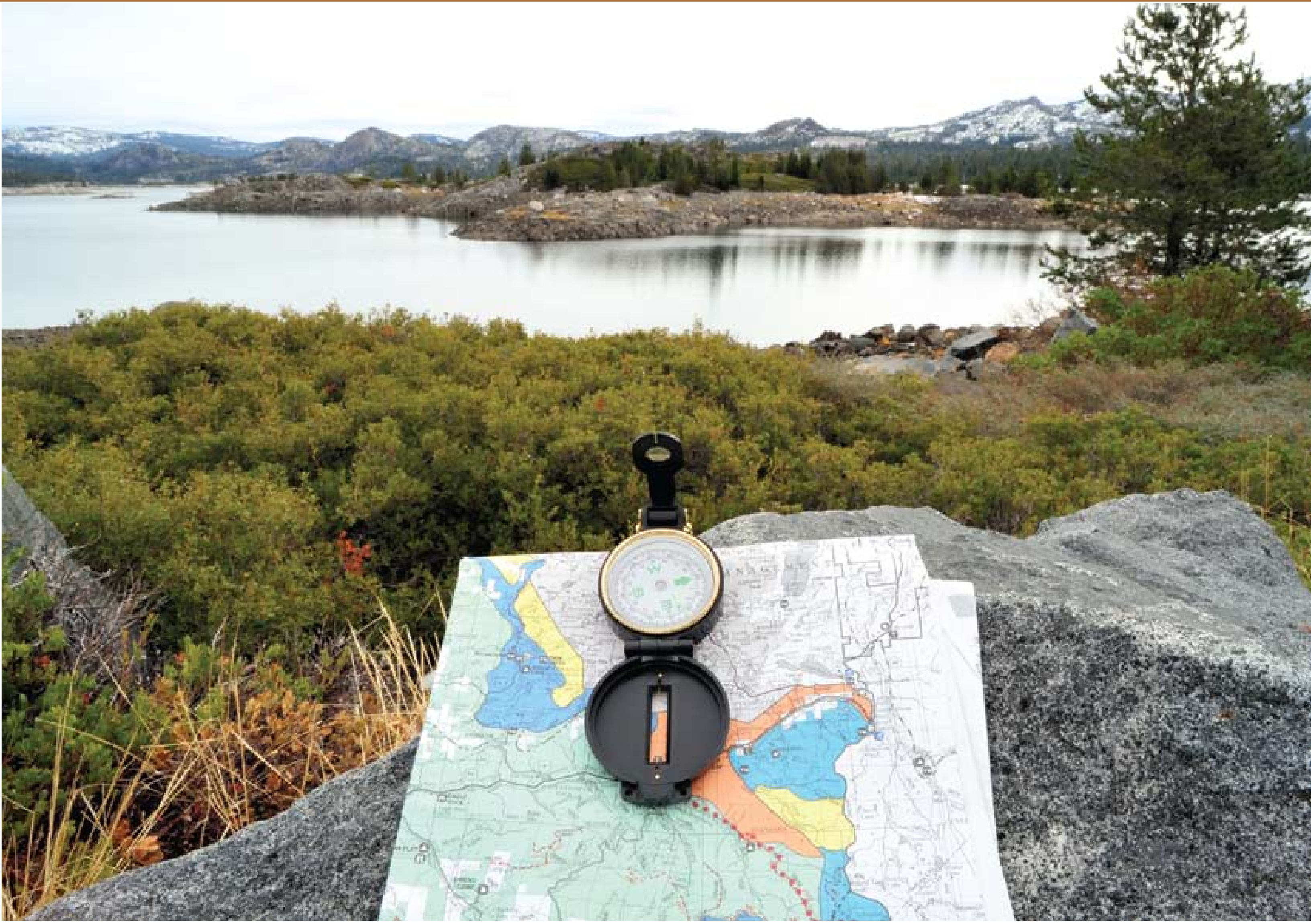

Mapping Stakeholder Landscapes

The influence and impact of global stakeholders

Global Education Research Network
advancing responsible business

BOSTON COLLEGE
CARROLL SCHOOL OF MANAGEMENT
Center for Corporate Citizenship

Understanding stakeholders and their interests and devising strategies to engage them effectively has become a key competency of corporate leaders.

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The Global Education Research Network (GERN) is a network of 12 institutions focused on responsible business working together to advance research and education that will build the capacity of businesses worldwide to maximize their benefit to society.

Introduction

The concept and practice of corporate citizenship (or social responsibility, sustainability, etc.) vary greatly not only across companies but also across countries and economies.[1] In early 2009, members of the Global Education and Research Network (GERN) issued a report on the many factors – global and local – shaping corporate citizenship in each of nine nations studied around the world.[2] Here we explore, again spanning the globe, the influence of stakeholder groups in supporting or inhibiting corporate citizenship.

Certainly the role business plays in society today differs from the role it played in the past – and internationally this role is expanding and evolving. Some global influences include the spread of market-capitalism, the growing wealth and power of business, attendant calls among the world's populace for corporations to assume broader social and environmental responsibilities and, given the collapse of financial markets, widespread questioning about the ethics of business. Companies are well advised to take account of how these global forces impinge on how they perform their role in society, while attending as well to local influences on practice in the different geographies where they do their business.

One growing influence on corporate citizenship concerns the expectations and voice of stakeholders. Stakeholders are those affected by, or who can affect, a company's activities. These are people, groups, or interests who have a "stake" in a company. They may care about its success, or how a company treats them, or about the impact companies have on others, on society, and on themselves. Stakeholder groups include investors, employees, consumers, governments, media, communities and NGOs, among others.

Stakeholders are making their concerns known in more visible ways than ever before. Consider, for example, the growing number of shareholder resolutions in areas of corporate governance, social responsibility and environmental affairs,

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[1] Recent research produced by the Global Education Research Network illustrates the similarities and differences of corporate citizenship around the world see "Corporate Citizenship around the World: How local flavor seasons the global practice".

[2] The Global Education and Research Network is an informal network of leading corporate citizenship "think tanks" in 10 countries around the world. For a complete list of members see www.BCCorporateCitizenship.org.

stronger consumer and employee preferences to buy from and work for socially responsible businesses, heightened public expectations of more transparency from companies and reporting on social performance, and the ever present threat of protest or boycotts. Note, too, growing movement toward national legislation in this arena and the increased influence of, and policy pronouncements by, multilateral institutions, such as the United Nations Global Compact, and multinational associations of companies and NGOs formed around various social and environmental issues.

In addition to these formal inputs into corporate affairs, myriad interests and groups, through Internet web sites, blogs and social networks are now equipped to mobilize support and make their views known, sometimes transforming local issues into global matters. The question at hand is to what extent, and how, does the influence of stakeholders vary across nations. Our thesis is that because the number and type of stakeholders, and their respective influence and opinions about business conduct, differ from one country to the next, the approaches firms take to corporate citizenship and the nature of it will differ as well.

In this study, we glimpse into the unique stakeholder landscapes of nine countries: Chile, China, Germany, Italy, Mexico, Philippines, South Africa, the United Kingdom and the United States. Working with members of GERN, this study maps a group of key business stakeholders according to 1) their overall attitude toward corporate citizenship, and 2) their respective influence on corporations' adoption of corporate citizenship practices. Here we will see to what extent these "stakeholder maps" help to explain differences in the practice of corporate citizenship in different nations.

The study also explores how specific stakeholder groups, say government or consumers, exert influence across nations. This comparative view illustrates global similarities and differences in stakeholder power and attitudes. It also provides clues as to how stakeholder environment as a whole influences the nature and development of corporate citizenship. It is our hope that this comparative review serves to inform not only global and local business leaders around the world, but also those stakeholders who are interested in advancing the field of corporate citizenship.

Stakeholders

Understanding stakeholders

A stakeholder is "any group or individual who can affect or is affected by the achievement of an organization's purpose."[3] Stakeholder theory, as articulated by Edward Freeman in 1984, proposed that corporations bear responsibilities not only to their financial shareholders, but also to employees, customers, suppliers, business partners, communities, and others who are touched by corporate behavior. The idea has gained traction to the point that it is now part of everyday business vocabulary. Studies find that the great majority of business leaders acknowledge responsibilities to multiple stakeholders and increasingly that their firms undertake some form of stakeholder consultation. Indeed, understanding stakeholders and their interests and devising strategies to engage them effectively has become a key competency of corporate leaders.

Which stakeholders are most relevant to the citizenship agenda of business? McKinsey & Co. surveyed more than 400 CEOs of companies participating in the U.N. Global Compact worldwide on this point. When asked which stakeholder groups had the most impact on their decisions in this area, CEOs were most apt to rank employees as one of the top three stakeholders having the greatest impact on the way a firm manages societal expectations, with consumers close behind (and expected to gain more influence in the years ahead). The study concluded that "consumers and employees are joining an ever-expanding set of sophisticated stakeholders with fresh demands and increasing power to threaten a company's commercial viability."[4]

The Global Compact member company leaders rated governments as the next most influential stakeholder followed by local communities, regulators, the media and NGOs. Interestingly, investors were not rated as a particularly important influencer in how firms handle social issues.

The Economist Intelligence Unit surveyed a broader sample of global executives for its 2008 report, "Sustainability Across Borders", and asked them to indicate which stakeholders had the most influence on their sustainability programs. Companies with a "globally focused" approach to sustainability in both developed (54 percent) and developing countries (50 percent) were more apt to rate the government in their country of headquarters as an influential stakeholder in their sustainability programs. Customers and employees followed closely behind on the list of most influential stakeholder groups for these globally focused companies. By comparison, companies with a more local focus were most apt to cite customers and local governments on the top spots on the influence scale.

To keep track of these stakeholder groups and their interests, businesses often make use of

[3] Stakeholders that most directly affect the firm are often referred to as *strategic* or *primary* stakeholders (e.g., employees, consumers, investors, boards of directors, etc.). Conversely, interests that are indirectly affected by the firm are referred to as *moral* or *secondary* stakeholders (e.g., community groups and NGOs).

[4] Oppenheim et al., 2007, p.7.

stakeholder mapping – a technique for identifying and prioritizing stakeholders. However, it has been argued that simply identifying stakeholders is not enough[5]. The demand of corporate citizenship is to engage these stakeholders in business decision-making that will lead to social and economic impacts that will benefit not only the business but also its various stakeholders.[6] Stakeholder mapping can help a business identify who to engage with and how to engage them.

Why should firms be aware of the stakeholder landscapes in regions where they do business? A primary reason is to help business leaders identify interests, and patterns among interests, that promote or inhibit the development of corporate citizenship. Business leaders who understand where the support (and pressure) for corporate citizenship is coming from, how strong the pressure is, and who may be counteracting that pressure from an opposing position, are better able to map strategies and devise programs that meet stakeholder's interests. As Jeff Frooman contended, "how a firm acts [i.e. implementing CSR] is in part dependent on how stakeholders act."

Mapping national and global level stakeholders

Firms also need to be attuned to the full "stakeholder landscape" in nations where they do business and, indeed, around the world.

[5]Refer to Waddock & Bodwell, 2007 and Andriof, et al., 2002 to learn about the limitations of stakeholder management approaches and practices.

[6]See Jeffrey, Neil. "Stakeholder Engagement: A Road Map to Meaningful Engagement". The Doughty Centre, Cranfield School of Management, July 2009.

There are several reasons business must be cognizant of a national stakeholder landscape: 1) diverse stakeholders shape the competitive context for business in a nation and globally; 2) they influence a firm's license to enter, grow, and operate in local and global markets; and, therefore, 3) understanding and monitoring the stakeholder landscape is essential to the long-term planning of an enterprise.

On these counts, Michael Porter's studies of the competitive advantage of nations make a compelling case that a nation's competitive context – the resource inputs available to firms, supporting industries and infrastructure, the rules and incentives that govern commerce, and the nature and sophistication of local needs – can be a bane or boon to firm's performance.[7] Porter and Kramer, in turn, highlight how there can be significant differences across nations in, say, the sustainability of natural resource inputs (water, energy), the presence of local NGOs to aid in community support and services, the degree of regulation in areas of social responsibility and environmental protection, and in interests in these matters among consumers.[8]

How do these factors make their way into the firm's competitive calculus? Often it happens through the influence and views of stakeholders. Certain stakeholders such as national governments, multibusiness associations and the media shape the context for corporate conduct throughout a nation and entire regions (e.g., the European Union). Employees, their unions, suppliers and consumers, by comparison, may have more of an industry or firm-

[7]Porter, 1998.

[8]Porter and Kramer, 2006

specific influence. That said, there is no doubt consumers and employees can have a collective impact on business practices in a nation, through social movements and the power of public opinion. Indeed, many changes in the rules of the game concerning product manufacture, food and beverage ingredients, supply chain practices, CO2 emissions, and the like, have been stimulated by stakeholder power.

Nowadays, companies depend on favorable public opinion to ensure their license to enter, operate, and grow in markets around the world. This extends their agenda beyond compliance and following the law to understanding and engaging stakeholders and "balancing" their interests in strategic decisions and operational practices. Finally, practices in advertising, pricing, hiring, access, etc., can and should be influenced by public opinion and expectations of corporate citizenship.

Does corporate citizenship matter to the world's public? One study found that, across 25 countries, the top driver of a firm's overall corporate reputation is the public's ratings of its products and services (predicting 17.6 percent of reputation). What is notable is that the next highest factors are perceptions of a company's citizenship (16.3 percent), workplace (14.6 percent), and governance (14.5 percent) practices. While it may not be foremost, this affirms the power of corporate citizenship broadly as a driver of reputation.[9] These findings have been corroborated by other studies. The GlobeScan CSR Monitor survey finds that the public's impression of a company improves if it is learned that it "makes products/services more responsibly" primarily, and secondarily if it donates to charity and supports employee volunteerism.[10]

As for specific stakeholders, in one of its annual surveys, Reputation Institute asked to what extent people would "prefer to work for a company that is known for its social responsibility." On average, two-thirds of those polled in some 25 countries would "prefer to work for a company that is known for its social responsibility." The highest interest (based on globally adjusted scores) was shown in Norway, South Korea, Germany, Finland, Denmark and Poland – all highly industrialized. The least interest was found in the United Kingdom, United States, Mexico, France, India, South Africa and Australia. All of this ranking is relative. Interest levels in working for a socially responsible company across the countries ranged from a low of 50 percent of the populace to a high of 80 percent.[11]

Business activities impacted by public opinion and stakeholder influence:

- Market entry (employer or trader)
- Employment and production practices
- Advertising and trading practices
- Public and community relations
- Investments in corporate citizenship
- Transparency and stakeholder engagement

[9] Boston College Center for Corporate Citizenship and Reputation Institute, 2009, "Building Reputation Here, There and Everywhere".

[10] 2008 GlobeScan CSR Monitor

[11] Boston College Center for Corporate Citizenship and Reputation Institute, 2009, "Building Reputation Here, There and Everywhere".

The stakeholder landscape

This study looks at nations as a whole to understand the influence and position of various stakeholder groups in relation to corporate citizenship. Here the stakeholder landscape is mapped in terms of the relational position (attitude) and relational strength (influence) of all relevant stakeholder groups with regards to corporate citizenship in a country or region.

Ratings of stakeholders' attitude refer to their beliefs about the value of corporate citizenship, ranging from positive to neutral to negative. A negative attitude may be opposition to the use of corporate time/resources for citizenship (e.g., the view that it is not a legitimate or valuable business activity). A neutral view represents mixed opinions or indifference (taking into account the entire stakeholder group). A positive view indicates support for corporate citizenship. In some instances, the study distinguishes subgroups of stakeholders. For example, mainstream investors in several countries seem to oppose corporate citizenship. By comparison, socially responsible investors, a subgroup identifiable in many countries, seem positively inclined, seeing citizenship as a legitimate and worthwhile use of resources.

The second dimension, influence, represents a stakeholder's ability to impact business decisions, particularly those related to corporate citizenship. For example, high influence is found in countries where government bodies actively regulate some citizenship activities, in effect requiring companies to comply. This is the case in the United Kingdom, for example, which requires companies to report on social and environmental performance. A government with medium influence over corporate citizenship may simply encourage improvements through policy statements. Finally, low influence on the part of government would mean that it takes no action to encourage or discourage corporate citizenship.

Stakeholder landscapes vary from one country to the next, and are evolving over time. Cross-cultural differences are much more apparent in the relationship between corporations and their stakeholders. These differences reflect varying social and cultural values. Thus, business leaders attach varying levels of importance to relationships with different stakeholder groups in different countries.

Completing a scan of the key stakeholder groups in the nine countries observed revealed some important conclusions about stakeholder landscapes. Looking at each stakeholder group's relative positioning in the nine countries reveals that many of these groups cluster together across countries. For example, governments are on the higher end of the influence scale and mid-to-positive side of the attitude scale worldwide. The mainstream investor group also clusters together, but on the high influence, generally negative attitude side. Many other stakeholder groups are clustered in the middle, indicating that they are still "on the fence" when it comes to corporate citizenship. This lack of pressure from key stakeholders may partly explain why corporate citizenship hasn't experienced rapid adoption among companies in some parts of the world. For the most part, developed countries in this study's sample (the United States, United Kingdom, Germany and Italy) have more active and positive stakeholder groups than developing countries (Mexico, Chile, South Africa, the Philippines, and

China). In developing countries, however, corporate citizenship is increasingly aligned and integrated with public policy and culture, which serves as a driver for future development in this area.

Primary stakeholder groups such as consumers and employees are found to be more informed and therefore exert more pressure on companies to adopt citizenship in developed countries. Developed countries also have more sophisticated networks of influencers such as socially responsible investors (SRI) and business organizations (i.e. Business in the Community, Boston College Center for Corporate Citizenship, BSR). This difference, however, is slowly changing as developing countries also become more influenced by global organizations (the United Nations, NGOs, etc) and the practices of multinational companies.

Principal findings on stakeholder groups:

- There are commonalities in the relative positioning of high influence stakeholder groups such as government (generally positive) and investors (generally negative).
- Many stakeholders are "on the fence" due to a lack of awareness about corporate citizenship.
- Developing countries differ from developed countries in the influence of certain stakeholder groups such as socially responsible investors and ethical consumers.

Study Methodology

The study is explorative and is based on a qualitative design. Researchers based at the Boston College Center for Corporate Citizenship collected the data through in-person interviews with leaders of GERN member institutions, as well as two in-person focus groups consisting of the same country experts engaged in mapping the stakeholder landscape of each country and identifying and validating patterns. The interviews and focus groups aimed to identify and explain the position of stakeholders' attitudes and influence over corporate citizenship. A literature review was also conducted in spring 2009 to corroborate the observations.

Main research questions:
How are stakeholders positioned relative to 1) how much influence they have on business decisions about corporate citizenship, and 2) their attitude toward the value of corporate citizenship, in various countries and globally?

How does the positioning of individual stakeholders and stakeholders in general (the overall pattern) affect the extent and nature of corporate citizenship in a country?

What influences the positioning, or change of position, of stakeholders (external "shock" or internal dynamics)?

How can corporate citizenship proponents impact the position of stakeholders in favor of citizenship?

Stakeholder landscapes by country

Country context

While the evidence points to corporate citizenship as a global phenomenon, there are select influences on the stakeholder mix and business practices that vary from country to country as well as from company to company. In reviewing the stakeholder landscape around the globe, it is notable how these factors might influence the findings.

Cultural values: Naturally, stakeholder expectations and corporate practices in a nation are informed by national traditions and values. As an example, the countries of Scandinavia, with their cultural emphasis on egalitarianism, and Scandinavian companies, with traditions of progressive environmental and workplace practices, present a different milieu for corporate citizenship than one finds in, say, Southern Europe or the United States.

Market structure and economy: The market structure and economy in a nation also figure into stakeholder expectations and roles. One relevant factor is the state of development of a nation. Studies by AccountAbility, for example, show that highly developed countries demand and foster much more transparency from their companies than less developed ones.[12] In turn, the relative prevalence of family-owned enterprise in developing countries

[12] Simon Zadek, Alex MacGillivray, editors, "The State of Responsible Competitiveness 2007: Making sustainable development count in global markets", AccountAbility, July 2007

Table 1

Levers of influence and context of stakeholder groups

Stakeholders:	Levers of influence	Context
Government	• Laws: Labor, environment, corporate governance, etc. • Standard setting • Partnerships • Competitiveness and trade • Procurement	• Democracy • State of capitalism • Party in power • Corruption • Focus on employment and economic growth • Globalization
Investors	• Granting and withholding capital • Voting rights • Analytic reports and ratings	• Short-termism • Time horizon • Investment objectives • SRI • Risk-management
Consumers	• Purchasing power • Consumer advocacy groups • Boycotts and "buycotts"	• Size of the LOHAS[1] market • Ability to pay • Base of the pyramid • Changes in promotion techniques (i.e. product labeling, advertising) • Social networking
Employees	• Employment choices • Word of mouth in employment market • Productivity and discretionary effort	• Generational differences • Diversity • Skill level variations • Immigration patterns • Degree of organization as a group
International organizations	• Set standards • Awards and recognition	• Globalization • Legitimacy
Labor unions	• Contract negotiations • Strikes	• Fair wage expectations • Safety and working conditions • Regulatory environment • Legitimacy
NGOs	• Negative (or positive) publicity • Partnerships • Advocacy/lobbying • Creation of guidelines and standards	• Size and reputation of organizations • Legitimacy • Global networks
Media	• Negative (or positive) publicity • Influence over other stakeholders	• Degree of independence and objectivity • Audience interest • Pay to play conditions
National business groups	• Support and tools	• Level playing field • National competitiveness

in Latin America and Southeast Asia seems to foster caretaking of workers and communities more so than public ownership. The political system is also a factor. The United States and United Kingdom, for instance, house myriad NGOs involved in social and environmental advocacy. In China, by contrast, NGOs are "state-sponsored" and decidedly less vocal in these arenas.

Corporate trends: Most countries are experiencing a shift from a traditional view of corporate citizenship as providing jobs, earning profits, and paying taxes while "giving back" through philanthropy, to a new view that is more encompassing of the impact of business on society. Large corporate multinationals are a driving force behind corporate citizenship practices today around the globe. But within nations, specific companies can also be role models and influencers on practice. Cross-business associations, such as industry groups and the Chamber of Commerce, also shape the citizenship landscape.

Social institutions: Finally, while companies themselves seem to be at the forefront of innovation around corporate citizenship, in many countries the civil society sector and the government have significant roles. Government's reach into corporate conduct depends on its capability and legitimacy which is variable throughout the world. The same is true for civil society organizations. On the other hand, weaker governments may stand to benefit the most from the advancement of corporate citizenship, as corporate entities begin to mitigate their share of social problems as well as contribute to solutions to problems that were previously left to public entities to handle.[13]

No study can parse out the relative importance of these sociocultural factors in shaping the expectations of business in different parts of the world or for understanding how stakeholders influence the practice of citizenship itself. But some hunches about their relevance emerge when looking at the stakeholder landscape in nine nations around the world.

The following table outlines the stakeholders to be examined and why. Each stakeholder has specific levers of influence over corporations with respect to corporate citizenship. These levers largely determine their level of influence as well as their techniques. To put each stakeholder in context, the table also includes relevant determinant factors to consider when assessing influence and attitude toward corporate citizenship.

The stakeholder landscapes of nine countries are summarized in the following pages.

Sources for corporate citizenship and stakeholder snapshots

- GRI web site Reports List
- Boston College Center for Corporate Citizenship and Reputation Institute, "Building Reputation Here, There and Everywhere"
- UN Global Compact web site
- KPMG International Survey of Corporate Responsibility Reporting 2008
- Eurosif "European SRI Study" 2008

[13] For more on this see Boston College Center for Corporate Citizenship, 2008, "Corporate Citizenship around the World: How local flavor seasons the global practice".

Chile

The key drivers of corporate citizenship in Chile include commerce and globalization, including multinational corporations acting locally, but also many local ones, in particular small and medium-size enterprises (SMEs). Issues addressed through corporate citizenship are primarily related to good labor practices, environmental management and community engagement and supply chain development (for large companies)[14]. Underlying contemporary corporate citizenship are traditions of philanthropy (strongly influence by Catholicism) and labor rights driven by Labor Unions. Increasing emphasis on environmental sustainability is bringing diverse stakeholders together to accept corporate citizenship and work collaboratively to promote comprehensive corporate citizenship by integrating social, environmental and economic concerns.

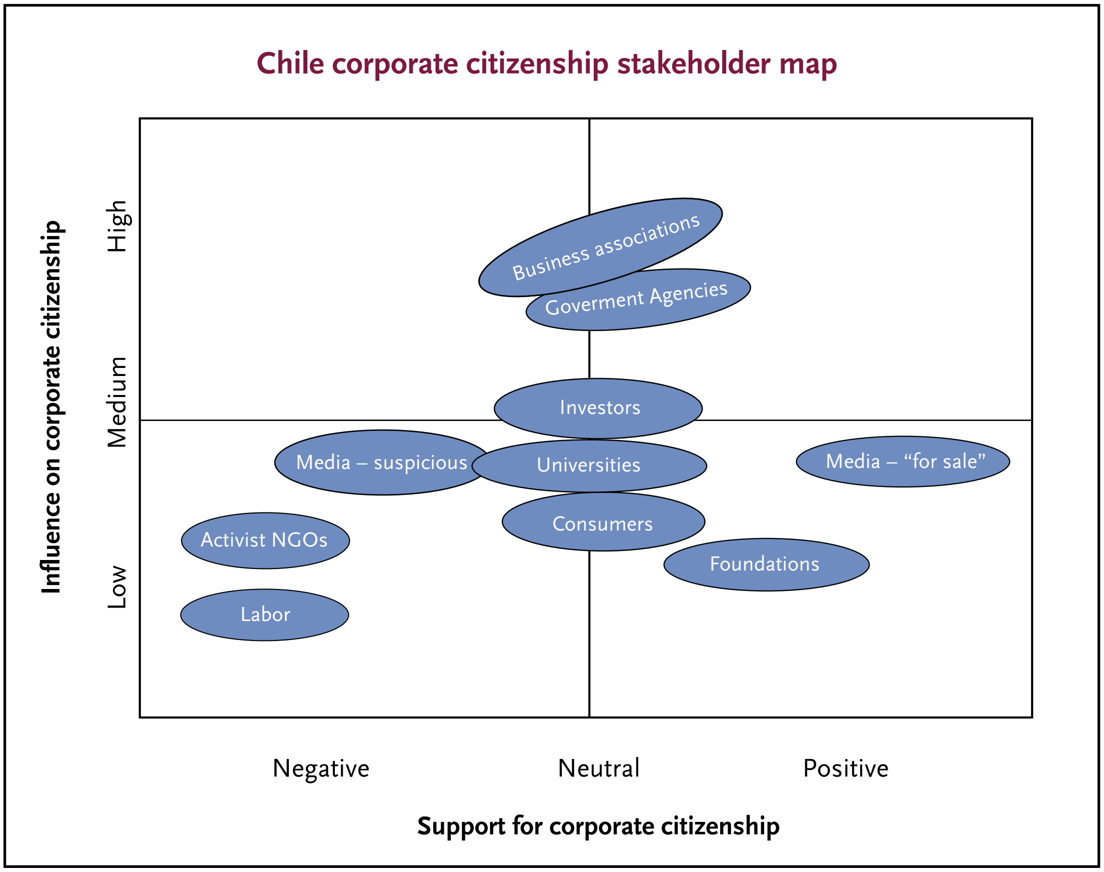
[14]"Corporate Citizenship Around the World: How local flavor seasons the global practice", 2008, Boston College Center for Corporate Citizenship

Chile Stakeholder snapshot

Government in power:	Concertacion coalition (center-left)
2008 rank in TI Global Corruption Index:	23
Market capitalization of listed companies (% of GDP):	130
GDP per capita (current US$):	9,878
Internet users (per 100 people):	31
Size of labor force:	6.9 million
Unemployment rate:	9 percent

Corporate citizenship snapshot

Companies listed on GRI Reports List (2006-2009):	28
Reputation Institute CSR Index:	53.8
Business participation in UNGC (all active as of June 15, 2009):	38
Total SRI assets under management:	n.d.



Key stakeholders driving corporate citizenship

Government: The government actively promotes citizenship through direct consultations with business, financial incentives and policy guidelines. A new "Responsible and Sustainable Business" policy will be piloted over a five-year period.

Investors: Institutional investors such as pension funds are a significant (50 percent of market) influence on corporate citizenship by promoting good corporate governance practices, compliance with local legislation and long-term profits. There is no SRI market currently.

NGOs: A mix of local and global NGOs are very active on the issues of environment, human rights and labor. NGO activism and cynicism still represent a major threat to corporations that are risk averse.

International organizations and standards: ISO codes and the GRI provide guidance and recognition, while other institutions such as the Inter-American Development Bank have also been engaged directly.

Key stakeholders resisting corporate citizenship

Media: Reporting is very limited, and the media primarily report corporate wrongdoings. Limited coverage is aimed at advertising corporate citizenship. The independent press is also mobilizing dissident consumers and employees to express their dissatisfaction through online social media.

Neutral stakeholders

Business associations: Only starting to engage, they are focused mostly on responsible supply chain practices, for which the government is offering incentives.

Consumers: Consumers are supportive of companies with good labor and environmental practices and very critical of those without. But this support or opposition does not translate into consumer behavior. Recent legislative reforms giving consumer organizations the ability to file class action suits against companies, may promote greater corporate citizenship.

Employees: Unorganized employees have limited to no power to influence corporate citizenship. Treatment of employees is, however, the most important corporate citizenship concern for Chileans.

Labor unions: Although unions are still relatively skeptical of the legitimacy of corporate citizenship, many are becoming decent champions due to the importance of environmental responsibilities and collaboration to enforce labor legislation.

Implications for the development of corporate citizenship

The contemporary emphasis and awareness of environmental responsibility, especially by the government, is facilitating promotion of comprehensive corporate citizenship. Legislation that mandates environmental assessments, for example, also requires assessing impact on local communities. The champions of corporate citizenship constitute a diverse but reasonable-sized group. Local corporate citizenship organizations such as AcciónRSE, Fundación PROhumana, Sofofa Responsabilidad Social, Unión Social de Empresarios y Ejecutivos Cristianos (USEC) and Vincular Center for CSR at Catholic University of Valparaíso foster corporate citizenship leadership among civil society, business leaders and the government. Collectively, stakeholder skepticism and support is driving the development of corporate citizenship in Chile.

China

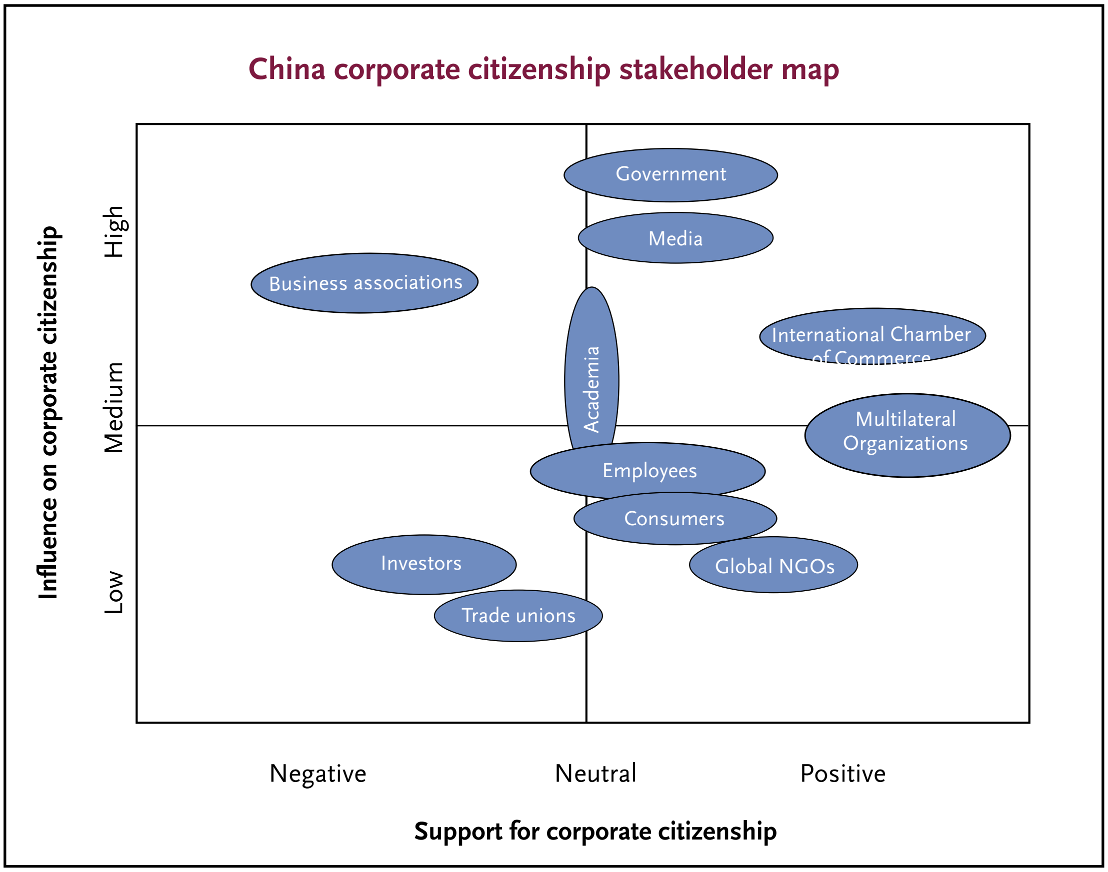
Practically everything in China, citizenship included, is decided on and driven by the Communist Party-led government. The Chinese government imposes a high degree of influence on the developing concept of corporate citizenship through party training and policies supporting the notion of harmonious society, within which corporate citizenship finds legitimization and support. Other stakeholders fall in line with the government's lead, while the media, academia, and consumers play increasingly important roles in raising awareness and acceptance of corporate citizenship in China.

China Stakeholder snapshot

Government in power:	Chinese Communist Party
2008 rank in TI Global Corruption Index:	72
Market capitalization of listed companies (% of GDP):	194
GDP per capita (current US$):	2,432
Internet users (per 100 people):	16
Size of labor force:	785.7 million
Unemployment rate:	4 percent

Corporate citizenship snapshot

Companies listed on GRI Reports List (2006-2009):	16
Reputation Institute CSR Index:	57.1
Business participation in UNGC (all active as of June 15, 2009):	177
Total SRI assets under management:	n.d.



Key stakeholders driving corporate citizenship

Government (and the Chinese Communist party): It has the greatest influence through policies promoting the notion of a harmonious society – achieving economic growth balanced with social and environmental development.

Media: They report on best practices (particularly of multi-national companies) and give awards to top performing companies, thus popularizing corporate citizenship. Media also can serve as watchdogs to disclose poor practices.

Academia: Active in promoting awareness and providing executive training as well as popular lectures, workshops and training seminars on corporate citizenship.

Multilateral organizations and business groups: The China Corporate Citizenship Committee (CCCC), the World Business Council for Sustainable Development (WBCSD), and various business chambers but in particularly American Chambers of

Commerce help companies develop corporate citizenship strategies while the United Nations Global Compact, United Nations Development Programme, and UNICEF raise awareness about community investment and philanthropy.

NGOs: Their influence is positive, but low, an "invisible presence" whose trust with business is low.

Employees: Generally supportive of corporate community support (such as the disaster relief responses) but they have low understanding or awareness of broader agenda.

Key stakeholders resisting corporate citizenship

None

Neutral stakeholders

Consumers: While they are unaware of ethical consumerism, there are signs of change from recent scandals (milk contamination in 2008).

Unions: Unions have very low impact and are closely aligned to the government agenda and interests.

Mainstream investors: Generally unaware of citizenship issues, they have low influence due to the communist market economy. SRI has not been popularized or formalized in China.

Implications for the development of corporate citizenship

Efforts of stakeholders in China are individually driven and generally fragmented and haphazard. Although there is a lot of positive activity, the stakeholder environment can be characterized as unsystematic. The environment also lacks a leading positive stakeholder(s) other than the government to set the agenda for corporate citizenship and drive its development. The lack of systematic engagement and coordinated stakeholder relationships are characteristic of the emerging nature of corporate citizenship in China. It is anticipated that the alignment of corporate citizenship to government policy ideals would help to further promote the development and integration of corporate citizenship into business management and practice. Stakeholders such as the media, consumers, and employees are expected to become key stakeholders to promote citizenship in the near future

Germany

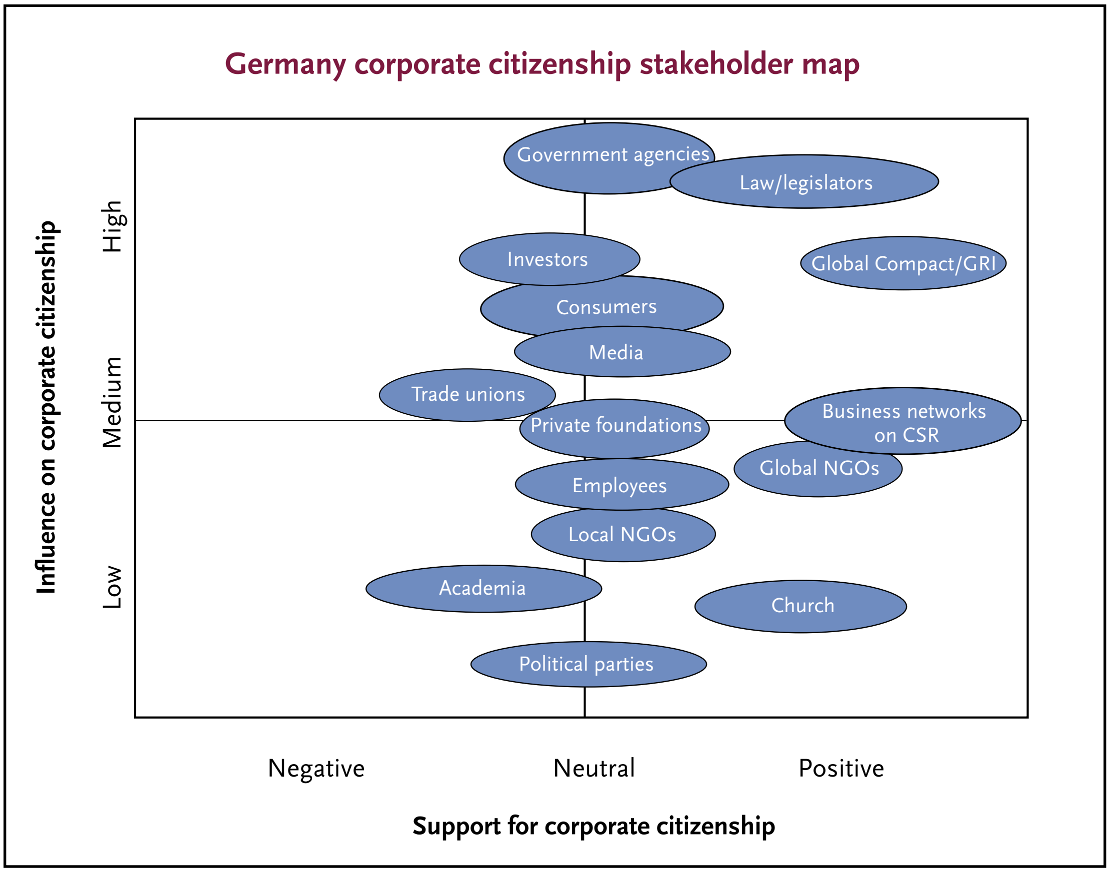
Germany is notable for its lack of strong promoters of corporate citizenship. While the movement has begun, corporate citizenship has not yet "taken off" as it has in other European countries. While most stakeholders sit somewhat indifferently in the middle ground, certain groups can be identified as more supportive of corporate citizenship than others, notably the government. The European Union has had a strong influence on the German approach, causing the government to engage and think strategically about German corporate citizenship. Just as Germany does not have a strong positive force behind corporate citizenship, it does not have a strong negative voice opposing it either. Germans view it as a bit politically incorrect to stand against the notion of corporate citizenship, which is a positive characteristic of Germany's landscape but not sufficient to encourage the "take off" that is needed.

Germany Stakeholder snapshot

Government in power: .... Christian Democratic Union (center-right)
2008 rank in TI Global Corruption Index: 14
Market capitalization of listed companies (% of GDP): 63
GDP per capita (current US$): 40,324
Internet users (per 100 people): 72
Size of labor force: 41.4million
Unemployment rate: .... 9 percent

Corporate citizenship snapshot

Companies listed on GRI Reports List (2006-2009): 54
Reputation Institute CSR Index: 59.4
Business participation in UNGC (all active as of June 15, 2009): 118
Total SRI assets under management: .... 11.1 billion euro



Key stakeholders driving corporate citizenship

Government: Highly influenced by the European Union, the German government has created a "national CSR strategy" and a cross-sector CSR Forum, engaging a number of ministries in partnership and agenda-setting.

NGOs: Large, global NGOs in Germany have been supportive of an enhanced role for business in society. But some have taken a reserved attitude and a limited role in the promotion of citizenship, preferring greater regulation over voluntary measures.

Industry groups and business associations: They are active in promoting citizenship in Germany, (this includes Network CSR, econsense, and the Initiative for Freedom and Responsibility to promote CSR), however, Germany has not seen the rapid growth of supportive organizations that the United Kingdom and the United States have.

Key stakeholders resisting corporate citizenship

Trade unions: Unions have always exerted considerable influence over social and collective bargaining policy in Germany. Some union representatives still distrust corporate citizenship, especially the voluntary approach.

Neutral stakeholders

Consumers: There is increasing evidence that corporate citizenship matters to general consumers, as well as a growing number of LOHAS (Lifestyles of Health and Sustainability) consumers basing their purchase decision on good corporate citizenship.

Implications for the development of corporate citizenship

Although workplace and environmental issues have strong traditions and high standards in Germany, a broader approach to corporate citizenship is only emerging, and with some skepticism. Most of the ambivalence toward corporate citizenship can be related to the perceived role of business, high levels of mistrust, and the expected role of government as the guarantor of social change and general welfare. As the CSR Navigator describes, "The most important drivers of CSR in Germany are companies themselves, which is why its development into a policy concern has been so slow." (Bertelsmann) This is one explanation for the delayed advancement of citizenship in Germany. Since there are no leaders in the stakeholder infrastructure, it is up to companies to decide whether or not to adopt responsible practices. Given the lack of pressure from any important stakeholder group, it is expected that this progress will remain slow until the landscape shifts creating the right incentives for private enterprise to take the lead.

Italy

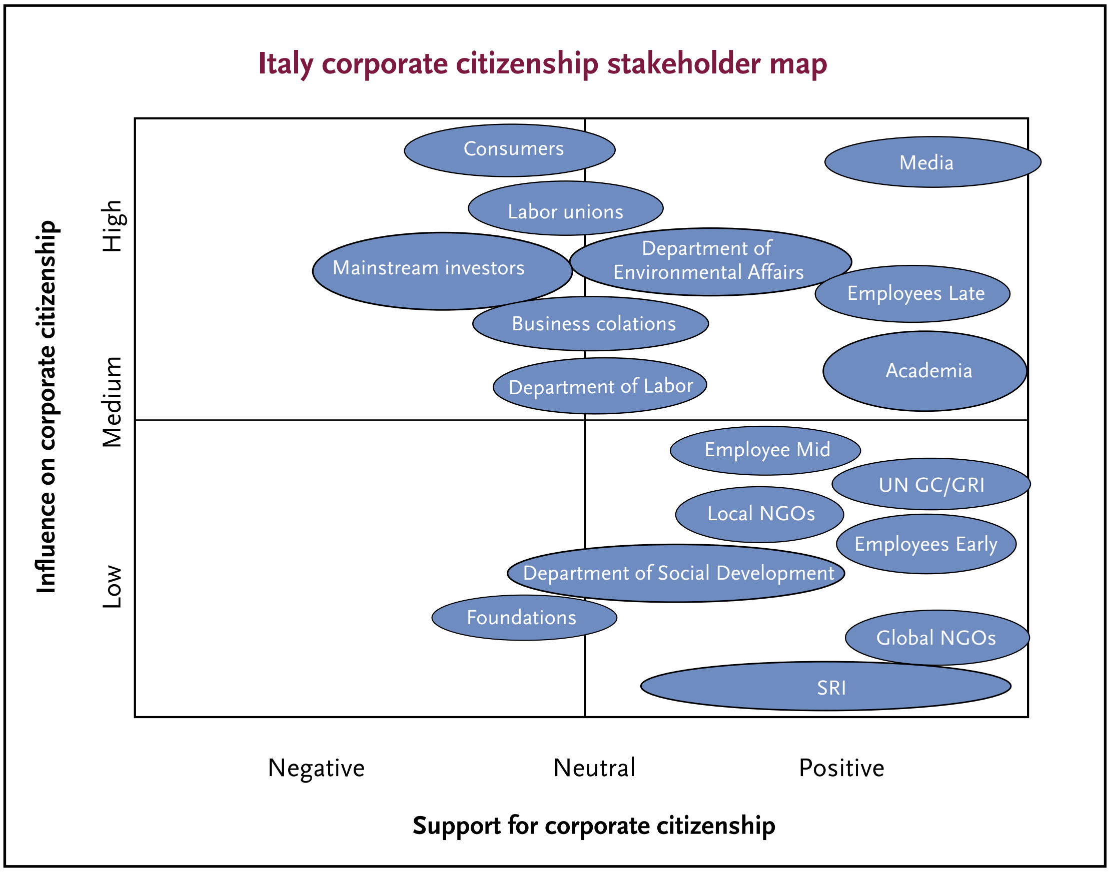
Corporate citizenship in Italy is focused on environmental conservation, employee well-being and philanthropy. Historical traditions, religious norms and family business values are strong determinants of corporate citizenship. A competitive spirit between local and international firms is also a dynamic emerging trend that is fueling the development of corporate citizenship. In Italy, the majority of stakeholders tend to be positive toward corporate citizenship but the level of authority among these stakeholders to influence corporate citizenship varies considerably. The Italian stakeholder environment is positively driven toward greater engagement in corporate citizenship primarily though business associations and multinational corporations. These entities are further supported by the increasingly active media and academic institutions. This overall supportive environment is conducive to the adoption of corporate citizenship, especially in relation to protecting the environment and promoting generous employee benefits.

Italy Stakeholder snapshot

Government in power:	Center-right coalition (People of Liberty, the Northern League, and the Movement for Autonomy)
2008 rank in TI Global Corruption Index:	55
Market capitalization of listed companies (% of GDP):	51
GDP per capita (current US$):	35,396
Internet users (per 100 people):	54
Size of labor force:	25.2 million
Unemployment rate:	6 percent

Corporate citizenship snapshot

Companies listed on GRI Reports List (2006-2009):	46
Reputation Institute CSR Index:	61.7
Business participation in UNGC (all active as of June 15, 2009):	106
Percent of companies with a publicly available CSR strategy:	42
Total SRI assets under management:	3.4 billion euro



Key stakeholders driving corporate citizenship

International standards and certification schemes: The Global Reporting Initiative and certifications schemes such as the ISO 14000 are popular and commonly used to improve reporting practices, which in return facilitate the management of corporate citizenship.

Multinational businesses: They inspire and motivate greater adoption of corporate citizenship. Italian-based subsidiaries adapt their practices to the Italian context out of necessity, and local companies adopt new standards in order to compete in the global market.

Government: The government promotes corporate citizenship only occasionally, taking a non-interventionist approach toward Italy's mostly small and medium privately owned businesses. Its role has largely been limited to awareness creation, sometimes perceived as "lip service," in the absence of policies or incentives.

Media: Reporting on corporate citizenship is almost always positive. In general, corporate citizenship is newsworthy and the Italian public wants to read and hear about it.

Academia: While providing thought leadership on corporate citizenship, opportunities for training and education in corporate citizenship are limited despite growing demand from new generation managers.

Business associations: They constitute a significant power base, yet support of corporate citizenship has been positive but mostly superficial.

Key stakeholders resisting corporate citizenship

Labor unions: A driving force behind integrating and standardizing safety and employee benefits, they have not aligned or integrated employee rights to any other corporate citizenship agendas such as the environment, community or governance.

Neutral stakeholders

Employees: They do not influence or drive corporate citizenship directly, but rather indirectly through the enforced expectation of quality work and benefits that are negotiated at a national level and legislated by government.

Consumers: Sensitive toward social and environmentally responsible products, but purchasing behavior largely reflects convenience, price and brand.

NGOs: This sector is relatively small in Italy, and is generally development or religiously motivated. Consequently, NGOs do not act as corporate watchdogs, but rather as development and welfare agents.

Implications for the development of corporate citizenship

While most of Italy's stakeholder groups have a positive view toward corporate citizenship, few actively advocate for companies to adopt and enhance citizenship activities. Certain major steps may be needed for citizenship to reach a greater level of attention, including the active participation of government (through policies and incentives) and a higher degree of responsiveness from employees and consumers. These key stakeholders are currently influenced through the media and academia. Their slow acceptance of a new role for business holds back Italian companies from advancing citizenship agendas, particularly in comparison to their counterparts elsewhere in Europe. As the map suggests, multinational companies and international standards currently have the greatest influence in this area, and will continue to unless a domestic movement for Italian corporate citizenship intensifies.

Mexico

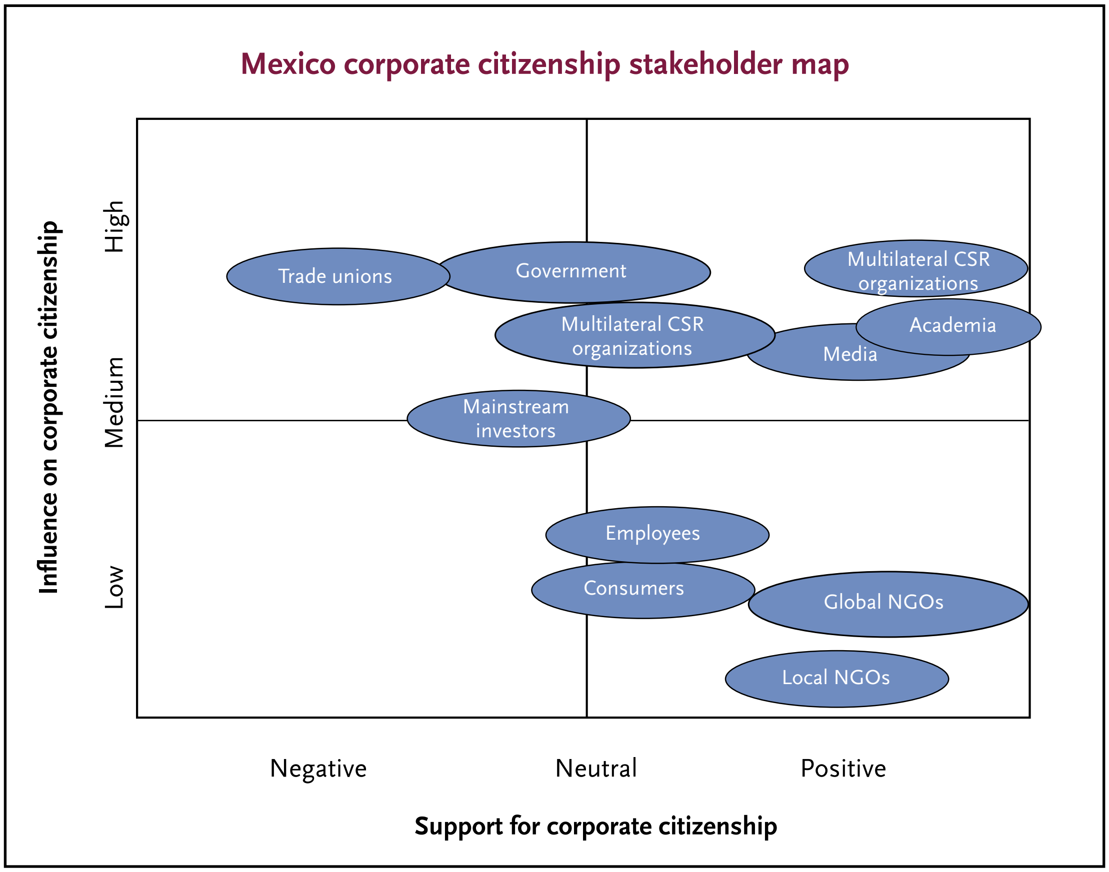
Mexico's family-oriented business culture is amenable to the concept of corporate citizenship. It is no surprise then that few stakeholders hold an opposing view toward it. Aside from the labor unions, Mexico's greatest obstacle to furthering corporate citizenship is the lack of awareness and the willingness to compromise on the part of key stakeholder groups – government, employees and consumers – who remain impartial and relatively inactive in the citizenship debate. In recent years, some interesting efforts have been made by multilateral CSR organizations, the academia and business associations to improve this situation.

Mexico Stakeholder snapshot

- Government in power: National Action Party (PAN) (center-right)
- 2008 rank in TI Global Corruption Index: 72
- Market capitalization of listed companies (% of GDP): 39
- GDP per capita (current US$): $9,715
- Internet users (per 100 people): 23
- Size of labor force: .... 44.3 million
- Unemployment rate: .... 3 percent

Corporate citizenship snapshot

- Companies listed on GRI Reports List (2006-2009): 14
- Reputation Institute CSR Index: 56.7
- Business participation in UNGC (all active as of June 15, 2009): 213
- Percent of companies with a publicly available CSR strategy: 14
- Total SRI assets under management: .... n.d.



Key stakeholders driving corporate citizenship

Business associations and coalitions: Chambers of commerce and alliances such as one between Centro Mexicano para la Filantropia (CEMEFI) and several Mexican business associations are active in recognizing and promoting best practices in citizenship. They do not, however, provide support or tools to members to adopt citizenship.

Multilateral organizations: The U.N. Global Compact, Inter-American Development Bank, and others are primary drivers of corporate citizenship but with a limited scope of action.

Media: Weekly and monthly corporate citizenship focused columns in major business publications are increasing, and some newspapers include a monthly supplement on corporate citizenship. Still, the influence of the media is limited.

Local and global NGOs: Their attitude is positive, although not all are perceived as legitimate partners or stakeholders to business, especially the smaller ones. AliaRSE (Alliance for CSR in Mexico) is one of the major players in CSR.

Academia: Influence is enhanced through partnerships with government or multilateral organizations such as the Inter-American Development Bank. Research and education in corporate citizenship is becoming more prominent in private Mexican universities, such as Anahuac University and Instituto Tecnologico y de Estudios Superiores de Monterrey (ITESM).

Key stakeholders resisting corporate citizenship

Unions and union leaders: They frequently rebuke corporate citizenship and question its value, when it's seen as a threat to the union agenda, and focus only on their specific concerns or their leaders' interests.

Neutral stakeholders

Government: Some governmental departments are more engaged in facilitating corporate citizenship such as the Secretariat of Environment and Natural Resources and the Secretariat of Labor and Social Welfare.

Employees: Uninformed and not organized, there concern is limited to the area of human rights issues and fair labor practices.

Consumers: They are unaware and unengaged. Consumerism is highly price driven. A small ethical/conscious consumer movement is developing around organic and "green" products.

Investors: Mainly focused on the return of their investment, very few of them considering ethical, social or environmental criteria.

Implications for development of corporate citizenship

Lack of involvement by NGOs, employees, consumers and investors limits the acceptance and development of corporate citizenship. Stronger drivers are needed to influence mainstream Mexican business to adopt corporate citizenship. A leadership role could be fulfilled by government or by a coalition between business associations and universities. This support should be homegrown and applicable to the Mexican context. Good employee relations and community investments are typical characteristics of family-owned Mexican enterprises, but many modern corporations are estranged from these values. The future of citizenship is particularly promising among Mexico's approximately 4 million micro, small and medium-sized enterprises (MSMEs), which are typically family owned and represent 99.8 percent of all businesses. Recent research done by Anahuac University and the Inter-American Development Bank suggests that corporate citizenship is easily integrated into SMEs as opposed to large corporations. By targeting smaller enterprises and working along the value chains of larger ones, advocates are hoping to transform corporate citizenship in Mexico to become more integrated and aligned to the triple bottom line philosophy.

Philippines

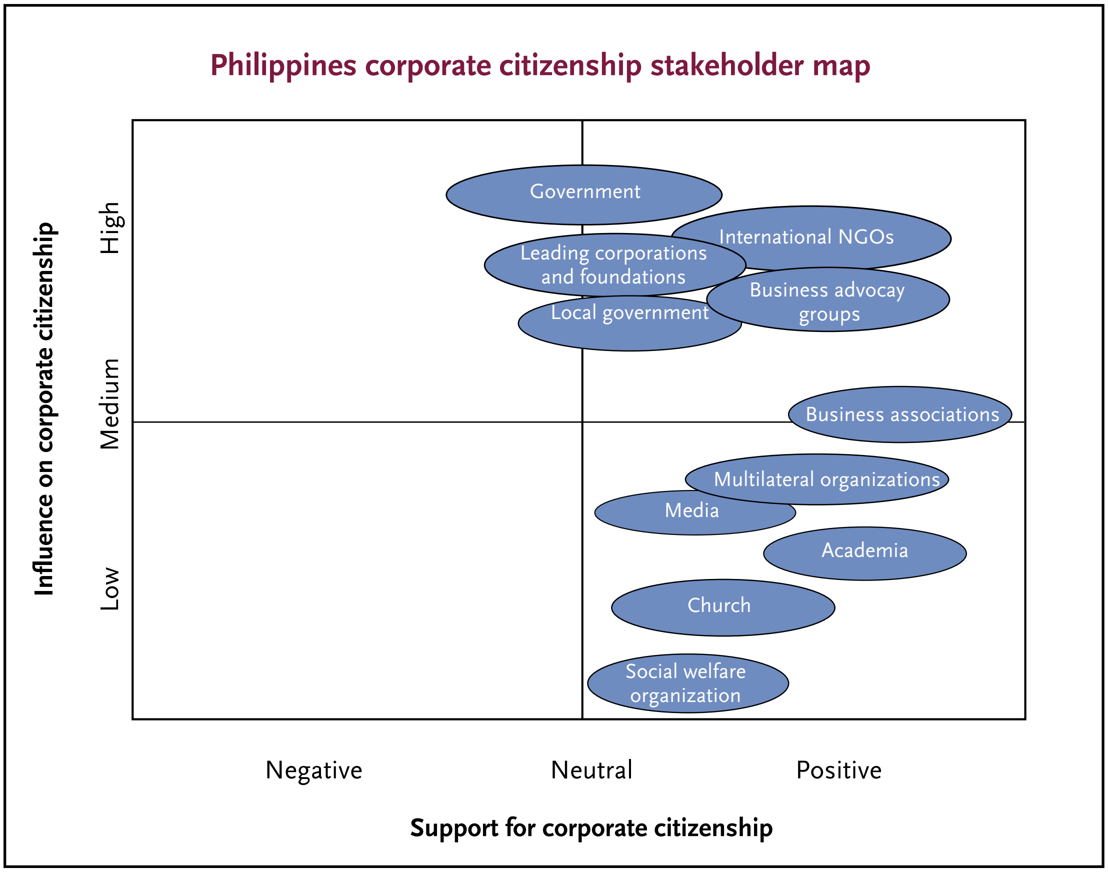
Business giving and contribution to society is deeply entrenched in Filipino culture. As a result, very few stakeholders object to corporate citizenship. Corporate citizenship in the Philippines has evolved over the past 50 years – from philanthropy and public relations to developing strategic shareholder relationships – partly because corporations today must meet increasing expectations from multiple stakeholders. It still has some ways to go, however, to incorporate citizenship into the way Filipino businesses operate. Limited government capacity and need for social and economic development facilitates current innovative practices aimed at achieving integrated economic and social goals. Business associations and networks are instrumental in this development and could be even more so in the future. As evidence, business, NGOs and government collaboration and social enterprise development are emerging trends in corporate citizenship in the Philippines.

Philippines Stakeholder snapshot

Government in power: .... Lakas-Christian Muslim Democrats
2008 rank in TI Global Corruption Index: 141
Market capitalization of listed companies (% of GDP): 72
GDP per capita (current US$): 1,639
Internet users (per 100 people): 6
Size of labor force: .... 36.9 million
Unemployment rate: .... 6 percent

Corporate citizenship snapshot

Companies listed on GRI Reports List (2006-2009): 7
Reputation Institute CSR Index: .... N.A.
Business participation in UNGC (all active as of June 15, 2009): 10
Total SRI assets under management: .... n.d.



Key stakeholders driving corporate citizenship

Government: Fosters a role for business in society through incentives and public private partnerships. But lack of government capacity limits enforcement of mandatory requirements and their mandates are often treated as optional.

Business associations: Those such as the McCarthy Business Club, Philippine Business for Social Progress (PBSP), and the Management Association of the Philippines are highly influential in promoting the acceptance and development of corporate citizenship.

Employees: They tend to be very interested in volunteerism as part of a company's giving initiatives.

Media: They have become more active in promoting corporate citizenship due to special education campaigns to inform the media about the nature and purpose of corporate citizenship.

Academia: Schools promote the acceptance and professionalization of corporate citizenship.

NGOs: Those that take a collaborative (as opposed to confrontational) approach tend to have greater and more positive influence on corporate citizenship.

Key stakeholders resisting corporate citizenship

Trade unions: Hesitant to promote corporate citizenship, they fear that it will obstruct their agenda.

Neutral stakeholders

Investors: Very few investors or business owners would object to the importance of corporate citizenship[15]. But more evidence is required to inform investment decisions in order to further develop responsible investment[16].

Consumers: In general, they only promote corporate citizenship through boycotts and occasional partnerships and have not been influential.

[15] Alfonso, 2007.

[16] Rebolledo, 2003.

Implications for the development of corporate citizenship

The Filipino stakeholder environment tends to be positive toward corporate citizenship with the exception of labor unions. This overall supportive environment is conducive to the adoption of corporate citizenship, however, the stakeholder environment lacks a strong national driver. Local businesses are inspired by and motivated by international companies to manage corporate citizenship strategically, and are supported by business associations. Business associations may begin to play a larger role as local supporters and proponents of citizenship, through a renewed focus on corporate citizenship as a driver of value and innovation. This enhanced support is needed to propel the concept deeper into business and dispel views that citizenship is limited to philanthropy and is an additional rather than integral business activity.

South Africa

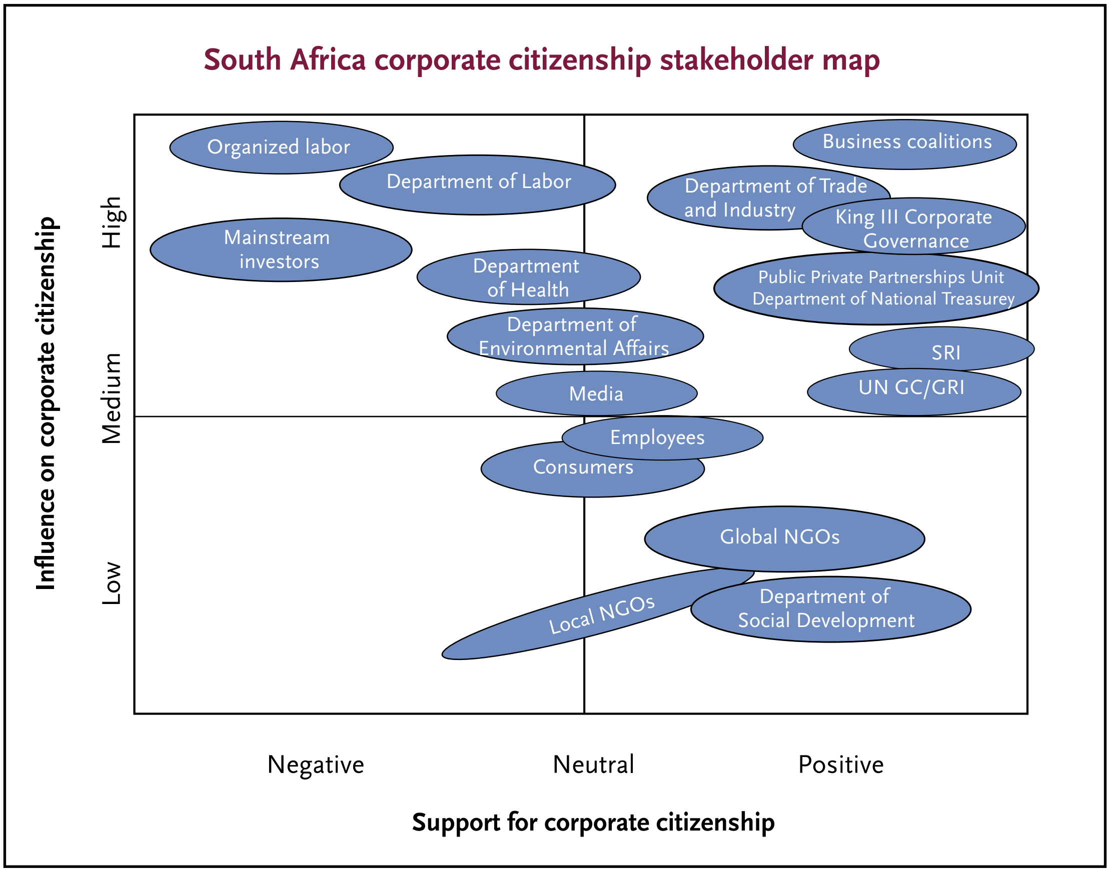
Many South African companies have adopted corporate citizenship as a way to operate in the 21st century and as a way to compete globally. A strong group of influential stakeholders supports corporate citizenship efforts, including business networks, government, regulatory bodies and international rating agencies. Collectively the positive orientation toward responsible business and the influence of this group represent a significant driver for corporate citizenship. However, corporate citizenship efforts are also confronted with considerable cynicism and apathetic stakeholders – among them trade unions and traditional investors. The stakeholder landscape in South Africa is further diversified and includes a network of NGOs (local and international), academia and other thought-leading institutions (such as the Institute of Directors) and individuals (such as Judge Mervin King). While relatively influential, this group of supportive stakeholders provides a support base, encouragement and often the means for corporate citizenship to flourish.

South Africa Stakeholder snapshot

Government in power:	African National Congress (left)
2008 rank in TI Global Corruption Index:	54
Market capitalization of listed companies (% of GDP):	295
GDP per capita (current US$):	5,914
Internet users (per 100 people):	8
Size of labor force:	17.4million
Unemployment rate:	23 percent

Corporate citizenship snapshot

Companies listed on GRI Reports List (2006-2009):	47
Reputation Institute CSR Index:	64.6
Business participation in UNGC (all active as of June 15, 2009):	31
Percentage of companies with a publicly available CSR strategy:	21
Total SRI assets under management:	n.d.



Key stakeholders driving corporate citizenship

Business associations: Groups such as the South African Coalition on HIV and AIDS and the National Business Initiative represent business' collective and self-directed commitment to corporate citizenship. Business self-regulatory initiatives such as the King Commission of Corporate Governance (the latest version of the KING III Report, September 2009) is a significant driver of integrated reporting, stakeholder engagement, social investment, and safety, health and environmental matters.

Government: Government formalized corporate responsibility to address historic inequities through pro-social legislation such as the Black Economic Empowerment policy, liberal labor laws and the South African Bill of Rights.

Investors: Shareholders are highly influential and supportive of responsible business, although there is still a strong interest in short-term gains. Support and influence for citizenship is represented by the Johannesburg Stock Exchange Socially Responsible Investment Index – the first of its kind in a developing country.

NGOs: They collaborate or partner with business to realize socioeconomic goals (e.g. Oxfam, the WWF, and Habitat for Humanity, as well as local NGOs).

International organizations: The UNGC, GRI and ISO codes provide guidance and recognition that significantly drive responsible business.

Academia: Academic institutions have specialized units focusing on corporate citizenship, including, the Centre for Responsible Leadership at the University of Pretoria, the Centre for Corporate Citizenship at the University of South Africa and the Sustainability Institute at the University of Stellenbosch.

Key stakeholders resisting corporate citizenship

Trade unions: Labor-oriented policy and regulation is very advanced but compliance is not universal, labor strikes are common and unemployment is high while skill levels are low. Major trade unions have high influence in relation to labor relations but are very cynical toward other practices such as community investment and corporate citizenship in general.

Intuitional investors: While generally supportive of business, there is significant cynicism among traditional shareholders toward attempts at responsible business.

Neutral stakeholders

Consumers: Ethical consumerism is limited and to some extent completely absent in South Africa.

Employees: While employee volunteerism is an established practice, the influence and support of employees for other corporate citizenship activities is limited.

Implications for the development of corporate citizenship

In democratic South Africa business has made enormous strides in corporate citizenship. Today business is seen as a legitimate and mandated role-player in redressing past imbalances, development, and nation building. Business has contributed significant leadership and resources together with the state and civil society to resolve major social, economic, political and environmental challenges. Corporate citizenship is mostly self-directed and supported by the state. Business responsibilities aimed at redressing past imbalances are, however, mandated by law. But cynicism and apathetic stakeholders (such as institutional investors and labor unions) continue to hinder the recognition needed to foster integration of corporate citizenship. While a small network for supporting citizenship exists, there is a need for more locally oriented standards, models and incentives for corporate citizenship. Government also needs to actively support the corporate citizenship drive through incentives (e.g. tax breaks and preferential procurement) and public/private partnerships in an attempt to increase the pace of social transformation and environmental sustainability. Until the significant cynicism and the legitimate counter forces are addressed, the majority of stakeholders become more involved, and a supportive locally oriented network expands, corporate citizenship will not be a shared reality in South Africa.

United Kingdom

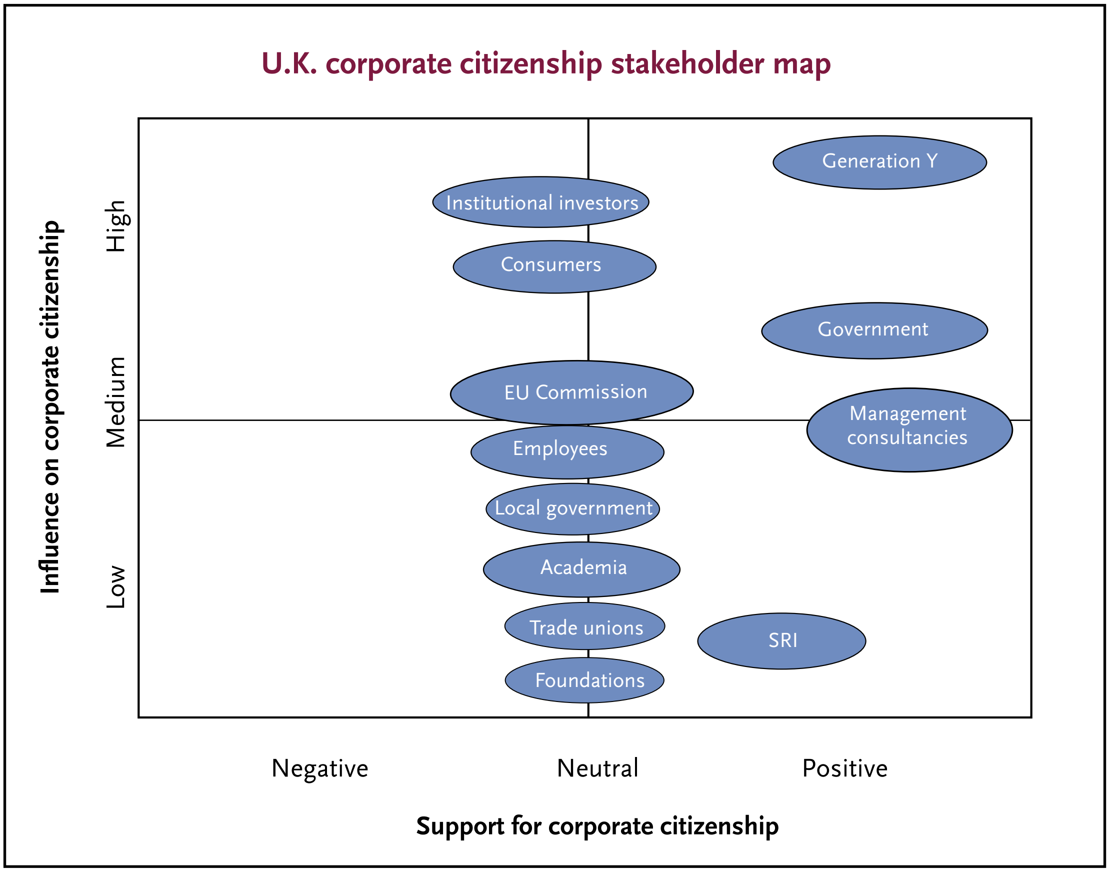
The United Kingdom has a long history of engaging in corporate citizenship and has been quite innovative on the topic. Primarily referred to as CSR or corporate responsibility there, the concept has taken on an almost mainstream following, particularly among the country's many multinational enterprises. Sophisticated networks of NGOs, business organizations and new academic research centers all support the continued growth and development of citizenship. As in many other countries, consumers and employees are still somewhat behind the curve. Despite these setbacks, corporate citizenship is unlikely to stall in the United Kingdom.

United Kingdon Stakeholder snapshot

Government in power:	Labor Party (center-left)
2008 rank in TI Global Corruption Index:	16
Market capitalization of listed companies (% of GDP):	139
GDP per capita (current US$):	45,442
Internet users (per 100 people):	72
Size of labor force:	31.4 million
Unemployment rate:	5 percent

Corporate citizenship snapshot

Companies listed on GRI Reports List (2006-2009):	56
Reputation Institute CSR Index:	58.9
Business participation in UNGC (all active as of June 15, 2009):	136
Percentage of companies with a publicly available CSR strategy:	65
Total SRI assets under management:	959 billion euro



Key stakeholders driving corporate citizenship

Government: Support for corporate citizenship has been exhibited by a number of documents outlining the state's intentions to foster an enabling environment for citizenship, involving the Department for Business Innovation and Skills and the Department for International Development. The government actively supports debates and partnerships on the topic and requires, through legislation, public reporting of CSR-relevant issues to businesses.[17]

Employees: Younger employees (Generation Y) in particular are driving conversations about citizenship and employers are listening due to a need to acquire top talent.

Business organizations: Business in the Community (BITC) is a primary business association in this area, leading initiatives to imple-

[17]Bertlesmann-Stiftung, 2007

ment CSR as a business case, running the annual Corporate Responsibility Index and granting annual awards for excellence. It is the largest and one of the oldest business-led, national corporate responsibility coalitions.[18] The Association of Chartered Certified Accountants has also engaged in the topic.

NGOs: The Corporate Responsibility Coalition (CORE), a network of local NGOs, demands a greater emphasis on corporate accountability, transparency and an improved legal framework for the liability of companies. CORE has also played an active role in the establishment of the European Coalition for Corporate Justice.[19]

Academia: Some significant research institutions on the topic have emerged such as the International Centre for Corporate Social Responsibility at the University of Nottingham, and the Doughty Centre for Corporate Responsibility at Cranfield University.

International organizations: The Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises and the U.N. Global Compact have had influence, although muted compared to other European countries.

Media: Several major publications that had previously been skeptical about corporate responsibility, such as the Economist, are now taking a more open-minded approach. The Financial Times has been a long-term partner of BITC.

Key stakeholders resisting corporate citizenship

Labor unions: While labor unions can be suspicious of citizenship, which some see as "an approach taken by business to further sideline unions from decision-making processes and to avoid legally binding labor standards,"[20] they have not had a great degree of influence on corporate citizenship.

Neutral stakeholders

Consumers: The ethical consumerism movement is stronger in the United Kingdom than in most other countries. The U.K. retail sector in particular is in a ferocious battle to win green consumers.

Implications for the development of corporate citizenship

"Compared to other European Union member states, the United Kingdom is considered to be among the nations where corporate social responsibility (CSR) is most advanced," the German foundation Bertelsmann Stiftung reports. This is not surprising, given the long list of supportive stakeholders listed above. The United Kingdom appears to be on a direct track to enhanced corporate citizenship. To prevent a plateau and loss of steam, however, continued efforts to innovate and advocate for citizenship need to be heard from a number of sources.

[18] BITC has worked with the main business organizations representing smaller businesses: the British Chambers of Commerce, Federation of Small Businesses, Institute of Directors and Forum of Private Business to develop the language, agenda and examples specifically for small firms (See the Small Business Journey: www.smallbusinessjourney.com)

[19] See www.corporatejustice.org

[20] Bertlesmann-Stiftung, 2007

United States

The United States does not have a large bloc of influential stakeholders pushing for and rewarding corporate citizenship. The majority of stakeholders of American companies have either not come out strongly for corporate citizenship (e.g. employees, consumers), or they are not influential enough to significantly change business practices (e.g., NGOs). Perhaps the greatest influence on companies to adopt and excel in citizenship has been the action (or inaction) of other corporations – through competition in marketing and recruiting or in agreements that level-the-playing field (e.g., supply chain practices). To this point, mainstream investors have cast a wary eye on social investments by U.S. companies and discounted the relevance of corporate citizenship to financial returns, at least in the short term. Meanwhile, a segment of socially responsible investors has pushed for greater corporate transparency and attention to society's ills and the national government, post-economic crisis, is calling for reforms in corporate governance. The "green" movement is growing among segments of consumers and employees and gaining more traction on the corporate agenda.

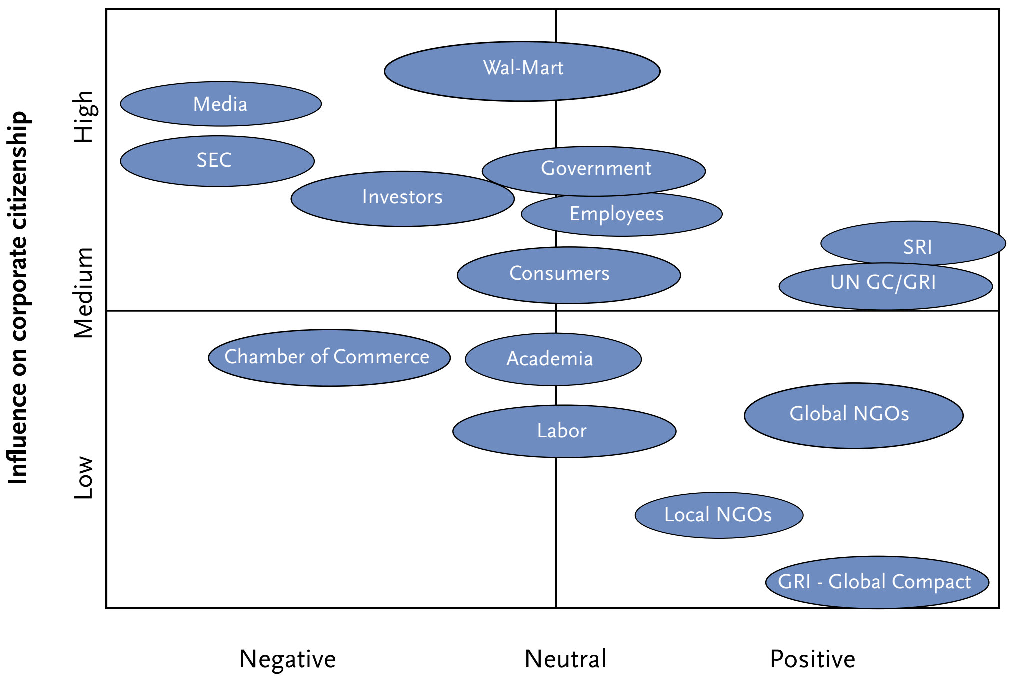
United States Stakeholder snapshot

Government in power:	Democratic Party (center-left)
2008 rank in TI Global Corruption Index:	18
Market capitalization of listed companies (% of GDP):	145
GDP per capita (current US$):	45,592
Internet users (per 100 people):	73
Size of labor force:	156.6 million
Unemployment rate:	9.7 percent
Percentage of work force unionized:	12.4

Corporate citizenship snapshot

Companies listed on GRI Reports List (2006-2009):	119
Reputation Institute CSR Index:	63.5
Business Participation in UNGC (all active as of June 15, 2009):	225
Percentage of companies with a publicly available CSR strategy:	61
Total SRI assets under management:	$2,710 billion (US)

U.S. corporate citizenship stakeholder map



Key stakeholders driving corporate citizenship

Employees: While many are still unaware of corporate citizenship initiatives, several polls find that a new generation's loyalty is influenced by a company's social/environmental performance.[21]

Consumers: While many consumers say they want companies to be green and be associated with "causes," they don't as yet define a mass-market. But a recent uptick in advertising that emphasizes corporate citizenship indicates their influence and potential purchasing power.[22]

Business networks: A community of academic and nonprofit thought-leading institutions provides a base of support and encouragement for corporate citizenship (i.e. the Boston College Center, The Conference Board, and Ceres).

SRIs: "Alternative" investors work to counter-balance the traditional investor community by

[21] Cone, Inc., 2006

[22] National Geographic and GlobeScan Greendex

placing demands on companies for transparency and increased responsibility

NGOs: While still lacking in nationwide influence, select NGOs have been effective in encouraging citizenship among large companies through "naming and shaming" tactics, as well as innovative partnerships.

Key stakeholders resisting corporate citizenship

Investors: Financial institutions place great pressure on the achievement of short-term earnings targets and generally do not recognize the financial value of citizenship.

Neutral stakeholders

Government: The national government has not been a major driving force behind corporate citizenship in the past 40 years,[23] still some incentives are in place and private-public partnerships are at work at the state and local level.

Organized labor: Relatively weak in the United States (less than 8 percent of the private work force is represented by unions)[24], the interests of organized labor are narrowly focused on job and work conditions and they have not taken a position on citizenship.

Academia: While a few specialty programs have been created, corporate citizenship has not yet been adopted into mainstream curricula.

Implications for the development of corporate citizenship

Corporate citizenship in the United States is on an upward trend but it has not become institutionalized in American business. There are many reasons why this is the case, including the divergent messages companies are receiving from stakeholders. While companies hear calls to become more responsible from employees and other groups, these voices are drowned out by demands from the financial sector for short-term profits and growth, particularly in this time of economic uncertainty. While the United States lacks a counteracting influential stakeholder group to encourage citizenship, it does enjoy a growing network of passionate and resourceful organizations that have created a "buzz" and a degree of corporate action on the agenda. American companies are confronted on many fronts with requests for information and evidence of citizenship from these groups, NGOs, the SRI community, and increasingly from their own employees, consumers, and business partners, which could lead to greater action on citizenship in the future. It remains to be seen to what extent the national government, under a new president, will move aggressively on environmental performance targets and, as in the 1960s and '70s, provide tax breaks and issue legislation that would promote corporate citizenship.

[23] Bertelsman Stiftung, 2007

[24] Freedom House 2007

Global stakeholder patterns

While each country tells a unique story about its corporate citizenship stakeholder landscape, some commonalities and trends emerge. This section takes a closer look at stakeholder groupings to identify global trends and the implications they have on the development of corporate citizenship worldwide.

Though there are some differences among nations, stakeholder groups can be grouped into the following categories globally[25] based on their level of influence and support: corporate citizenship drivers, corporate citizenship resistors, and neutral stakeholders.

[25]These groupings are similar to Steger's three stakeholder clusters: challengers, bystanders, and incrementalists. By challengers, Steger refers to what this paper names "drivers" and includes NGOs and consumer groups. As Steger states in a recent book based on the European context, "Their [NGOs and consumer organizations] demands for corporate sustainability are by far the most specific and highest." By contrast, in developing countries, without a strong voice by consumers and NGOs, many firms believe that "social and environmental issues only have a marginal relevance to their core business models."

Drivers

Government

A comparison of countries in this study reveals governments (and related agencies) tend to emerge as influential supporters of corporate citizenship. For the most part, participants ranked their governments as either neutral or positive toward corporate citizenship, with the United Kingdom having the most supportive government. Previous research concluded that European governments and regulatory bodies could be best described as "bystanders," whose primary interests lie in competitiveness and employment and who place only minor importance on sustainability.[26] However, the GERN panel finds that while several national governments remain on the sidelines taking scant action to mandate or incentivize corporate citizenship (e.g., Mexico and the United States under the Bush administration), some are taking significant action. The United Kingdom, France

[26]Steger

Stakeholder category	Global stakeholders
Drivers	• Governments • NGOs • International organizations • Business networks • Academia • Socially responsible investors (SRIs)
Resistors	• Financial investors • Labor unions
Neutral (or divided)	• Employees • Consumers • Media

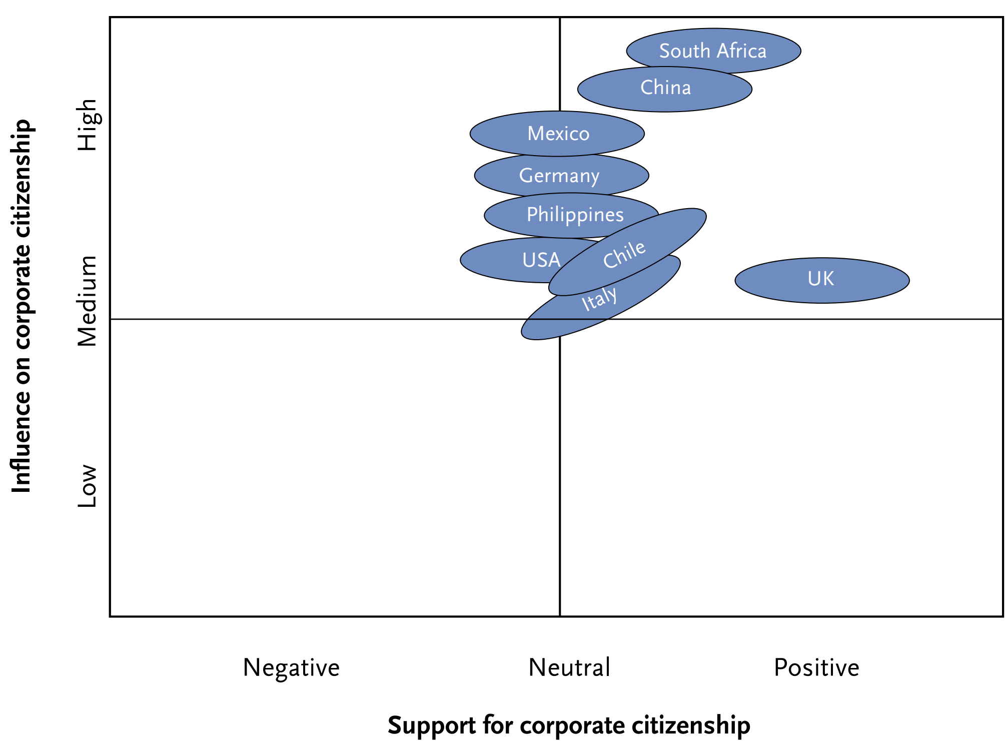
and most recently Denmark have begun to mandate social and environmental reporting.

The GERN panel members rated their governments on the upper side of the influential scale, with South Africa's government having the most influence over corporate citizenship and the U.S., U.K., Italian and Chilean governments having the least. The South African government has gone further than any other government to influence corporate citizenship through pro-socially responsible legislation to address past wrongs of the apartheid regime.[27] This high influence of government on corporate citizenship supports the findings of previous research by McKinsey, the Economist Intelligence Unit and Bertelsmann.

Why would government get involved to such a degree in corporate citizenship? One reason is corporate citizenship can be considered a driver of national competitiveness. In some areas, a nation's businesses can gain a competitive advantage by adopting more rigorous

[27] Hamann, 2008

Government stakeholder mapping



Potential government roles in corporate citizenship

Regulator: Legislating areas of corporate citizenship in such a way to introduce mandatory requirements. In this sample of countries, the U.K. and South African governments have taken on the role of regulator over some areas of citizenship including mandatory public reporting requirements, and pro-social legislation such as the Black Economic Empowerment policy and liberal labor laws in South Africa.

Encourager: Other governments maintain corporate citizenship's voluntary principles, and instead send a message of encouragement to companies to adopt and improve upon corporate citizenship. These incentives can act as "soft law" and are often connected to participation in international standards such as the OECD Guidelines and U.N. Global Compact. In China, for example, there are no formal corporate citizenship guidelines, mandates or legislation from government, yet corporate citizenship is encouraged through policies promoting the notion of a harmonious society – achieving economic growth balanced with social and environmental development. This policy approach is very conducive to corporate citizenship as a management approach and practice. This way government indirectly creates awareness and support for the idea of corporate citizenship.

Partner: Another way to create an incentive is through public/private partnerships (PPPs). Bertelsmann's "CSR Navigator" reports that in the United States "the public sector has not been the major driving force behind corporate citizenship." However, some incentive structures are in place and a few partnerships have been formed among government agencies and the private sector, primarily around global issues such as sweatshop labor and responsible investment abroad. The German government has also created a cross-sector CSR Forum to engage business in an open dialogue.

Enabler: As an enabler, governments can build awareness about corporate citizenship, and assist in "scaling up." This can be done through the issuance of reports (several U.K. government agencies have issued reports and frameworks on corporate citizenship), as well as funding projects. For example, the former U.K. Department of Trade and Industry funded an initiative in 2004 called the CSR Academy, which resulted in the development of an initial Corporate Social Responsibility (CSR) Competency Framework for use in British companies. But governments can run the risk of skepticism from this approach. In Italy, government support is sometimes perceived as "lip service," primarily because government fails to enforce its policies to incentivize corporate citizenship (i.e. through public procurement processes).

Role Model: One of the strongest roles governments can play is to lead by example. As large institutions in their own right, when governments make policies and take on initiatives to improve the positive social and environmental impact of their own operations it sends a powerful signal to the business community and even creates market incentives for those business partners of the government. For example, the British government has incorporated CSR into public procurement, launching an action plan for sustainable procurement in 2006 with a goal of reaching 100 percent sustainable public procurement by 2009.[1]

[1] Bertlesmann-Stiftung, 2007

standards of performance. Firms adopting new "green" standards (e.g., LEEDS certification) or an international standard of social performance (e.g., ISO 26000 on social responsibility) show leadership in these regards. Government may also see corporate citizenship as part of a strategy to attract foreign direct investment. Finally, governments have their own stakeholders to answer to, including a public that may demand legislation in areas of environmental protection, workplace safety and health, social inclusion, and so on.

A recent study from Bertelsmann Stiftung foundation describes in greater detail the reasons various national governments have wanted to strengthen corporate citizenship and the steps they have taken to encourage it. The report, "The CSR Navigator", asserts that "Governments around the world are clearly beginning to realize the benefits of using a range of instruments to align CSR and CSR-related policies with important goals in all policy fields." These steps range from adopting what some see as corporate citizenship as mandatory regulation, such as the mandatory reporting requirements found in some European countries, to simply raising awareness and signing on to multinational initiatives.

NGOs

For the most part, NGOs have strong support and advocacy for corporate citizenship but lower relative influence on company practices in general. Despite the fact many multinational corporations have been significantly swayed by NGOs and advocacy campaigns, their influence over a company's adoption of corporate citizenship is consistently rated low compared to other stakeholder groups.

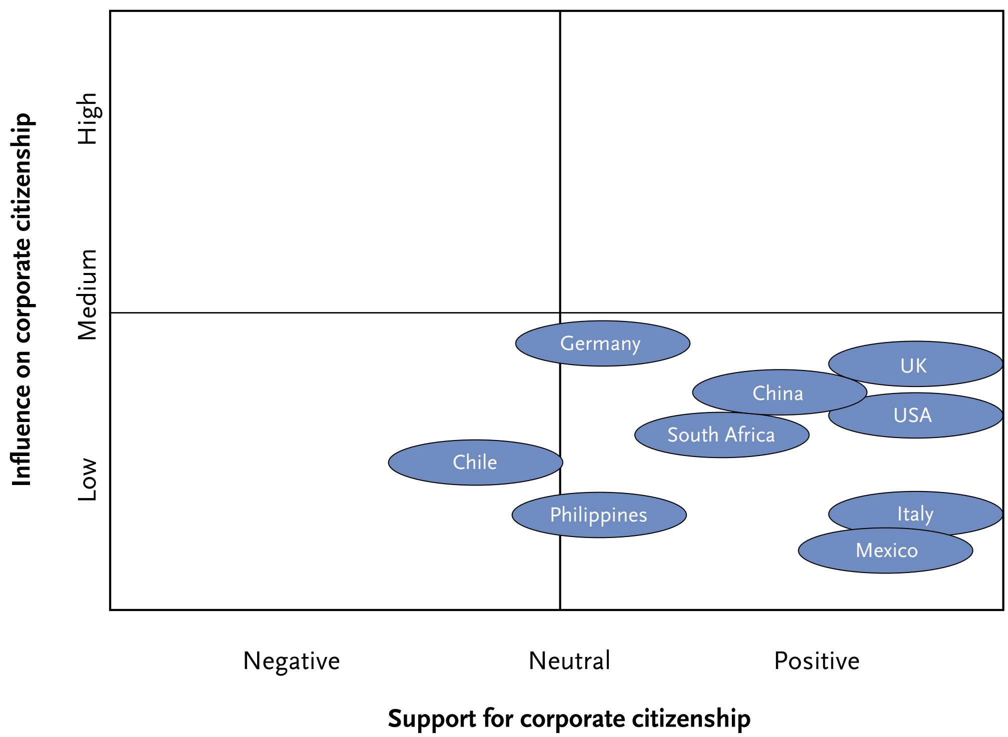
NGOs are a large force in the economy, worth more than $1 trillion a year globally,[28] but they are limited in their influence for several reasons. One is a lack of capacity and resources. Another is the strident approach of some. Steger notes, "The more demanding stakeholders are about social and environmental issues, the more irrelevant they are for companies," and NGOs are one of the most demanding. Still another reason is the current low position of power the NGO community holds in most societies. They do not often have the ear of the government and are only recently becoming a trusted source for consumers and the general public. In Mexico, local NGOs have little legitimacy or are not very transparent, leading to a low level of trust. In some cases, such as in China, NGOs are hardly present or trusted at all. However, international NGOs play a very influential part in promoting corporate citizenship both in MNCs and among their local suppliers in China due to global concerns.

NGOs can have the most success through other stakeholder groups, particularly if they influence regulators and the media. This way, corporations may be more likely to take notice. In Europe, many NGOs have set up headquarters in Brussels for exactly this reason. NGOs play a particularly important role in creating transparency – making information on corporations and their actions widely available to other stakeholders.[29] Another reason to pay attention: "NGOs represent lead indicators of where political and business agendas are likely to go in the future," accord-

[28] SustainAbility, 2003

[29] Steger (2006) p. 76

Global NGOs stakeholder mapping



ing to a study conducted by SustainAbility.[30] Knowing where these groups stand and which direction they are pushing can be an advance signal for business leaders to tune in to.

While many NGOs have formed to promote corporate citizenship and others have adapted advocacy of corporate citizenship to their existing agendas, there are still others that oppose the concept. NGOs can be classified into the following global categories: watchdogs, social partners and skeptics. Understanding which group NGOs fall into is critical to stakeholder management on a global scale.

Watchdog (Activist) NGOs: These can be global NGOs such as Greenpeace, or local consumer and community groups concerned about one or more negative impacts of corporations. SustainAbility calls these groups "the shock troops of civil society." They influence corporations by creating negative press and inciting boycotts or other punitive action until the named companies alter their operations. Recently Greenpeace linked major meat

[30] SustainAbility, 2003

buyers in the United Kingdom such as Asda, Marks & Spencer and Tesco, to massive destruction of the Amazon rainforest, resulting in large-scale media coverage and the start of legal action against the companies' suppliers on the part of the Brazilian government.[31]

Social partners: Many NGOs have evolved into social partners, helping companies adopt better corporate citizenship by working with them. In the United States, this is becoming more common with companies creating signature and highly publicized relationships with NGOs that help them improve particular aspects of their corporate citizenship strategies (e.g. Timberland and City Year partnering to support community service; Starbucks and Conservation International working on improving environmental impact and supporting fair trade and sustainable agriculture; and Ernst & Young and Endeavor's joint efforts to connect employee volunteers with small scale entrepreneurs in developing markets).

Skeptics: These NGOs are skeptical of the voluntary nature of corporate citizenship. Due to an inherent mistrust of corporations, they direct their advocacy toward the government to ensure social and environmental concerns are mandated. This is largely the position of large, global NGOs operating in Germany, which have been difficult to engage in the citizenship debate. Bertelsmann reports that "the planned modernization of the social systems, moving toward privatization and reducing the level of basic social services, is fiercely criticized by trade unions and socially engaged organizations."[32]

International organizations

Organizations such as the United Nations Global Compact, OECD Guidelines for Multinational Enterprises, International Standards Organization (ISO), the World Business Council for Sustainable Development (WBCSD), the Global Reporting Initiative (GRI), and even the World Bank and regional development banks such as the Inter-American Development Bank, have given global dimensions to corporate citizenship. In several countries these organizations are significant drivers, all on the positive end, but with varied influence. The Global Compact today stands as the largest corporate citizenship and sustainability initiative in the world, with more than 5100 corporate participants and stakeholders from more than130 countries.[33] Increase in Global Compact membership is actually stronger in developing nations (particularly in Latin America) than it is in the many developed markets. While engagement numbers are high in the United States due to the large number of multinational companies, many companies are still ambivalent to any foreign-sounding standards.

Developing countries, which are heavily focused on competitiveness and attracting foreign investment, are deeply influenced by these organizations. Associations such as the World Business Council for Sustainable Development and international businesses chambers such as the American Chambers of Commerce are very influential and provide support to companies in China, such as assistance in developing corporate citizenship strategies. The UNGC, GRI and ISO codes

31 Adam, David. "Supermarket suppliers 'helping destroy Amazon rainforest'" Guardian Newspaper, June 21, 2009.

32 Bertlesmann-Stiftung, 2007

33 "Overview of the UN Global Compact," accessed June 22, 2009, www.unglobalcompact.org

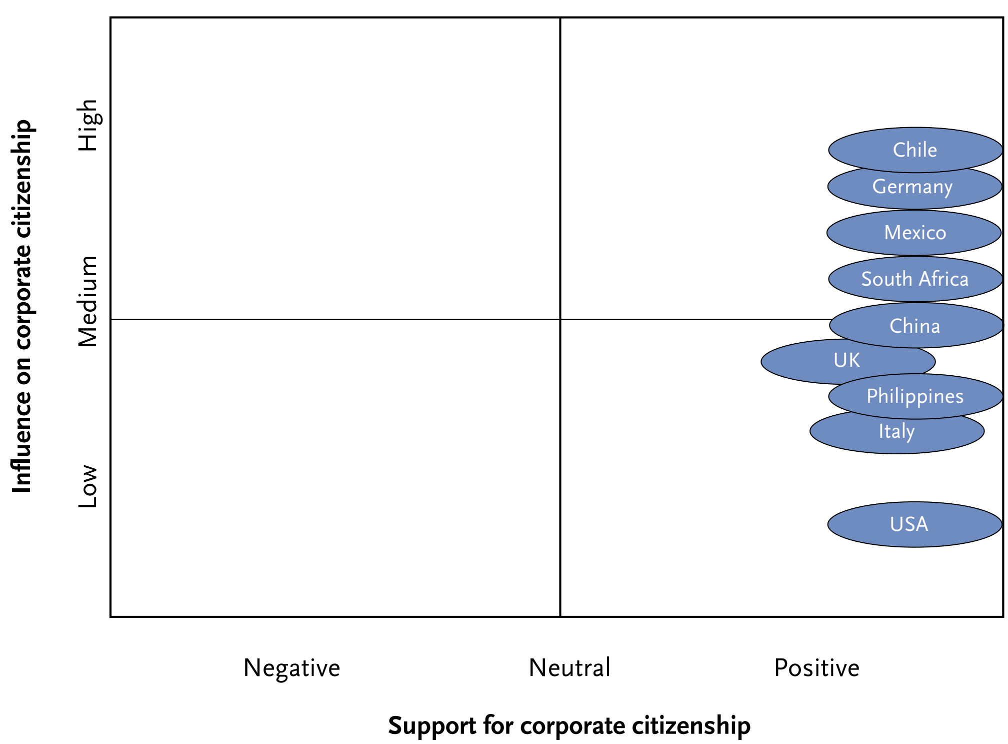
also provide guidance and recognition that significantly drive responsible business in South Africa and Chile. In Latin America, the Inter-American Development Bank has been a key driver for promotion and implementation of corporate citizenship, especially for small and medium enterprises. To raise their level of influence over corporate citizenship globally, these organizations need greater support from major multinationals and their home markets. SustainAbility notes that, "As these rankings and tools [such as the GRI] develop and become more acceptable, they will fuel companies' competitive drive to top the 'SD charts'."[34]

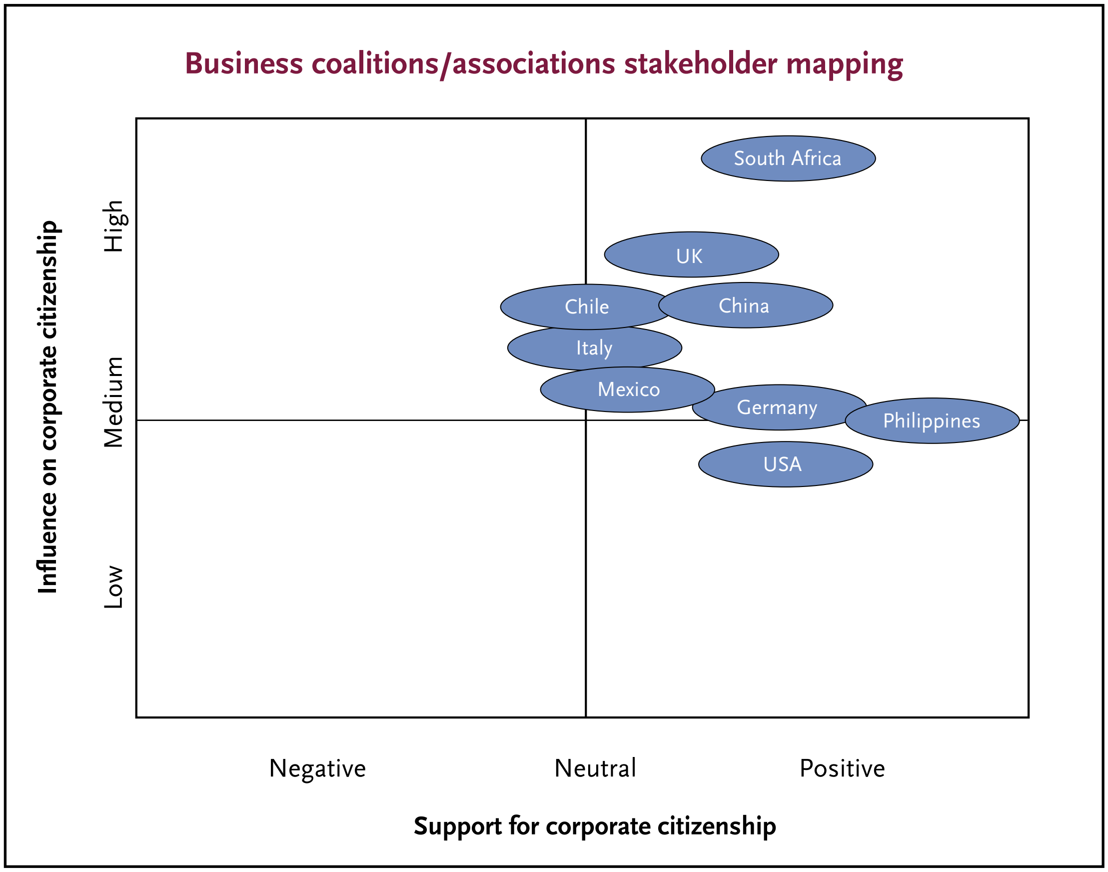
Business associations and networks

Business associations are rated highly positive and influential over corporate citizenship. This is undoubtedly due to the growing number of institutions dedicated to helping companies advance corporate citizenship. The Doughty Centre reports there are now more than 100 business-led corporate responsibility

[34] SustainAbility, 2001 p.44

International organizations stakeholder mapping





coalitions promoting it around the world.[35] Most notable and successful have been Business in the Community in the United Kingdom (approximately 800 members), and the Boston College Center for Corporate Citizenship (approximately 350 members) and Business for Social Responsibility (approximately 250 members) in the United States.

In the developing world, several new associations are getting engaged. But many lack teeth to advocate strongly for corporate citizenship and most fail to provide useful tools and resources to companies. In Mexico, support from leaders of business associations is perceived as rhetoric as very little is done to provide guidance to members in a constructive way, according to Jorge Reyes at Anahuac University in Mexico City. One business network, AliaRSE (Allianza por la Responsabilidad Social Empresarial), together with Centro Mexicano para la Filantropia (CEMEFI) effectively promotes philanthropic and social responsibility through a "socially responsible

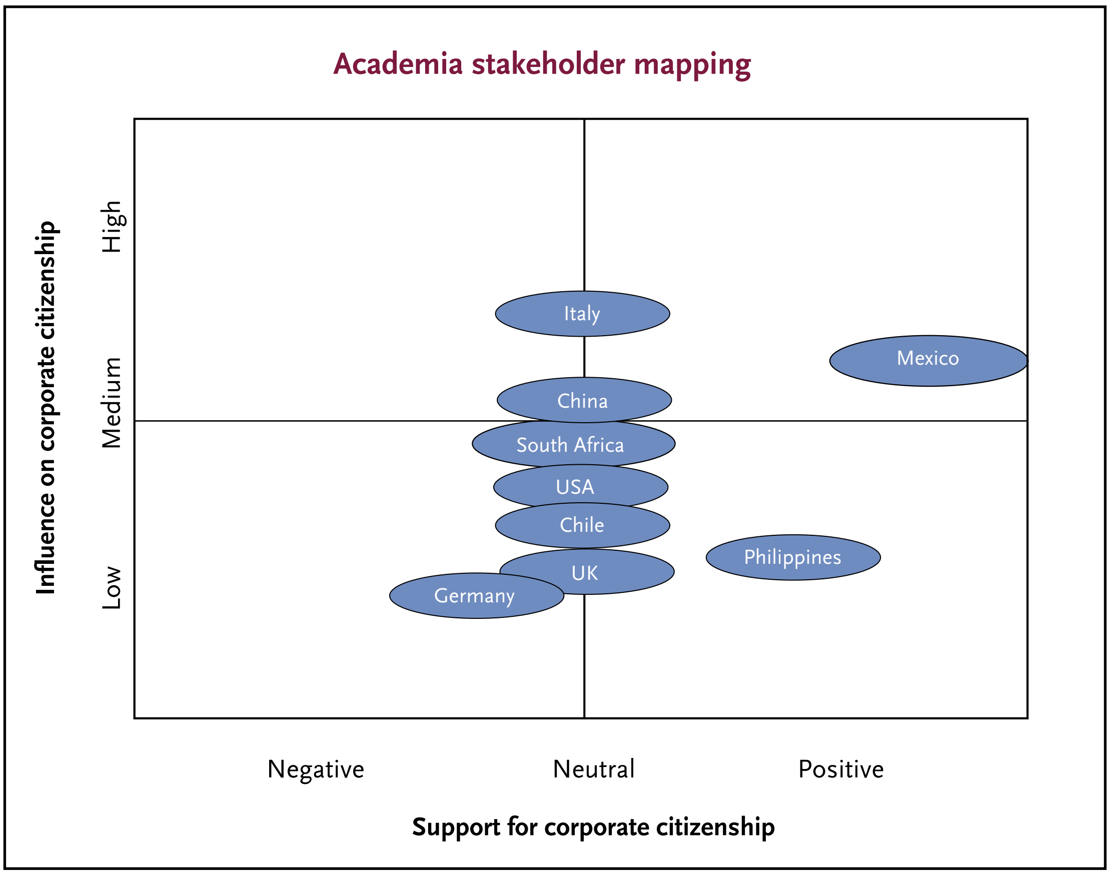
[35] Grayson, 2009

enterprise" distinction mark, and has been influencing giving and promoting organized participation in society for almost 10 years.

On the other hand, business associations in South Africa represent business' collective and self-directed commitment to corporate citizenship. This movement had its origins in the anti-apartheid movement, when the Urban Foundation was created to address social needs through the business community. Business self-regulatory initiatives such as the King Commission of Corporate Governance are also significant drivers of corporate citizenship practices such as social reporting, stakeholder engagement, social investment and emphasis of safety health and environmental matters in South Africa.

Academia

Academia has been supportive in some countries and neutral in others. International groups, such as the Aspen Institute, have hosted global dialogues among CEOs on the subject and "rank" business schools on their incorporation of citizenship in their curricula and research. Still, academics have not had great influence on the practice of corporate responsibility in the nations studied here, with the exception of Mexico. In the case of



Mexico, the influence of academic institutions is enhanced through partnerships with government or multilateral organizations such as the Inter-American Development Bank. In the main, the majority of university-based academics in business schools and private business learning institutions have not promoted this, save for some particularly active and progressive research arms.[36] In South Africa for example, a review of the 17 accredited MBA programs revealed that corporate citizenship topics are minimally integrated into core course curricula, while they are more represented in elective course offerings.[37] It's a similar story in the other countries examined here.

Still, academic institutions and specialized research centers have a lot to offer the field. First, they contribute to knowledge and research on the field of corporate citizenship and provide businesses with tools and frameworks for managing corporate citizenship. Second, they inform academia about corporate citizenship and incorporating corporate citizenship information and teaching into undergraduate and graduate curricula. And third, the credibility that comes from academia can be a significant influence on the opinions of other stakeholders such as investors and the media that corporate citizenship is relevant and important.

[36] Several members of the GERN are based in academic institutions, including the Boston College Center for Corporate Citizenship, as well as the AIM-Ramon V. del Rosario, Sr. Center for Corporate Responsibility at the Asian Institute for Management in the Philippines, the Centre for Responsible Leadership at the University of Pretoria (South Africa), IDEARSE Center for Corporate Sustainability and Responsibility at Anahuac University in Mexico, the Vincular Center for Corporate Social Responsibility at Catholic University of Valparaiso (Chile), ALTIS Catholic University of Milan, and the Doughty Centre for Corporate Responsibility at Cranfield University in the United Kingdom.

[37] Hamann, et al, 2006

Resistors

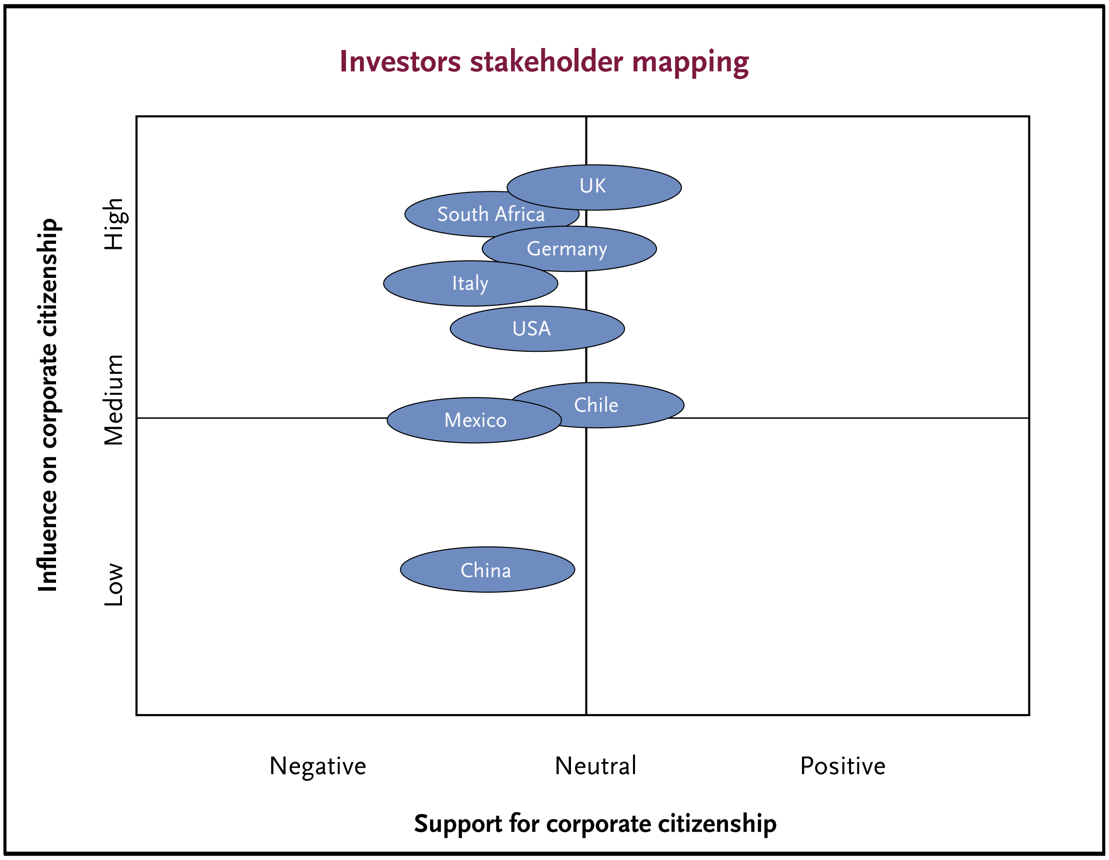
Investors

In the two-by-two scale of corporate citizenship support and influence, the mainstream investor stakeholder group is clustered in the high influence, low support quadrant (with the one exception of China, whose investors enjoy far less influence due to its statist market economy). This finding reinforces the view that mainstream investors do not yet appreciate or understand the financial value of corporate citizenship. The experts polled believe that, socially responsible investors (SRIs) aside, a long-term sustainability-centered investment mind set has not yet taken root around the globe.

While this finding is largely consistent across the world, the state of development and influence of the SRI sector varies but remains more of a developed nation phenomenon. The United States is, in fact, the world's largest market for SRI.[38] While defining SRI is always a challenge, especially in a global context, as Eurosif describes, "the constant within this area is that sustainable and responsible investors are concerned with long-term investment, and environmental, social and governance (ESG) issues are important criteria in determining long-term investment performance."[39] This breed of "alternative" investors works to counterbalance the traditional investor community by placing demands on companies for transparency and increased responsibility – and rewarding (or punishing) them by including them (or excluding them) on special indices such as

[38] Bertelsmann-Stiftung, 2007

[39] Eurosif, 2008



the Domini 400, or Dow Jones Sustainability Index (or the FTSE4Good Index in the United Kingdom or the JSE SRI in South Africa). Many companies are beginning to make great efforts to be included in these indices, including revising current practices and investing in annual CSR/sustainability reporting.

According to Eurosif research, total SRI assets under management (AuM) in Europe reached 2.665 trillion euros ($3.7 trillion) as of Dec. 31, 2007.[40] This represents a significant increase from 1.033 trillion euros ($1.43 trillion) AuM in 2005. It is estimated that Europe accounts for 53 percent of the approximately 5 trillion euro ($6.94 trillion) global SRI market. In Europe, the United Kingdom has the largest SRI market. The United States accounts for another 1.9 trillion euros ($2.71 trillion). Note the rest of the world only accounts for 8 percent of the global SRI market.

[40] Eurosif, 2008

Eurosif data suggest "a bright future going forward for the European SRI industry." But given current turmoil in global financial markets, there is a chance that SRI funds could decline if the market continues to spiral downwards.

For the SRI methodology to sway the mainstream, there is a need for more proven financial results from the SRI approach. As Steger claims, "As long as financial market institutions are opportunists and not strategists, the financial market will not be a strong driver for corporate sustainability." SustainAbility is more optimistic about the changing position of the investor community: "There are strong reasons for expecting financial institutions to give increasing importance to corporate SD [sustainable development] performance. This is due in part to the growing strength of the business case itself, but also to the regulatory, market and civil society pressures."[41]

New research from McKinsey & Co. and the Boston College Center for Corporate Citizenship may also indicate a shift in this thinking. The survey of CFOs, investment professionals and corporate social responsibility professionals from around the world explored whether environmental, social and governance programs create value and, if so, how much. The analysis shows CFOs and investment professionals believe ESG efforts create financial value in typical times. In the longer term, some two-thirds of CFOs, investment professionals and ESG professionals believe that the shareholder value created by environmental and governance programs will increase relative to their contributions before the crisis. Expectations of social programs are more modest, with half of respondents saying they will contribute more value.[42] If these findings are representative, then more and more investors will begin to consider corporate citizenship as a value driver, perhaps moving this group to the positive side of the stakeholder map.

Labor unions

The opinions of labor unions generally range from indifferent to corporate citizenship to strongly opposed. The various countries place labor unions up and down the left side of the stakeholder map, due to their varied influence on companies and corporate citizenship. For example, South Africa's major labor unions have high influence in relation to labor relations, while in the United States organized labor is relatively weak (less than 8 percent of the private work force is union).[43]

General opinion holds that the interests of organized labor are narrowly focused on job and work conditions and they have not taken on other areas of corporate citizenship. While improving working conditions is a key piece of corporate citizenship, many unions worldwide question the value of broader citizenship efforts and may see them as a threat to the union agenda. In the United Kingdom, labor unions have been suspicious of citizenship, which some see as "an approach taken by business to further sideline unions from decision-making processes and to avoid legally binding labor standards."[44] This sentiment was echoed by representatives of most countries in this study, except China and the United States, where labor unions are weak.

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[41] SustainAbility, 2001 p.42

[42] Boston College Center for Corporate Citizenship, 2009, "How Virtue Creates Value for Business and Society"

[43] Freedom House, 2007

[44] Bertelsmann-Stiftung, 2007

Neutral Stakeholders

Employees

Employees have the potential to be a great driver of corporate citizenship, yet in most countries, this potential is limited due to lack of awareness. As a result, employees are clustered in the low influence and neutral position on corporate citizenship. Awareness is lowest in developing countries, however some engagement through volunteerism (growing in popularity in China and South Africa) promises a future shift.

More immediate improvement is more likely in developed nations. While many are still unaware of corporate citizenship initiatives, a Cone Communications poll revealed 65 percent of the under-30 generation in the United States says their employer's social/environmental activities make them feel loyal to their company.[45] A Reputation Institute survey also showed that on average, two-thirds of those polled in 25 countries would "prefer to work for a company that is known for its social responsibility." Countries where the highest interest was reported include Norway, South Korea, Germany, Finland, Denmark and Poland, while the least interest was found in the United Kingdom, United States, Mexico, France, India, South Africa and Australia.[46]

Part of influencing employees in this area has to do with employee engagement – directly involving employees in the corporate citizenship agenda of the company. GlobeScan has found that nine out of 10 employees worldwide are interested in participating in the CSR initiatives of their companies (increasing from 81 percent in 2002 to 92 percent in 2005).[47]

These survey results point in the direction of increasing interest and influence coming from inside companies, both global and local. Soon, especially as there is a generational shift in business leadership, this stakeholder group can be expected to become a driver for corporate citizenship.

Consumers

While consumers, like employees, are rated highly in influence surveys, the influence of this group is limited by lack of awareness. Particularly in developing countries (Mexico, China, South Africa), consumers are less aware of ethical consumerism and more focused on price. In the stakeholder landscape "maps," consumers line up in the neutral zone, although with more influence than employees as a group. As a result, businesses are not getting a strong signal from the market to engage in corporate citizenship.

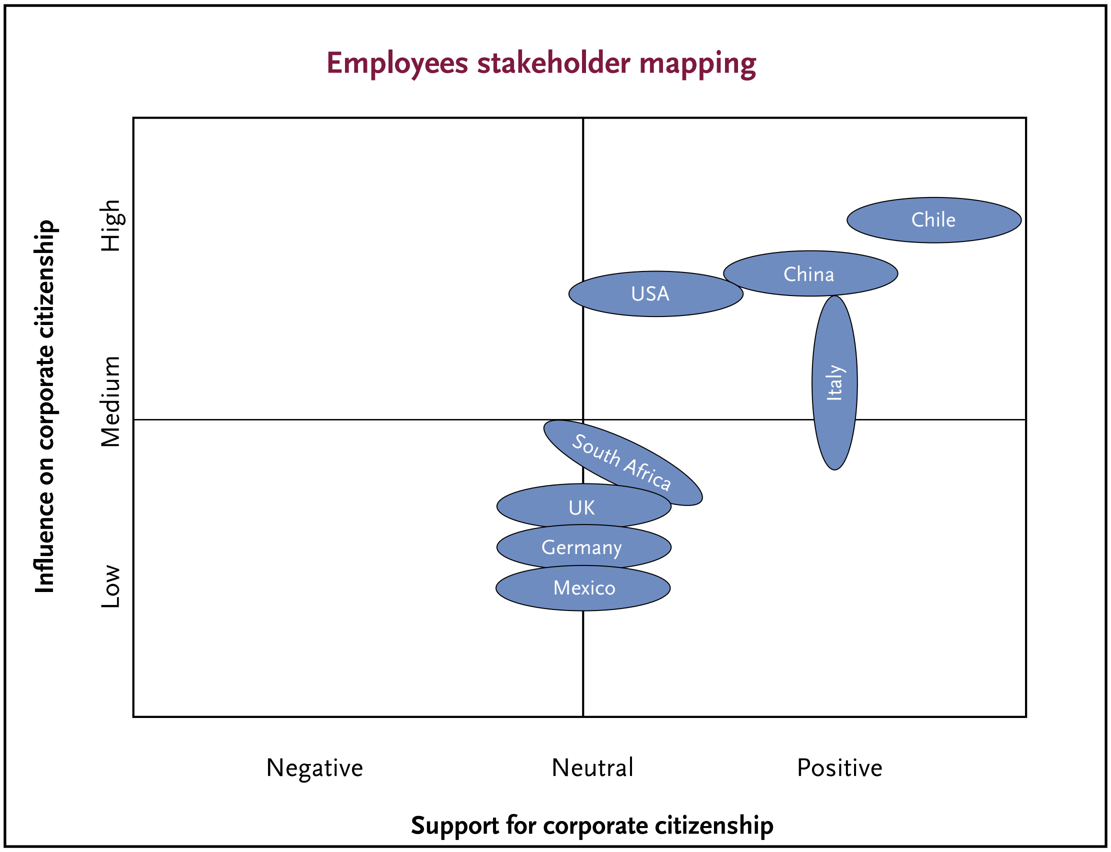
Despite this current state, it is assumed that the potential for consumers to drive corporate citizenship is great. As a SustainAbility publication from a few years ago notes, "The main way customers can affect the business case is through impacts on markets. The number of potential pathways is enormous, including impacts on the size of markets, distribution of market share between companies and indirect effects on pricing."[48]

[45] Cone, Inc., 2006

[46] Boston College Center for Corporate Citizenship, 2009, "Building Reputation Here, There and Everywhere".

[47] Boston College Center for Corporate Citizenship, 2009, "Building Reputation Here, There and Everywhere".

[48] SustainAbility, 2001



Lack of awareness is the major obstacle, and SustainAbility suggests that "one likely reason is the high time commitment required by customers to stay abreast of current developments." On a more positive note, SustainAbility reports that "it is getting much easier to make informed choices, due in large part to the development of standards guaranteeing the safety and identifying the provenance of product."[49] Access to information is also growing and helping with this challenge, as consumers can find a great deal of citizenship-related information on web sites, blogs, product packaging and other forms of media.

Business leaders expect trends in increasing ethical consumerism to grow, according to McKinsey research. While still not yet a strong force, developed countries have more developed ethical consumer markets. In Germany there is increasing evidence that corporate citizenship matters to consumers. According to a recent survey on consumer behavior, more than half of the interviewees said they had boycotted certain food brands or food retailers because of their corporate poli-

[49] SustainAbility, 2001

cy.[50] There are also a growing number of LOHAS (Lifestyles of Health and Sustainability) consumers seriously concerned about social and environmental standards and basing their purchase decision on good corporate citizenship in Germany and other European countries. An Ethical Corporate Institute survey showed that 72 percent of European consumers prefer ethical brands. Retail sales volume of fair trade products is also on the rise in Europe, and is expected to increase from 2.4 billion euros in 2007 to 3 billion euros.[51]

In a global study, the Reputation Institute found that, on average, roughly 40 percent of consumers have personally "refused to buy the products of a company that was not socially responsible." Italians and Chinese ranked high on this factor, while consumers in the United Kingdom and United States were in the middle and relatively fewer in South Africa, Mexico and Chile say that they have boycotted a product because of CSR issues.[52]

This data reinforces the findings that developed country consumers place greater pressure on companies to be socially responsible than do developing country consumers. It follows then, that as a country develops and consumers gain purchasing power as well as access to information (literacy rates and Internet usage rises) this stakeholder group will grow in influence and support. In all countries, the media is an effective vehicle to educate consumers about corporate citizenship.

[50] Tochtermann, 2007

[51] "Ethical Corporation Institute Reveals That Consumers Are Still Putting Ethics First", BusinessWire, June 1, 2009.

[52] Boston College Center for Corporate Citizenship, 2009, "Building Reputation Here, There and Everywhere".

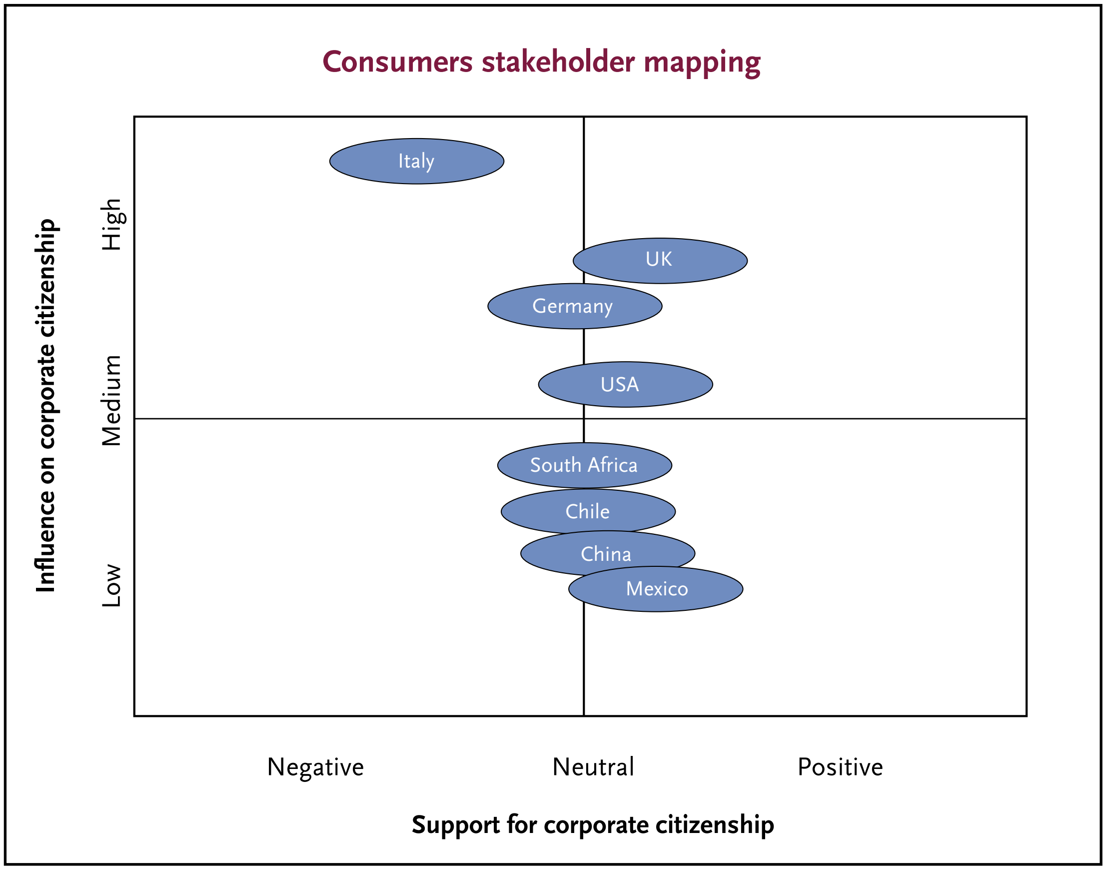
Media

In most countries, media do not play a large role in influencing corporate citizenship directly. Coverage of the topic tends to be low, save for a few exceptions. European (particularly Italian) media seem to have the greatest appetite for citizenship related news, which is driven by reader interest. When the media do take notice, however, business leaders seem to listen, as displayed by the relatively high influence of media on the stakeholder map. Media as a stakeholder group span the spectrum from highly supportive of corporate citizenship to stiff opposition to it. This is probably the result of a number of high profile skeptical articles in the United States and United Kingdom concerning the importance of citizenship to business. Articles in the Economist have been most provocative, but even that publication seems to be changing its tune. In a 2008 Economist article, the magazine called CSR, "just good business." The United States has seen negative press in Forbes (which equated the concept with "cultural imperialism") and The Wall Street Journal (which described sustainable development as "a dubious environmental concept").[53] SustainAbility also points out a "CSR blind-spot" in the U.S. media, reporting that "despite clear evidence that growing numbers of U.S. corporations have been embracing CSR, U.S. media have largely ignored the trend."[54]

Of course, various corporate citizenship issues receive more attention in some countries than others. The media in general have been most keen to pick up on environment and climate change-related stories, a hot issue of

[53] SustainAbility, 2002

[54] ibid



the moment. SustainAbility and Ketchum tracked the frequency of mentions of CSR and sustainable development in different regions of the world from 1991-2001, showing that worldwide, media attention is on the rise, with the most significant uptick occurring in developing markets. Covalence provides a more recent analysis, confirming a continued rise in media coverage.

Since 2001, there has been a dramatic rise in "new media" including blogs and even more instantaneous news sources such as Twitter. According to a recent Doughty Centre analysis, "The increase of new media is dramatically increasing pressure for greater accountability and transparency, and for making more information available faster."[55]

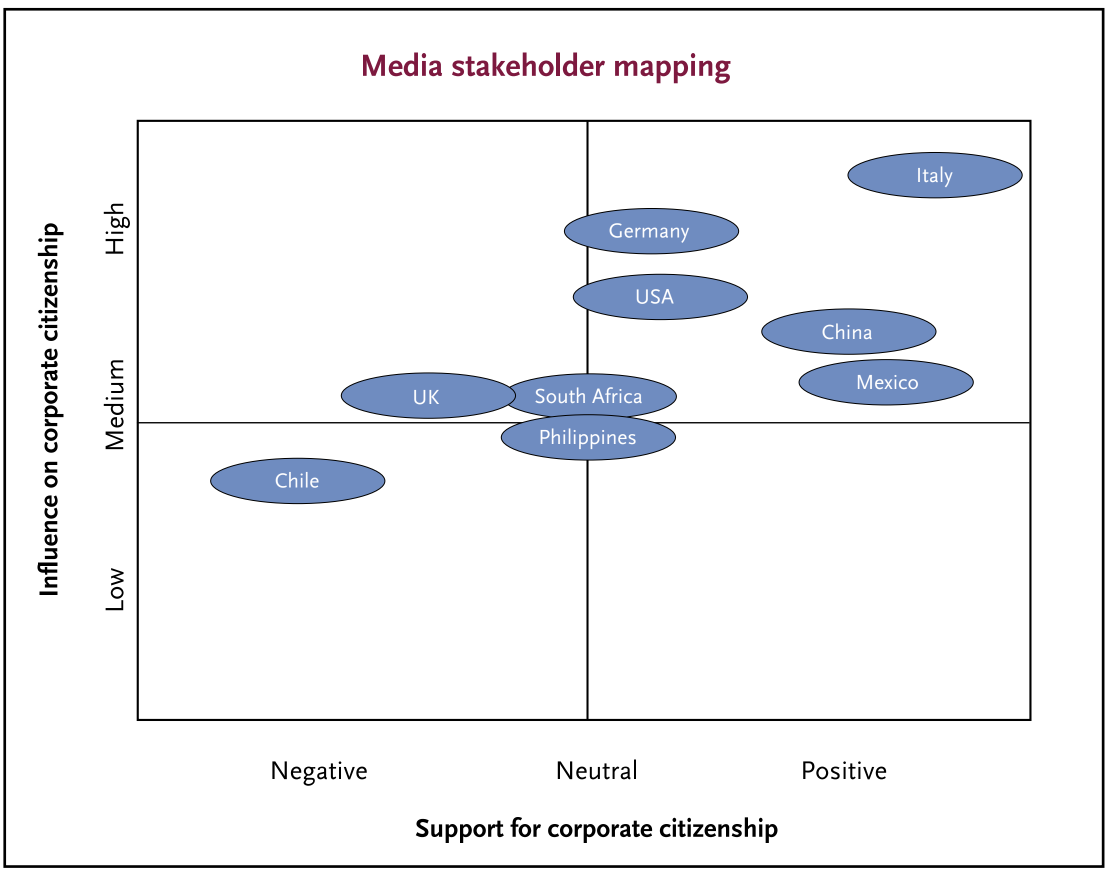
As the primary role of media is to disseminate information, Steger asserts "media are drivers and implementers of transparency … they support other stakeholders in evaluating and influencing corporate performance."[56] This is probably the greatest potential of

[55]Grayson, 2009

[56]teger (2006)

media. Given how uninformed consumers, employees and the public in general are about corporate citizenship, media has a big job to do. SustainAbility claims that, "the media represent one of the most powerful – yet least trusted and least accountable institutions – in the world." It goes on to note the importance of this stakeholder group: "Media understanding – and sustained intelligent coverage – of the CSR and SD agendas is a necessary precondition for real progress ... No other industry will so powerfully influence how people and politicians think about corporate social responsibility and sustainable development priorities."[57] Yet the responsibility does not rest with the media alone, as Grayson notes: "It is 'a given' that companies and promoters of CR will need to be more proactive in articulating the purpose of business, the impacts of responsible business and how individual businesses are seeking to minimize negative environmental and social impacts."

[57] SustainAbility, 2002



Implications for global corporate citizenship

This study aimed to shed more light on the current landscape of global stakeholders with respect to corporate citizenship. Researchers discovered many commonalities across the countries in this study. One significant finding is that governments seem to be the most powerful and positive force for corporate citizenship globally. Despite survey evidence that companies pay the most attention to the views of employees and consumers, this study finds governments have significantly more influence over corporate citizenship activities on a national level. This may be partly due to lack of widespread awareness among employees and consumers and, possibly, to lack of strong social movements embodying their interests.

What changes lie ahead? The data across nations point to a slow, but gradual shift in positions of some traditional resistor stakeholder groups. Surveys of investors find, for example, that most now see "short-term" financial benefits to shareholders in corporate investments in good governance and environmental sustainability (chiefly cost savings). In the longer term, however, great majorities see significant financial benefits in investments in social performance. Interestingly, they are more bullish on social investments than corporate CFOs. Ironically, it may be that there is more resistance to investing in social performance within the finance groups of companies than in the shareholders they purport to serve.[58] Meanwhile, the SRI movement is growing in strength, particularly in developed countries, and is beginning to sway mainstream investors in several countries.

National media, in this study, are in a more or less neutral position in many countries. That may change as global media continue to put the spotlight on corporate misdeeds in the financial and operational sphere. Films such as "The Corporation" or "Fast Food Nation" have reached global audiences. Meanwhile, documentary filmmakers and citizen activists armed with mini-cams and blogs, increasingly bring local practices into global view. On the upside, more conferences and meetings around the world, as well as college and MBA curricula, highlight the positive potential of corporate responsibility for both corporate and societal sustainability. All of this is likely to continue to raise awareness of corporate citizenship issues among opinion leaders and influential stakeholder groups. This means that other interests now seen as more or less neutral on the subject could, through exposure to media, education and opinion leaders, become more positively inclined.

Industry- and firm-level cases show increased access to information worldwide can mobilize more consumers and employees to push for greater accountability and responsibility from business. A new generation of younger and more Internet-savvy citizens will begin to take the reigns of business and other sectors. Will this generation be more attuned to business' social role? Will they care more about corporate citizenship? Only time will tell, but current indications from surveys of younger people – as employees and consumers – indi-

[58] Boston College Center for Corporate Citizenship, 2009, "How Virtue Creates Value for Business and Society".

cate that demand for corporate citizenship will continue to grow.

On the practical side, new tools and methods for stakeholder mapping are being developed. Wal-Mart spent a year talking with environmental and consumer experts before launching its new strategy on sustainability. Shell prepares and plans from scenarios on how different developments in society might impinge on their markets, offerings and license-to-operate. IBM conducts electronic "jams" on broad trends and business-relevant sociopolitical issues with thousands of people and key stakeholder groups around the globe. GE convenes biennial "Energy 2015" and "Healthcare 2015" meetings with a cross-functional group of government officials, industry leaders, key suppliers, NGOs and academics that feed back into the company's strategy.

Stakeholder mapping is also becoming commonplace. To illustrate its use for business planning, Andrew Savitz has companies rate stakeholders in terms of their support and influence. On a two-by-two grid of low to high support and low to high influence, Savitz suggests a business should partner with its high influence, high support stakeholders; engage its high influence, low support stakeholders; empower its high support, low influence stakeholders; and monitor its low support, low influence stakeholders.[59] This can be a helpful tool for understanding a company's stakeholders in various locales.

On the research and analytic end, there are several data bases and studies that can help in translating global data into practical action. Accountability prepares an annual report on transparency across 22 nations. It also creates a Responsible Competitiveness Index ranking nations on their commitments to CSR. Leaders include the Scandinavian nations and the United Kingdom. Such country-level data can help a global company understand the competitive context and rules-of-the-game for corporate citizenship in different nations. GlobeScan provides clients detailed information on expectations of corporate conduct in 32 nations. Its CSR Monitor analyzes consumer activism and influence. In recent ratings, the most empowered and active consumers are found in Canada, Australia and the United States. It also segments consumers into categories ranging from inactive and undemanding to mainstream to social activists and a segment calling for more regulation of business. These segments, not surprisingly, vary in size from nation to nation.

The Reputation Institute also surveys the public around the world. A recent study by the Boston College Center and the Reputation Institute analyzed how the public in 25 nations rated the CSR performance of more than 600 companies and to what extent CSR was a "driver" of overall reputation. The findings show CSR is an especially strong driver of reputation in Scandinavia, France and South Korea, but less so in the United States, United Kingdom and China (see box at right).

Hopefully this national level information, and more in-depth studies of public sentiment and corporate conduct by GERN members and other institutions in nations around the world will also add to a better understanding of stakeholders' sentiments and responsible ways that companies calibrate and respond to their interests.[60]

[59] Savitz, 2006 p. 185.

[60] See CCCD, 2007 and Alfonso, F.B. (2007)

Reputation Here, There, and Everywhere

The Boston College Center for Corporate Citizenship and the Reputation created a CSR Index based on the public's ratings of companies in the areas of citizenship, governance and workplace practices.

Ratings on the CSR Index: A first analysis looks at how the public rates 600 global companies in 27 countries on the CSR Index. Companies in the Netherlands score highest on the index followed by Sweden and Norway. India and South Africa rank highly too, largely on the strength of their strong governance scores. U.S. companies, ranked in the top third in all three CSR dimensions, score sixth overall. In the middle tier of the CSR Index are firms based in Italy (upgraded on citizenship ratings), Denmark (downgraded on governance), and Germany (downgraded on the workplace). In the lower tier are firms based in Latin America, China and Spain.

Importance of CSR in reputation ratings (driver weights): There is considerable variation in the power of CSR Index to predict a company's reputation -- ranging from high predictive power in Finland (55.3 percent) to the global average (45.4 percent) to relatively low power in Spain (41.4 percent). The Scandinavian countries and the Netherlands give citizenship a high weight in their judgments about a company overall. The highest weights given to governance are found in emerging global business markets (Chile, Mexico, India) and in the most advanced countries with Anglo-Saxon capitalism (Australia, Canada, United States, United Kingdom). The Fins and Danes stand out along with the Portuguese in putting a heavy emphasis on it when judging companies.

Using CSR to improve reputation: There is a set of countries where companies are rated comparatively high on CSR but it is not a strong predictor of corporate reputation. Firms in India, Japan, the United States and South Africa, among others, are not capitalizing on the strength of their CSR performance in their overall reputation. Here concerted work on communicating about CSR is needed to help the public "connect the dots" to reputation.

Companies in Denmark, France, Finland, and South Korea, by comparison, are not capitalizing on the power of CSR to positively drive their reputation. Here the challenge is to improve their CSR performance and its visibility to an interested public. The same is true in Argentina, Chile, and Australia.

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Business leaders who understand where the support (and pressure) for corporate citizenship is coming from, how strong the pressure is, and who may be counteracting that pressure from an opposing position, are better able to map strategies and devise programs that meet stakeholders' interests.

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