

THE EXECUTIVE'S GUIDE TO 21ST CENTURY CORPORATE CITIZENSHIP

How Your Company Can Win
the Battle for Reputation and
Impact

As long term investors, we at Trillium Asset Management believe that well managed companies understand both sustainability risks and opportunities. *The Executive's Guide to 21st Century Corporate Citizenship* is an essential resource for those seeking to learn how to manage these material issues and how to develop collaborative relationships with key stakeholders — including investors. At the end of the day it is this partnership that fosters the innovation necessary to make the transition to a truly sustainability economy.

— Paul Hilton, Portfolio Manager,
Trillium Asset Management

Dave Stangis and Katherine Smith bring together a powerful combination of leadership, knowledge and experience in the arena of building sustainable shared value through business. This book offers a terrific opportunity to take advantage of their years of experience and thus shortcut your path to becoming a more sustainable brand.

— KoAnn Vikoren Skrzyniarz,
Founder/CEO Sustainable Life Media

21st century investors are seeking sustainability leaders to realize stronger, more resilient portfolios that can deliver lower future risk and potentially higher financial returns. Stangis and Smith's *Executive Guide to 21st Century Corporate Citizenship* is an essential how-to guide for Boards, chief executives and managers to learn how to embed this leadership for shareholders and stakeholders, and for chief sustainability officers to build and implement

comprehensive strategies for success in concert with people, planet and profit goals.

— *R. Paul Herman, Founder and CEO,
HIP (Human Impact + Profit)
Investor Ratings and Portfolios*

This book is important because it offers a step-by-step approach to thinking beyond the quarter to nurture the long-term health of the company, its suppliers, and its customers. It helps the corporate citizenship manager consider all the operation's dimensions, methodically assess the operating environment, and develop objectives and a plan to improve both the business and the world.

— *Denise Morrison, President and CEO,
Campbell Soup Company*

Because of the magnitude of the challenges and opportunities we face as a society corporate citizenship professionals must be excellent leaders and managers both. This book provides an excellent toolkit to support the important work of our next generation of corporate citizenship leaders — no matter which seats they occupy in their companies.

— *Andy Boynton, Dean,
Carroll School of Management,
Boston College*

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the Battle for Reputation and
Impact

BY

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KATHERINE VALVODA SMITH



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FROM THE CORNER OFFICE

The Boston College Center for Corporate Citizenship is fortunate to have a network of more than 430 member companies that they can call upon for insight about effective practices. We are delighted to share insights that key executives from selected member companies have shared with our membership in recent years.

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FOREWORD

*From Denise Morrison
President and Chief Executive Officer
Campbell Soup Company*

I am honored to contribute to the foreword of this book with Andy Boynton, Dean of Boston College's Carroll School of Management.

The Executive's Guide to 21st Century Corporate Citizenship — How Your Company Can Win the Battle for Reputation and Impact ties together important principles that have informed and guided my career.

As the CEO of Campbell Soup Company, I work with this book's coauthor, Dave Stangis, Campbell's Vice President of Corporate Responsibility and Chief Sustainability Officer, to set our corporate citizenship agenda. I am thrilled Campbell was able to attract Dave, one of the field's most respected professionals. He is passionately driven to make our company — and the world — better every day.

As a proud alumna of Boston College, I have also followed the admirable progress of the Center for Corporate Citizenship — run by Dave's coauthor Katherine Valvoda Smith. My time as a BC undergraduate reinforced the importance of doing right while doing well. Those ambitions and values led me to Campbell, a company that embraces the values of service leadership and promotes them through our Purpose — Real Food that

Matters for Life's Moments. Our Real Food philosophy embodies creating real food that is affordable and accessible for consumers, respecting the environment, and innovating to improve the quality of life and well-being of our customers and employees.

Our society stands at the intersection of global consumer demand, technology, environmental sustainability, and human well-being. With markets moving at the speed of ideas, it's difficult to predict where the next disruptive innovation or seismic shift will happen. It is an interesting environment for a nearly 150-year-old company with several of the world's most recognized and respected brands. For me, building on the Campbell legacy to develop our 21st century corporate citizenship strategy has reinforced the business and social good that can be realized when we live our Purpose, not only in the short term, but also for generations to come. I believe you can make a profit and make a difference.

This book is important because it offers an executive overview of how to organize to think beyond the quarter to nurture the long-term health of the company, its suppliers, and its customers. It helps the corporate executive consider the operation's dimensions, assess the operating environment, and develop objectives and a plan to improve both the business and the world.

At Campbell, while our business strategy may shift over time and across markets, our Purpose and commitments to corporate citizenship will continue. We are tremendously proud of our environmental sustainability, public policy, and community achievements, and we know that our leadership differentiates us with many stakeholders.

Will it be difficult? Of course. Will it require time and effort? Of course. But we'll never stop trying to improve. I encourage you, and all readers of this book, to join our efforts, leveraging this invaluable resource. It's the right thing to do for all of us — for our consumers, our companies, our shareholders, and our planet.

*From Andy Boynton, PhD
John and Linda Powers Dean
Carroll School of Management
Boston College*

As Dean of the Carroll School of Management, I am pleased to contribute this foreword alongside one of Boston College's most accomplished alumnae, Denise Morrison. Denise has made important points about the challenges we face and the value of this book in our business context.

The Executive's Guide to 21st Century Corporate Citizenship — How Your Company Can Win the Battle for Reputation and Impact is a unique resource for leaders who want to maximize business and social value and who see the opportunity to use the assets of business to solve some of our most pressing environmental, social, and policy problems.

Through the work of its Center for Corporate Citizenship, Boston College has been committed for more than 30 years to help companies make more effective social and environmental investments. We've been proud to have Dave as a longstanding member of the Center's Executive Forum and Katherine Valvoda Smith has done an excellent job as its executive director. Their

collaboration offers a privileged perspective on the business of corporate citizenship. Dave has worked at the top of his field in three companies and in many industries. Katherine has had the opportunity to observe thousands of individuals across hundreds of companies and to interact directly with dozens of projects. Together they bring almost six decades of insight and experience to this book.

This is an important book for executives who find they want to or need to refresh their company's corporate citizenship strategy. Their companion book — *21st Century Corporate Citizenship: A Practical Guide to Creating Value for Society and Your Business* — offers a comprehensive process for your teams engaged in executing corporate citizenship programs. This book helps the executive guide the strategy to be executed.

Corporate citizenship has evolved quite a bit in the 30 plus years that the Center has been in existence. Even 10 years ago, I — and many other management professors — might have considered environmental, social, and policy considerations secondary to business strategy. Today, managing these domains is essential to business strategy. This book offers practical guidance to business leaders about how to consider these domains within your strategy.

At its heart, corporate citizenship is change management. It is about envisioning a different and better future for business and society. Change management requires the skills of both leaders and managers. Warren Bennis, one of the pioneers of contemporary leadership studies, was fond of saying, “The manager does things right; the leader does the right thing.”

Bennis is right. We need not just to do things right — which is about execution. We must do the right things, which means finding better ways to carry out the missions of our organizations. Without leadership, there's no agenda for change and improvement. There's no vision.

In my research, I've developed a list of three things any leader must do to be more than a manager. These reflect my three decades of working with leaders worldwide as a speaker, author, strategy professor, executive trainer, and dean of a management school.

Leaders Stake Out a Clear Vision

It's simply impossible for organizations to do great things if they have no clear expectations of the future. Without a vision, people lurch in different directions or run in circles. The result is a waste of time, money, and brainpower. Visions focus minds, hearts, and energy.

Leaders Get the Architecture Right

They design organizations that create the space for talent to soar. At a minimum, leaders remove all of the roadblocks that people must work around to do their jobs. The obstacles could be inadequate information, conflicting goals, mixed signals from the top, or confusing reporting relationships.

Leaders Call for Leadership from Every Seat

They make it clear that everyone should step up and find their spots as leaders, regardless of rank, title, or position. This is especially true when it comes to generating ideas.

Because of the magnitude of the challenges and opportunities we face as a society — overpopulation, climate change, inequality, water scarcity — successful executives must be both excellent leaders and managers. This book provides an excellent tool kit to support the important work of our next generation of corporate citizenship leaders — no matter which seats they occupy in their companies.

ACKNOWLEDGMENTS

We would like to thank many people and organizations who contributed to this book. Thanks to Mike Sugarman for suggesting the project and being a great optimist and enthusiast for the field and for the work of the Boston College Center for Corporate Citizenship. To our current bosses (Katherine, Carroll School of Management, Dean Andy Boynton and Dave, Campbell Soup Company President, and CEO Denise Morrison) for their belief in the importance of the project and their support. To our excellent first readers, Steve Quigley, Jessica Shearer, and Kate Rubin, who offered great feedbacks and ideas. To our Emerald Insights editors, John Stuart and Pete Baker, for their patience and advice. To Sara Henry and Liz Rogers for their contributions to the materiality chapter. To all of those who read drafts and offered ideas and insights: Dan Bross, Suzanne Fallender, Rick Pearl, Regina McNally, Marcia Ryan, James Valvoda. To all of our colleagues who assisted with the “From the Corner Office” entries.

From Dave to Carolina, Michael, Megan, and Dad for providing the inspiration for, and for instilling, the work ethic and value set to live by. From Katherine to Ted and Casey Smith for their patience, love, support, and forgiveness for the absentminded responses to questions,

postponed family outings, and evenings at the computer rather than the family table.

To all of our former bosses, who allowed us to disrupt, challenge, persuade, and work above our paygrades (although clumsily at times) on the topics and issues outlined in this book. Your faith that we would actually make things a little better than how we found them helped us learn and grow as professionals.

INTRODUCTION

We have always had a strong belief that the science and art of corporate citizenship are fundamental to differentiated business success. This has played out in our personal careers and in the careers and companies we've had the opportunity to influence. As we started to talk about the need for a "how to" book that addresses the fundamentals of corporate citizenship practice, we realized that the two of us had, between us, almost 60 years of experience working in some dimension of corporate citizenship. Although Dave started in environmental health and safety management and Katherine in philanthropy, their career paths converged at the intersection of those disciplines and corporate citizenship strategy. As a team, we drafted this companion to our book *21st Century Corporate Citizenship: A Practical Guide to Creating Value for Society and Your Business*.

This book is designed to provide a quick-hitting, one stop shop for the executives charged with getting the most impact out of their companies. It is the go-to resource for those senior executives, CEOs, or board directors, seeking to get the best out of your corporate citizenship team. We hope you will use this book as a resource that can help you think through the 21st century competitive dynamics that create the most value for your company, your shareowners, and society.

Dave Stangis is Vice President of Corporate Responsibility and Chief Sustainability Officer for the Campbell Soup Company. Campbell's portfolio of products extends beyond soup to foods such as Pepperidge Farm breads and Goldfish crackers; Arnott's, Kjeldsens, and Royal Dansk biscuits; V8 beverages; Bolthouse Farms super-premium beverages, carrots, and dressings; Garden Fresh Gourmet salsa, hummus, dips and chips; Plum organic baby food; Swanson broths; Prego pasta sauces; and Pace Mexican sauce.

Dave created and now leads Campbell's corporate social responsibility (CSR) and sustainability strategies. As such, he oversees the company's execution of CSR and sustainability goals, policies, programs, engagement, and reporting, from responsible sourcing and sustainable agriculture to social impact metrics in the community. Since arriving at Campbell Soup, the company has been named as the Dow Jones Sustainability Indices, the 100 Best Corporate Citizens List, the 100 Most Sustainable Corporations, and as one of the World's Most Ethical Companies.

For more than 20 years, Dave has been leveraging corporate responsibility principles to generate business and brand value. Prior to joining Campbell, he created and led the Corporate Responsibility function at Intel. He led a global CSR network organization, a role that gave him insight into corporate citizenship across the world. He's also served on the boards of Net Impact, the Graham Sustainability Institute at the University of Michigan, the University of Detroit-Mercy College of Business, the United Way of Greater Philadelphia and Southern New Jersey, and Ethical Corporation Magazine. In 2008 and

2013, he was named one of the 100 Most Influential People in Business Ethics by *Ethisphere Magazine*. *Trust Across America* named him one of the Top 100 Thought Leaders in Trustworthy Business Behavior for four years running.

Dave earned his MBA from the University of Michigan, his Master of Science in Occupational and Environmental Health from Wayne State University in Detroit, and his undergraduate degree from the University of Detroit.

Katherine Valvoda Smith is Executive Director of the Boston College Center for Corporate Citizenship in the Carroll School of Management. She oversees all the Center's activities and strategic ventures and teaches "Managing Business in Society" in the Carroll School of Management MBA program. The purpose of the Center is to help corporate citizenship professionals know more, do more, and achieve more with their corporate citizenship investments by understanding the foundations of how companies create good in the world and add value to their businesses through their environmental, social, and governance investments.

The Center has conducted research about the practice of corporate citizenship for more than 30 years, developing the deep knowledge and insights that help corporate citizenship professionals manage and improve performance in the environmental, social, and governance dimensions of their companies. The BC Center for Corporate Citizenship supports more than 430 (and growing) members each year; as its executive director, Katherine has had the opportunity to work with dozens of companies and to observe closely the corporate

citizenship practices of hundreds of companies and thousands of practitioners.

Before joining the BC Center as Executive Director, Katherine held various academic and administrative positions in higher education and in nonprofit organizations. Throughout her career, Katherine has worked to support several large-scale public–private partnerships and research projects. These include a series of corporate, foundation, and university research partnerships focused on multidisciplinary science initiatives, and on social issues, including education and health care. She has also served as an advisor for numerous Fortune 500 companies. She earned her BA from Cleveland State University and her master’s degree from Rhode Island School of Design.

THE EXECUTIVE BRIEF

We spend a lot of time within our own spheres at Campbell and the Center for Corporate Citizenship building models and strategies that deliver results ranging from reputation management and operational efficiency to employee and community engagement. We also spend a lot of time providing advice and structured programs to our peers and other companies about how to leverage these disciplines for true business value. We wrote this book for executives and managers who are seeking perspective on their company's corporate citizenship programs. If you are looking for the "how to" book, please pick up the companion to this volume: *21st Century Corporate Citizenship: The Practical Guide to Creating Value for Society and Your Business*. This book is for the busy executive or manager who is looking for a quick guide that can inform the questions they should be asking themselves and their teams to ensure that they are getting the most out of their corporate citizenship program, for their company and for society.

This is a book about building a successful business in the 21st century. It's a book about leveraging all the tools, trends, and assets at the disposal of business to drive bottom-line results, value chain resiliency, productivity, innovation, long-term shareowner value, and benefit for the community and a better world for all of us.

We will use terms like sustainability, corporate responsibility, and social impact to help explain our concepts and translate some of our frameworks, but this is all about creating the most successful business possible in the 21st century competitive landscape.

THE CORPORATE CITIZENSHIP CHALLENGE

What is corporate citizenship? You may have heard it called by a variety of names — corporate social responsibility, corporate sustainability, corporate responsibility — but all terms boil down to the same thing: building a more ethical, resilient, sustainable and profitable company. In the 1970s and 1980s, Corporate Citizenship, CSR, CR, etc. were a kind of shorthand for talking about corporate philanthropy. As the practice has evolved, so has the purview of the practice. Today when we talk about corporate citizenship, we are talking about how companies exercise their rights, responsibilities, obligations, and privileges across a variety of economic, social, and environmental domains.

In 1970, Milton Friedman wrote an article in *The New York Times* magazine titled “The social responsibility of business is to increase its profits.” Wildly influential, this article argued that if businesses contributed to charitable causes, they would betray their primary responsibility as businesses: profit-making. Friedman left little room for considering that any environmental, social, or governance (ESG) expenditures might help a company’s profit margins. That was the reigning assumption at the time, but what if Friedman were wrong, or the assumptions on which he based his argument do not hold today? What if strategic corporate giving and other ESG

activities were not noble wastes of money? What if, instead, they actively create value for the company and society? Since Friedman made his assertions in the 1970s, social scientists have been searching for hard evidence linking ESG performance to financial performance. They have found a great deal of it; numerous empirical studies have indicated that it never hurts to do the right thing and it may, in fact, pay to do the right thing:

- The 30 years of research examining the relationship between corporate social performance (CSP) and financial performance (CFP) over 52 studies suggested that CSP and CFP generally go hand in hand, and this effect holds true across a variety of industry and study contexts.¹
- A 2015 paper suggests that analyst evaluations of companies with poor social performance are less likely to carry buy recommendations even if the stock appears to be underpriced based on evaluation of the fundamentals.²
- A meta-analysis³ of 35 years of research, looking at 214 studies, concluded that CSP has a positive relationship with CFP especially if the company can improve its environmental impact and is a transparent and proactive reporter of its ESG performance. In fact, the study notes that companies may under-communicate about their good works and could derive more value from strategic communication.
- Two recent papers^{4,5} tracked the market's reaction to CSR-related investor engagements with publicly traded target companies. One study looked at 2,152

engagements with 613 firms between 1999 and 2009 — a very large sample for a study of its kind — the engagements were designed to improve the target company's CSP. Researchers found that successful engagements correlated to share price increase by an average of 4.4% in a year. The second, similar study found share prices to increase by an average of 1.7% per year.

Although few studies operate on scales as grand as the above three papers, the empirical relationship between corporate ESG and financial performance is consistently documented in current scholarly literature. A 2013 study,⁶ for instance, focused primarily on CSR ratings; it aimed to disentangle various measures of environmental performance into a simpler, cleaner metric. Researchers distilled these diverse measures into two principal drivers: the adoption of environmental management practices and reporting and environmental outcomes (the tangible environmental outputs a company creates). They then investigated the relationship of these drivers to financial performance. They found a significant relationship between environmental processes and financial performance, indicating that firms can create more value by implementing environmental practices. Nearly half a century after Friedman's provocative article, the tables have decisively turned. Researchers have, time and time again, demonstrated that strategic socially responsible behavior does not reduce company value.

Today the scope of corporate citizenship touches every aspect of your business. Businesses operating in our

global economy have become increasingly responsive to the demands of a range of stakeholders: communities, employees, customers, shareholders, and governments across the world. Many factors have contributed to this trend. The democratization of information and digital and social communication have been major factors. As more people have greater ability to communicate with and about companies across domestic and international borders, companies are held to account by greater numbers of stakeholders than ever before and as a result they are proactively managing their impacts.

DON'T MAKE THIS FUNDAMENTAL MISTAKE

Sometimes, executives think if their corporate citizenship initiatives are aligned too closely to their business strategy, their companies won't be viewed as good corporate citizens. They can sometimes confuse strategic alignment in this domain with the concept of "self-dealing" when a corporate citizenship program is both creating value by improving an aspect of the company and at the same time doing good in the world. Let's take a look at this assumption for a moment.

First ask yourself if the social or environmental good you achieve with your corporate citizenship investments is less good because your business may benefit also. A number of studies show consumers, employees, and other stakeholders respond much more positively to corporate citizenship initiatives that meet both the strategic needs of the company *and* create good in society.

This means the more logically connected your citizenship investments are to the operating context of your business, the more likely your customers are to accept that your company is committed to doing good. They do not have to work out why you're doing what you do, they just get it and give you credit for being a good corporate citizen.

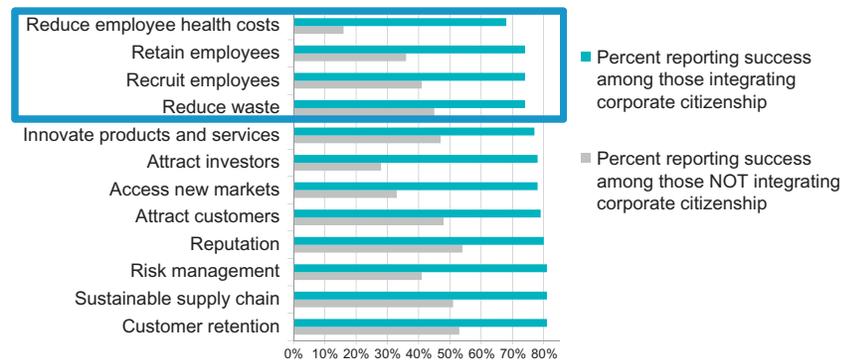
IF YOU'RE STILL NOT CONVINCED ABOUT
THE BENEFITS OF CONNECTING
CORPORATE CITIZENSHIP AND BUSINESS
STRATEGIES, READ THIS

You know now your corporate citizenship strategy should connect to, and support, the business strategy in your organization — taking into account your company's priorities, growth plan, location, expertise, and community needs. The strategy can be made up of a number of programs and investments across the social, environmental, and governance dimensions of your company's operations.

For the Boston College Center for Corporate Citizenship's *2017 State of Corporate Citizenship* study, we talked to 750 executive respondents. Those who aligned their citizenship programs with their business objectives consistently reported increased success in achieving the outcomes valued by their companies (see [Figure 1](#)). Additional independent research also proves alignment and integration help companies achieve success with the following aims:

Figure 1: Connecting Corporate Citizenship to Business Strategy. The 2017 BCCBC State of Corporate Citizenship study observed that companies that do not integrate corporate citizenship in their business strategy report achieving modest success in achieving business goals. However, companies that do integrate corporate citizenship in business strategy report significantly higher levels of success in achieving the business goals that they set for themselves

Connecting corporate citizenship to business strategy leads to great business success



- Reinforce their brand; deepen customer⁷ and employee⁸ involvement.
- Address environmental and social issues that have the potential to disrupt their business.⁹
- Assess the impact of their gifts because they understand they are closely related to their business experience.¹⁰
- Create reputational assets that contribute intangible value to the firm¹¹ while contributing to the common good.¹²
- Have philanthropic and other citizenship initiatives viewed as more credible as a result of logical connections to the purpose of the company.¹³

In the Boston College Center for Corporate Citizenship's *2015 Community Involvement Survey*, over 90% of companies that had connected their corporate citizenship strategy to their business strategy managed to reduce their employee health costs. This was compared with under 30% of businesses that had not. And 95% of businesses that connect their corporate citizenship strategy to their business strategy have improved their risk management, compared to only 55% of those that have not.

Given these results it's not surprising that for the first time in 30 years, executives predicted that the investment in corporate citizenship would increase over the next three years in every dimension queried, including human rights management, philanthropy, recycling, environmental investments, safe products, and employee volunteering.

Why the increased commitment? Because people are increasingly coming to understand corporate citizenship activity contributes to a company's success.

OVERCOMING BARRIERS TO STRATEGIC CORPORATE CITIZENSHIP

You'd think, given the statistics above, that every company would be implementing citizenship programs that connect to their business strategy. But as you've probably already discovered, there are many reasons why this doesn't happen. Much of this has to do with a lack of understanding about the true benefits that can be gained for both business and society.

Don't get us wrong — there are no 'bad' good actions. There are, however, some commonly misguided alternatives to pursuing a strategic approach:

- *Moral appeal*: “corporate citizenship should not be about benefiting the company; it should be about the company doing the right thing.” This is a purely charitable motivation, and of course there's nothing wrong with it except that programs created with this aim are at risk of being seen as “extra” because they have no connection to the firm's purpose or strategy.
- *License to operate*: if you're only considering what your community and stakeholders think about you right now, you're defining yourself by where you are today and not where you intend to be in the future.
- *Reputation management*: this confuses social, environmental, and business results with PR. Although there are clearly reputational benefits to good corporate citizenship, focusing purely on reputation leaves on the table other opportunities to create value.

You can see how these rationales focus on the *tension* between business and society, rather than on their *interdependence*. Rationales that aren't tied to the specific strategy of the company are not sufficient to help identify, prioritize, and address the social issues that matter most.

The more logically connected your corporate citizenship priorities are to your company's core business strategy, the more authentic and credible your program will be perceived by stakeholders of all types — customers, employees, shareholders, and community members — and the more value both your company and society will derive from the investment. This mutually reinforcing loop is a virtuous circle that creates not only a favorable business context, but also the world in which we want to live.

Integrating your corporate citizenship strategy with the vision and strategy of your company creates the basis for long-term success. This book helps you organize and communicate a clear plan.

From the Corner Office

With more than 30 years as an executive at the Walt Disney Company, Jay Rasulo shared his insights about effective corporate citizenship at one of the world's most beloved brands. Corporate citizenship lives through the actions of those it touches as they are inspired to imagine a better world and make the choices necessary to create it.

- Take the time to build a citizenship strategy that really links your company's brands and values with that effort.
- Focus and prioritize that linkage to your business's unique competitive advantage. When people understand the link between your organization, what it stands for, what it does, and the efforts that you make in the citizenship arena, it can not only be more impactful, but also will stick in their minds about who you are and what you do in this arena.
- Don't try to do too much all at once. Even in a large company, resources may be scarce, and the resource of time is always short. Set goals and targets — things that get measured get accomplished — and don't be afraid to adapt and change course along the way.
- Today's challenges are simply too big and too complex to solve as one individual or one group, or even one global company. The good news is that, in a hyperconnected society, businesses have an enormous opportunity to engage more people than ever before in social and philanthropic efforts.

Excerpted from Disney Senior Executive Vice President and Chief Financial Officer Jay Rasulo's March 24, 2014 speech at the Boston College Center 2014 International Corporate Citizenship Conference. Reprinted in *The Corporate Citizen* magazine, Issue 11, 2014.

CORPORATE CITIZENSHIP IN 10 STEPS

At the end of each chapter, you'll find a clear summary of the main points and a list of questions to ask your team. Ensuring that you and they have considered the questions — even if you haven't come to final resolution on some of them it will help to ensure that you have a fully integrated corporate citizenship program.

As we noted earlier in this chapter, “corporate citizenship” is called a lot of things; to avoid confusion, we're sticking to this one term throughout. Don't worry if your company calls it something different; the semantics aren't as important as what you're trying to achieve. Pick the terms that make the most sense for your culture and stick with them.

We all know that individuals doing good can make an impact, but with a whole *company*? How much more can you achieve if you harness the power of your entire corporation? The sooner you get started, the more quickly you can make change for the better, make a positive impact in the world, deliver top and bottom line results for your company, and build your corporate citizenship reputation at the same time.

NOTES

1. Orlitzky, Schmidt, and Rynes (2003).
2. Luo, Wang, Raitel, and Zheng (2015).
3. Margolis, Elfenbein, and Walsh (2007).
4. Flammer (2015).

5. Dimson, Karakaş, and Li (2015).
6. Delmas, Etzion, and Nairn-Birch (2013).
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8. Vitaliano (2010).
9. Simmons and Becker-Olsen (2006).
10. Raffaelli and Glynn (2014).
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SECTION 1

LAYING THE FOUNDATION
AND GIVING YOUR TEAM
THE RIGHT TOOLS

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CONNECTING CORPORATE CITIZENSHIP TO BUSINESS PURPOSE

What's the purpose of your company? Stop and think about that for a moment. Perhaps your company has a "Mission" or "Vision," but purpose is different. Why was it originally created, even if that was many years ago? This can be an interesting question to ask and a difficult one to answer. There's a very good reason to make the effort. In the process of exploring these issues, you'll learn how to design a corporate citizenship strategy and program that is relevant, comprehensive, and — most importantly — that works.

All successful businesses were created originally to fill a market need or solve a societal problem. This is the core of purpose. The purpose of your company could have been to make life more convenient, to provide something essential, or even to create an exciting experience. Depending on how long your corporation has been around it may still be providing that same solution; alternatively, the company may now be selling products and services that address problems that did not exist at your

founding with solutions that were unimaginable. At its core, a successful company delivers something to the world that only it can provide in its distinctive way. It's a special point of differentiation from its competitors. Purpose is the reason your company was created and exists today. It is related to vision and precedes strategy. When you have your company's core purpose clear, it should guide your corporate citizenship.

Let's look at some sample company websites to better understand the concept of purpose (Table 1).

The purposes of the example companies have changed relatively little over time. It's the *way* they realize their

Table 1: Company Business Purpose

This is the Company's Purpose	This is How They Realize Their Purpose
"3M is a global innovation company that never stops inventing."	"Over the years, our innovations have improved daily life for hundreds of millions of people all over the world. We have made driving at night easier, made buildings safer, and made consumer electronics lighter, less energy-intensive and less harmful to the environment. We even helped put a man on the moon."
"Campbell Soup Company's purpose: Real Food That Matters For Life's Moments."	"For generations, people have trusted Campbell to provide authentic, flavorful and readily available foods and beverages that connect them to each other, to warm memories, and to what's important today."
"McDonald's reaches customers with enjoyable meal experiences wherever they are."	"McDonald's is innovating new tastes and choices, while staying true to customer favorites. Modern service. Personal engagement. Great-tasting burgers and fries. Building on our commitments to our people, our communities, and our world."

purposes that have evolved, as their operating contexts have changed.

It's not always easy to uncover your core purpose, but if you get it right you'll have a solid foundation that provides the justification and boundaries for your business strategy and corporate citizenship program. What's more, unlocking a company's core purpose can unleash new ideas, helping you to think more imaginatively and broadly about how corporate citizenship contributes to your company's purpose and unique value proposition. Your company's purpose is here to stay, representing the value you provide to your customers year after year. It's not a program or a campaign, it's for life.

For example, think about Ford Motor Co. The business was originally created to provide affordable transport for everyday people, and it still does that today. Ford changed its business model to adapt, like all companies do. It went from mass-producing a single model in a single color to customizing individual models and features and vehicle types (sedans, coupes, trucks, hybrids). In today's sharing economy some consumers either can't afford or aren't interested in owning a car, but they still want to be able to use one from time to time. So Ford has developed partnerships with technology companies and now leases vehicles to ride-sharing systems as well as selling them to individual owners. The company is still true to its original purpose of giving people an affordable way to travel from place to place, just not in exactly the same way it used to. Ford used an advertisement in the 2017 Super Bowl to help remind consumers about its broad mobility purpose.

We mentioned McDonald's in our examples above. Their original purpose was to serve fast, family-friendly meals on the go, to the increasingly mobile society of mid-century America. When McDonald's was founded people ate out less, mainly at lunch and dinner; McDonald's therefore came up with the solution of burgers and fries. They've interpreted that purpose across both decades and geographic regions. As work hours became longer and more women worked outside the home there was higher demand for meals on the go at different times of day, so McDonald's developed a popular breakfast menu and expanded its service hours. In the United States, the breakfast menu is so popular that McDonald's now serves breakfast all day. McDonald's expects to have more than 450 restaurants in India by 2020,¹ and none of them serve beef. You can see how they've interpreted their purpose through a changing context and applied their core competencies (replicable inventory and fast, easy preparation) to new contexts; if they had thought about their company purpose as "getting customers fast burgers," they wouldn't have had the flexibility to apply these skills to changing times and environments.

After all, in the 1950s and 1960s, "fast, affordable, family-friendly meals on the go" was defined very differently to how they are today. In those days delivering hot, tasty, and consistent burgers and fries from clean stores, being supportive of the community with gifts in kind, and supporting the local little leagues were sufficient to fulfill their purpose. But as consumer expectations changed over time and geography, and as their business grew, McDonald's had to maintain their core

competencies in menu planning, purchasing, and training, and add new ones in nutrition, wellness, and environmentally friendly packaging. Now they have wellness initiatives for families to understand better the nutritional profiles of their menu items and offer training and development to employees (Warren Buffett has called the company a gateway to future employment). Their commitments have changed as their context has changed, but their purpose has not.

BUSINESS PURPOSE, VISION, AND STRATEGY

By the way, if you're wondering what the difference is between a company's purpose, vision, and strategy, it's this: purpose is the motivation for all it does; vision is a vivid, easily communicated image for how the world will be different if it's successful in achieving its objectives; and strategy is the plan of action for how it will compete in the market to achieve this vision. Purpose is the reason you're undertaking your strategy, and usually doesn't change. Purpose informs decision-making and promotes systems thinking. Strategy changes as customers, consumers, and markets evolve. Later on, we'll look at strategy in more detail; for now, just know that it springs from your corporate purpose. One of your key jobs as a corporate leader is to set the vision for where the company will go and to communicate it in ways that inspire action among your people. The behaviors that you reward — both what is done and how it is done — establish the culture of your company.

HOW DOES YOUR CORPORATE CITIZENSHIP PROGRAM SUPPORT YOUR COMPANY'S PURPOSE AND STRATEGY?

Your company has a core purpose, and so does your corporate citizenship program. Can you describe what it is? How would your company's customers describe it? What would your employees say about it? How about your suppliers, investors, and other stakeholders?

You can sit in your office and ruminate on this, or you can tap into the wisdom of your team. Ask what success would look like for them. Their words are important here, as they will likely use different terminology than you. A subordinate might say, "I love coming to work because what this company is doing is making a real impact." An investor on Wall Street would never say, "Well, it's great they have a robust volunteer program." They may, however, note your company has a low staff turnover and does a great job of managing its people. Does your corporate citizenship investment contribute to that strength? Data tell us there is a strong positive correlation of volunteerism and employee engagement with low turnover, so you probably do contribute to the Wall Street investor's assessments of the quality of management and stability of the company.²

To inspire people you need to paint a vivid picture of your corporate citizenship strategy, and how you intend to fulfill and measure it. At this stage, you're simply collecting information; imagine you have a pile of "corporate purpose" on your desk and a stack of "what I'm going to do about it." You also have a collection of words and images to describe your purpose to the people

that matter your team, your board, your customers, your suppliers, your community.

From the Corner Office

The best corporate citizenship programs reflect the vision and mission of the company, and executives are uniquely qualified to arrange this alignment. At New Balance, president and chief executive officer Rob DeMartini, ensures that all initiatives, corporate citizenship or otherwise, tie in with company values.

Linking corporate citizenship to core business strategies yields results. The best organizations lead with their values. They take the long view. Our values — teamwork, integrity, and total customer satisfaction — are our guideposts.

We want to be successful — but not at any cost. We'll be successful on our terms, with Responsible Leadership. When the choice is between right and right now, the most successful organizations choose right based on a set of core values deeply held in the C-suite, through every associate down to the factory floor.

Business is a powerful force for social change. It is the role of Responsible Leadership to lead the way.

New Balance President and CEO, Rob DeMartini

From *The Corporate Citizen* magazine, Issue 11, 2014.

WHAT MAKES YOUR COMPANY UNIQUE?

Remember when we talked about what makes your company different and special at the beginning of this chapter? You may have wondered what this means for the corporation you lead.

There are thousands of service companies, hundreds of food companies, and dozens of automotive companies and airlines, but it's what they each do differently from the others that gives them their competitive advantage — their differentiation. Are products offered faster? Are they more innovative? Do they offer unique or more features? Are they less expensive than competitors? It's not just *what* they provide but it's *how*!

What makes your product or service special? If you're a retailer, you may describe your stores as the most welcoming place in the world to shop for high-end goods. Your shoes may be the ultimate in low-priced but high-fashioned items — or you may employ a buy-a-pair/give-a-pair strategy. To determine what makes you unique sounds simple but it can be really hard to answer; even large leadership teams sometimes have a difficult time answering this question.

HOW DO YOU DIFFERENTIATE YOUR CORPORATE CITIZENSHIP PROGRAM?

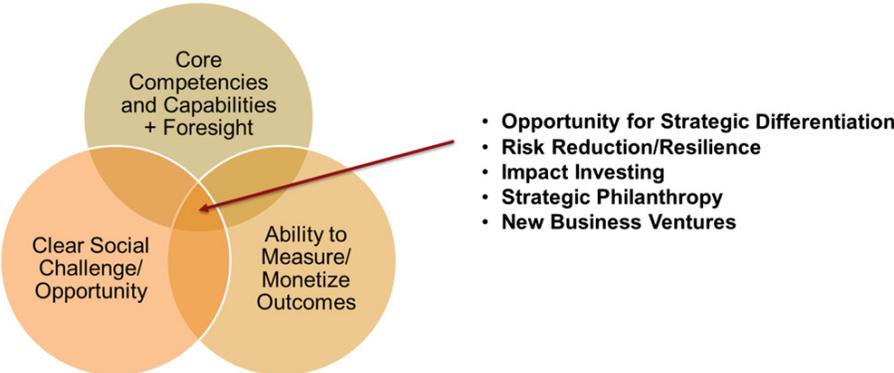
Maybe you have the best R&D people in the world, or possibly your ability to deliver a particular experience is second to none. These are your firm's core competencies — the things you do exceptionally well as

a business and which differentiate you from your competitors. Your purpose and your competencies come together to make up your value proposition. Understanding how your unique value proposition intersects a clear societal need is the key to unlocking measurable outcomes and impact (Figure 2). And just like with your purpose, you now need to be able to describe your complete value proposition so that anyone in the company would say, “Oh yes, that sounds just like [your company name].” They get it. They understand what you deliver and what you do in a more unique and compelling way than anyone else.

MAPPING YOUR BUSINESS PROCESS FLOW

In order to define the corporate citizenship building blocks, tactics, risks, opportunities, and link to strategy, you need to think about the flow — or value chain — of your business. From a corporate citizenship perspective, every element in this flow will illuminate opportunities and challenges. These line and support functions could have human rights implications, environmental impacts, activism issues, or energy and water requirements. When you look at the business flow, you’ll find the levers you can pull to create or enhance your citizenship program. There may be too many to include in the first pass, although by mapping it out you’re uncovering the risks as well as the opportunities for your work. We will cover many key business functions in the following chapters, but this effort is more than an intellectual exercise.

Figure 2: A Strategic “Sweet-Spot” Exists for Your Enterprise to Deliver Differentiated Business Results and Social Impact. Competitive and reputational advantage exists where your core competencies overlap a compelling environmental or social opportunity and the ability to measure or monetize that impact



The deeper the examination of your business processes, the more value you will unlock.

YOUR COMPETITION

You've considered your company's purpose, vision, strategy, processes, core competencies, employees, and customers. Before you move forward, you need to look at your competition again from the corporate citizenship perspective.

You may think of competitors as businesses competing in the same product or service sector as your own, but there are many different ways to compete. It's especially important to define your competition according to the key risks and opportunities in your business. For instance, there may be risks and opportunities in your supply chain which you've positioned yourself to deal with differently than your competitors. Or you might have some unique competitive advantage or disadvantage in distribution, sales, or communications.

From a business perspective alone, never mind corporate citizenship, you could be competing with almost anyone. If your company wants to recruit the best and brightest employees, you can become better at recruiting by creating an engaging, inspiring workplace. When you know who you compete with — and in what arenas — you've begun to build a framework to differentiate your corporation from the competition.

From a corporate citizenship perspective, you could have a competitor outside of your sector because they're competing with you on the ethical nature of their supply

chain. It's also important to consider your competition from the standpoint of reputation. If you were to walk around your local community and ask people who your competitors were, they might say the local hospital, university, or nonprofit, because they're viewing you all as members of a single community rather than as members of disparate industries. If you are asking financial analysts about your competitive set, they will likely be assessing you against companies in the same industry, offering the same (or similar) services. If you are asking your HR leaders, they will be looking at companies across industries (and very likely geographies) to attract the best talent possible to your company. Understanding who your various stakeholders view as competitors is an important undertaking.

10 QUESTIONS TO ASK YOUR TEAM BEFORE YOU MOVE ON

1. What is the core purpose of our business? Do we know how our customers, and society in general, would describe it?
2. Can we describe what long-term success looks like for our business? Is this view understood across your organization?
3. Does our vision of success paint a picture, describe a feeling, and evoke value for our employees, customers, and other stakeholders?
4. Have we mapped out our business processes and assessed them for risk and opportunity?

5. Have we identified elements of our current or planned corporate citizenship program that can help mitigate risks or achieve opportunities?
6. What are our company's core competencies (what it does better than any other company on the planet)?
7. Are we exploiting our core competencies in your corporate citizenship? Or are we running a "me too" program?
8. Can we identify elements of our corporate citizenship program that do not connect to our purpose and/or core competencies? How might we reallocate the resources that these efforts consume?
9. Do we know who our competition is within both industry and reputation contexts?
10. Do we know how we compare to each competitor in each context?

NOTES

1. <http://www.thehindu.com/business/mcdonalds-india-to-double-outlets-by-2020/article7648207.ece>
2. The Boston College Center for Corporate Citizenship (2015).