CORPORATE RESPONSIBILITY (CR) LEADERS DELIVER ACROSS ALL LEVELS- SIMULTANEOUSLY



CR LEADERS DELIVER ACROSS ALL LEVELS- SIMULTANEOUSLY



“Compliance is Strategic,”
Jeffrey Immelt,
Chairman and
CEO, GE

- Voluntarily: Adopt Sustainability Standards; Report & Assure; Engage with Stakeholders; Certify Supply Chain Accountability
- Lead the Industry in Sustainability Basics
- Comply Globally with highest standards and regulations

CR LEADERS DELIVER ACROSS ALL LEVELS- SIMULTANEOUSLY

Change the
Game

Integrate
Sustainability
throughout the
Business

Commit to Compliance

- Shape the Sector
- Transform the Business
- Deliver scaled Impact
- Innovate breakthrough solutions, business, models, and partnerships



The work leveraged input from CFOs and ESG professionals

Methodology



How Virtue Creates Value
for Business and Society
Investigating the value of environmental,
social and governance activities



- CFO, Investor, and ESG Professional McKinsey Quarterly survey
 - 238 CFOs and investment professionals
 - 127 ESG professionals and socially responsible institutional investors
- Company interviews and case studies
 - 135 interviews across 20 companies and 11 industries in U.S. and Europe
 - Range of functions: ESG professionals, human resources, environment, strategy, finance, and investor relations

Key Findings

- ESG activities create value along the four areas traditionally valued by the market:
 - Growth
 - Return on Capital
 - Risk Management
 - Management Quality
- Investors and CFOs believe ESG activities create value, but are not fully taking it into account
- Many companies create real value from ESG activities, but most do not measure that value, and even fewer communicate the value
- There is a real opportunity for ESG professionals to fill this gap








Valuing CSR & Sustainability

ESG activities create value along 4 business dimensions

Growth	Return on capital	Risk management	Management quality
<ul style="list-style-type: none">▪ New markets▪ New products▪ New consumers/ customers▪ Innovation▪ Reputation/ differentiation	<ul style="list-style-type: none">▪ Price premium/ market share▪ Capital efficiency▪ Human efficiency	<ul style="list-style-type: none">▪ Regulatory risk▪ Reputational risk▪ License to operate▪ Supply chain/ security of supply	<ul style="list-style-type: none">▪ Leadership▪ Employee development▪ Adaptability▪ Long term strategic view

Our research shows that ESG activities are major levers to drive companies' long-term financial performance along 4 dimensions

ESG activities create financial value along 4 business dimensions

Growth	New markets		<ul style="list-style-type: none"> ▪ Novo Nordisk: Earned market leadership in China with market share above 70%
	New products		
	New customers/ market share		
	Innovation		
	Reputation / differentiation		
Return on capital	Operational efficiency		<ul style="list-style-type: none"> ▪ Verizon: Increased sales by \$6 million, with potential growth of a new market of over \$600 million
	Workforce efficiency		
	Reputation/price premium		
Risk management	Regulatory risk		<ul style="list-style-type: none"> ▪ Dow: Invested \$1 billion over 10 years to reduce its energy consumption and improve its efficiency and has saved \$7 billion in last 5 years
	License to operate		
	Supply chain/security of supply		
	Reputational risk		
Management quality	Leadership development		<ul style="list-style-type: none"> ▪ Nestlé: Earned \$4.5 billion in 2007 through the sales of PPP (Popularly Positioned Products)
	Adaptability		
	Long-term strategic view		
			<ul style="list-style-type: none"> ▪ IBM: Improved global leadership skills, employee retention and commitment to IBM, new knowledge and skill contribution to IBM

Business And Society: Risk And Opportunities

		SOCIETY	
		Risk	Opportunity
B U S I N E S S	Risk	Climate Change Digital Divide, Youth Unemployment, Corruption	Nationalization Access to Medicine Access to Credit Piracy
	Opportunity	Cheap Labor/Sourcing, Obesity/Consumerism, Environmental Damage, Bribery	Base of the Pyramid, Micro-Finance, Eco-Effectiveness CSR Partnerships

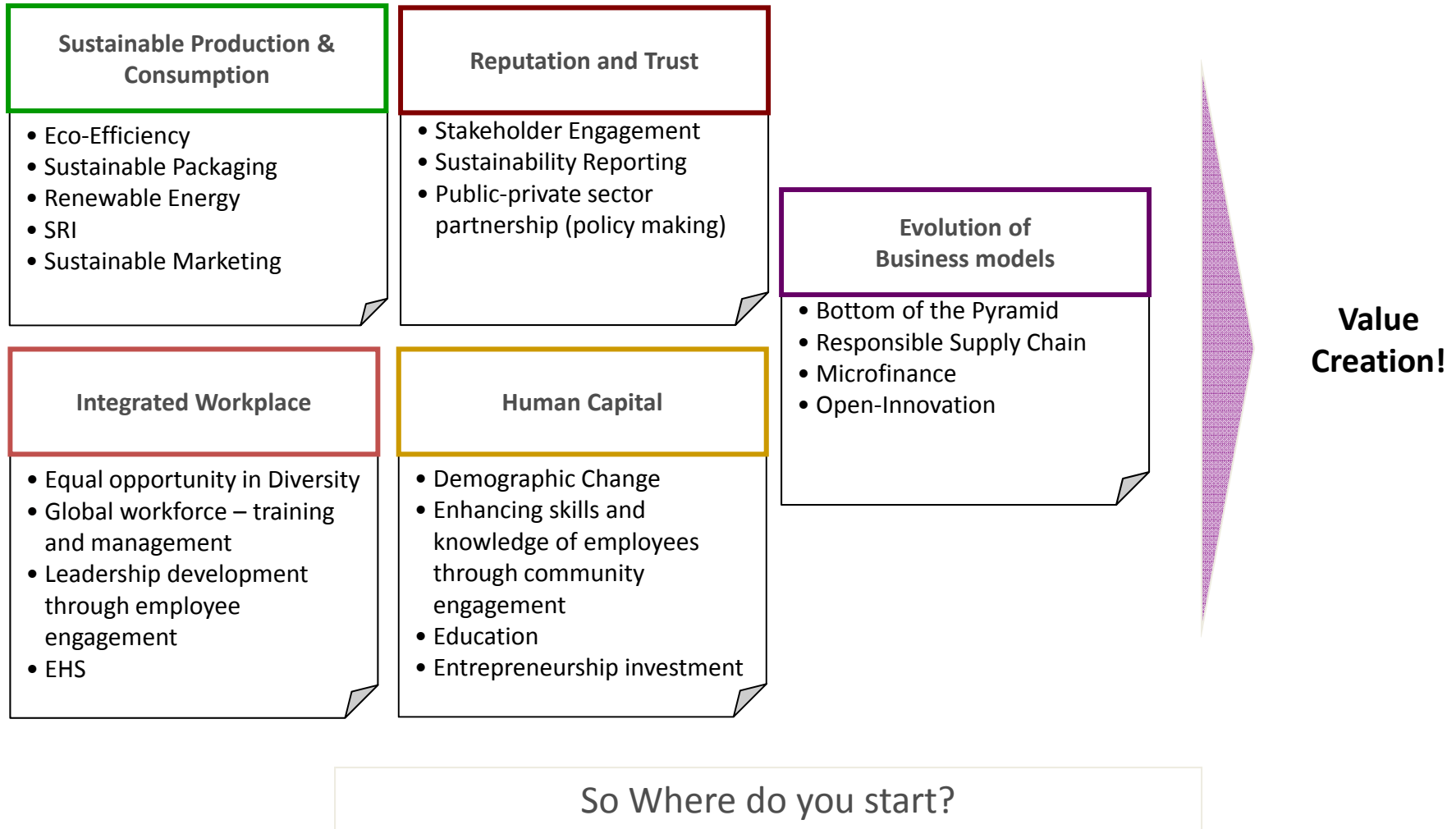
Source: *Beyond Good Company*

Embedding Corporate Citizenship into the Business

It is a systemic process that involves:

- The Corporate Citizenship function as leader and agent of change
 - Alignment of business with social and environmental issues
- creating an authenticity through tying reporting to performance

Emerging new trends of the Value Driven Corporate Citizenship



Building Blocks for Strategic Corporate Citizenship

Value creation

Business
integration

Learning with
stakeholders

Innovating through
partnerships

Not Just About “Keeping Up With The Jones”

- **Understand emerging issues through engagement with internal and external stakeholders**
 - *“Develop reliable radar” (McKinsey)*
- **Benchmark against peers**
- **Identify and then focus on the critical, few initiatives where your company can have greatest impact**
 - *“The essence of strategy is that you must set limits on what you're trying to accomplish” (Michael Porter)*
- **Establish a set of clearly articulated goals / objectives, and performance measures to track progress**
- **Align the organization to support the corporate citizenship goals**

There are 10 best practices for creating and maximizing value from ESG



Fundamentals	1		Address key issues facing the industry: Target industry-specific risks and related social needs
	2		Identify and engage stakeholders: Identify and inform key stakeholders of ESG programs impact and engage them in shaping activities
	3		Align with core business strategy: Create synergies between ESG activities and company's strategic objectives, build upon to differentiate from competitors
Strategy	4		Utilize core competencies: Identify the company's (tangible and intangible) assets and capabilities that competitors cannot easily copy and design ESG activities in a way that leverages them
	5		Take a long-term perspective: Take a consistent approach that is tied to the company's long-range strategy
	6		Create opportunities and manage risks: Mitigate risks and create opportunities (e.g., new potential business generation) through ESG
Organization	7		Ensure strong leadership support: Generate active support from CEO, board, and senior leadership
	8		Embed into the strategy, organization, and culture: Integrate ESG into business processes and strategy, ensure cross-functional support and develop formal incentives for participation
Implementation	9		Select appropriate partners: Enhance existing business relationships and help to establish critical new ones
	10		Set clear goals and manage like a business: Treat ESG as other business activities (e.g., set objectives, monitor investments, measure impact using metrics, align performance with employee incentives, communicate its value)



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