THE STATE OF CORPORATE CITIZENSHIP IN THE U.S.

A view from inside
2003-2004

Produced in cooperation with: THE HITACHI FOUNDATION
SURVEY METHODOLOGY

The State of Corporate Citizenship in the U.S.: A View from Inside utilized the following methodology:

- An invitation to complete the survey was sent to a random sample of U.S. Chamber of Commerce members, inviting them to complete the survey online or via fax. Follow-up was conducted via fax and telephone.
- The sample was intended to closely mirror the U.S. population of small, medium, and large businesses. The U.S. Chamber of Commerce’s membership provides a close approximation of the actual composition of U.S. businesses. Large businesses were over-sampled in order to produce a significant number of responses for separate analysis. This sample was supplemented by the membership of The Center for Corporate Citizenship at Boston College, which skews toward large business. For more information on the sample and how it compares with the U.S. business population, please see appendix A.
- The survey utilized 40 multipart questions and was administered during a period that began in late 2002 and continued through April 2003.
- 515 respondents completed surveys. This response rate was just over 2 percent, which is consistent with response rates that the U.S. Chamber of Commerce has achieved in previous studies with its membership.
- The sample yields a margin of error for results of +/- 4 percent. Within companies, the following individuals completed the survey: chief executives (approximately 69 percent), vice presidents (13 percent), and managers (18 percent).

Copyright 2004 The Center for Corporate Citizenship at Boston College and The U.S. Chamber of Commerce Center for Corporate Citizenship. All rights reserved. This publication was prepared by The Center for Corporate Citizenship at Boston College and may not be reprinted without permission of the research team.
TABLE OF CONTENTS

Foreword  ........................................................................................................... 2
Executive Summary ......................................................................................... 4
Overview ........................................................................................................ 6
  Survey goals ................................................................................................. 8
Findings .......................................................................................................... 9
  Attitudes toward corporate citizenship ...................................................... 9
    How do companies define corporate citizenship? ............................... 9
  Motivations: What drives companies to practice corporate citizenship? ............................. 11
  Expectations: What do stakeholders have a right to expect from companies? .................................................. 13
    Obstacles: What inhibits companies from practicing corporate citizenship? ......................................... 14
  Investing in corporate citizenship .............................................................. 14
    Are companies increasing, maintaining, or decreasing their investments? ........................................ 14
    How do companies invest? ...................................................................... 15
    What are companies investing in? ......................................................... 16
    What social issues do companies care about? ........................................ 16
    Are companies addressing issues related to low-income communities? ................................................ 17
  Key issues for the future .............................................................................. 18
  Comparisons by size, industry, and region .............................................. 19
The Future of Corporate Citizenship ............................................................ 23
Appendixes ..................................................................................................... 26
Bibliography .................................................................................................. 28

RESEARCH TEAM:

The Center for Corporate Citizenship at Boston College
• Steven Rochlin
• Kathleen Witter
• Phil Mirvis

The U.S. Chamber of Commerce Center for Corporate Citizenship
• Stephen Jordan
• D. Tomme Beevas

Sponsored by The Hitachi Foundation
FOREWORD

It is undeniable that business choices have societal effects. It is also undeniable that the rights and responsibilities of corporations are influenced by societal attitudes. Most of us have opinions about the role of business in society, or what we refer to as corporate citizenship. And judging from the volume, frequency, and fervor of debate, I believe we are in the midst of some sort of change. But what do we really know about the attitudes and practices of business leaders themselves? Not much. The media spotlight shines brightest on scandals and abuses, while the hundreds of thousands of businesses that play by the rules receive less focus. Moreover, the image that most often comes to mind when we talk about “business” is that of large global corporations—although small and medium businesses are the backbone of our economy.

This survey takes a giant leap toward developing a more accurate and comprehensive picture of the state of corporate citizenship in the United States. It is the first to include the voices of small and medium-size businesses. It directly captures the input from leaders in businesses of all sizes, sectors, and regions on their motivations, challenges, priorities, practices, and investments. It is also unique in assaying how some businesses help to address the needs of our poorest people and places. Finally, it will be a critical benchmark for gauging how attitudes evolve, practices progress, and the field of corporate citizenship changes over time.

The survey and analysis is a tool that businesses, community groups, the media, public leaders, and foundations can use in a variety of ways. Its most interesting results deflate or raise serious questions about commonly held views on business. For example, economic hard times and the corporate profitability squeeze of
recent years had many convinced that corporate citizenship practices would be first on the chopping block. Not so. According to the survey, the economy did not chase business away from social concerns. In fact, business involvement in the community and corporate citizenship practice is deep, varied, and durable.

Many of the respondents consider corporate citizenship a business essential. Like financial controls and human resource management, corporate citizenship is integral to keeping a business healthy. Most accept the notion that businesses have responsibilities that go beyond the traditional making money, providing jobs, and paying taxes. Most respondents report that their commitment is rooted in tradition and values; eight of ten say corporate citizenship helps the bottom line; and more than half indicate it is important to their customers. The attitude about and commitment to corporate citizenship by small- and medium-sized business leaders are just as strong as they are in the largest corporations. While scale matters in how corporate citizenship is implemented, the commitment to corporate citizenship doesn’t differ by company size.

We hope this survey will spark deep and informed dialogue about the role of business in society. Our greatest hope is that, as the first in a benchmarking series, it will ultimately influence attitudes and practices, leading to greater congruence between social and economic prosperity.

Barbara Dyer
President and CEO
The Hitachi Foundation
EXECUTIVE SUMMARY

The Center for Corporate Citizenship at Boston College and the U.S. Chamber of Commerce Center for Corporate Citizenship, with the support of The Hitachi Foundation, partnered to identify the ways in which business leaders view corporate citizenship. With responses from a sample of 515 business leaders from a broad mix of companies of various sizes and industries, *The State of Corporate Citizenship in the U.S.: A View from Inside* marks the most comprehensive examination of attitudes, expectations, and experiences of small-, medium-, and large-business executives toward corporate citizenship.

**KEY FINDINGS INCLUDE THE FOLLOWING:**

- Regardless of the size of their company, business executives see corporate citizenship as a fundamental part of business. Most company executives say they view corporate citizenship as central to good business practice.
- 82 percent of executives surveyed say that good corporate citizenship helps the bottom line.
- 59 percent say these practices improve the image and reputation of the company.
- 53 percent say corporate citizenship is important to their customers.
- Business leaders see their obligations as citizens more broadly than the classic definition of good business practice—returning a profit to shareholders, paying taxes, and obeying the law.
- 46 percent cite “a lack of resources” as the greatest obstacle to practicing corporate citizenship. Nevertheless, 30 percent of companies say they are increasing investment in corporate citizenship, while only 14 percent of companies say these investments are decreasing.
- Business leaders report that they are sensitive to the attitudes and expectations of the public. A majority of respondents
perceive that the public expects companies to exceed legislative or regulatory requirements regarding product safety (75 percent), environmental performance (58 percent), and community support (53 percent).

- Companies accept heightened public expectations as legitimate. The survey shows that 74 percent of respondents said the public has a right to expect good corporate citizenship.

- A majority of companies indicate they are active in addressing critical social issues in their communities.
  - 48 percent cite K–12 education.
  - 38 percent cite economic development.
  - 32 percent cite job training.
  - 27 percent cite community safety.
  - 26 percent cite health care.
  - 25 percent cite environmental issues.
  - 17 percent cite arts and culture.
  - 11 percent cite housing.
  - 9 percent cite literacy.
  - 5 percent cite child care.

- Some businesses indicate that they are addressing issues in low-income communities.
  - 19% report they are working to improve conditions in economically distressed communities.
  - 12% report they are offering job training to people in economically distressed communities.
  - 12% report they are hiring people from poor communities.
  - 10% report they are locating facilities in poor communities.

The findings in this report provide a baseline portrait of executives’ perceptions of the state of corporate citizenship in the United States in 2003 and a basis to track its evolution over time. The intent of the research team is to revisit the topic biannually, with scheduled follow-up planned for the first quarter of 2005.
OVERVIEW

What societal rights and responsibilities should U.S. businesses assume in the early 21st century? What commitments should U.S. companies make to operate as good corporate citizens? Numerous surveys have assessed public opinion regarding these questions. But few have solicited the perspectives of a sample of business leaders that reflects the true composition and diversity of the American business population. *The State of Corporate Citizenship in the U.S.: A View from Inside* provides the most comprehensive examination to date of the attitudes and expectations of business executives from small, medium, and large companies regarding the definition and role of corporate citizenship and its alignment with standard business practice.

The findings from this report arrive at a moment when attention toward corporate citizenship is growing. Numerous organizations and individuals from the private, public, and nonprofit sectors are commenting on the characteristics that exemplify responsible and ethical business behavior. Around the world, a variety of public- and private-sector initiatives are promoting the adoption of corporate citizenship, from codes of conduct to reporting standards to community involvement activities.

As attention increases, definitions of corporate citizenship—also referred to as social responsibility and the triple-bottom line—are multiplying. One of the survey’s objectives is to determine the gaps and commonalities between the outsider and insider views of corporate citizenship. In this regard, it is useful to provide a definition of corporate citizenship as a benchmark against which to examine the views of business leaders. Therefore, for the purposes of this report, we define corporate citizenship as the commitment of companies to:

- minimize risks—work to minimize the negative consequences of business activities and decisions on stakeholders including
customers, communities, ecosystems, employees, shareholders, and suppliers.

- maximize benefits—contribute to societal and economic well-being.
- be accountable and responsive to stakeholders—build relationships of trust that involve becoming more open about the progress and setbacks businesses experience in an effort to operate ethically.
- institutionalize and integrate values into operations—engineer corporate citizenship into core of business in a way that supports economic and financial goals.

While many are paying increased attention to issues of good corporate citizenship, surprisingly little quantitative data is available on the attitudes and expectations of business leaders toward this definition or any of its alternatives. Some commentators believe that business executives resist corporate citizenship—or define it in the most narrow terms, limited to creating shareholder/owner wealth, staying within the law, and paying taxes. Without a deeper understanding of business leaders’ attitudes, those who champion good corporate citizenship are ill prepared for a more constructive dialogue, one that could potentially move the field forward. The data from this survey begins to provide a first look at the business perspective of the state of corporate citizenship in the United States.
The context in which we conducted the survey makes these goals more salient. Respondents completed questionnaires during the height of coverage on the economic recession occurring in the United States. This raised questions of whether companies would place a priority on corporate citizenship in a time of downturn. At the same time, coverage of the corporate financial and accounting scandals continued. This also raises questions regarding how these events may or may not have shaped respondent attitudes toward corporate citizenship.

**SURVEY GOALS**

Our primary goal for this survey was to sample small, medium, and large U.S. businesses to determine answers to the following questions:

- What is the attitude of business leaders toward corporate citizenship?
- How do business leaders define corporate citizenship?
- Do companies see corporate citizenship as an afterthought, an imposition, a necessity, or a business essential? What are the barriers to and drivers of corporate citizenship?
- What activities and initiatives are businesses undertaking at their sites and in their communities?
- What are the social and environmental issues in which business leaders believe they must become involved?
- What predictions might be made on the evolution of corporate citizenship within companies?
- Where is corporate citizenship heading?

While primarily designed for a business audience, this report will be valuable to anyone with an interest in the role of business in society. As such, individuals from corporations, government agencies, and nongovernmental organizations alike will find useful data about the attitudes of U.S. business executives toward corporate citizenship and their visions for its future.
FINDINGS

One of the most notable findings of the survey is that respondents view corporate citizenship as a fundamental part of doing business. More than four out of five agree that “good corporate citizenship helps the bottom line” and that it “needs to be a priority in companies” (see figure 2). Just over half of the executives surveyed say that corporate citizenship is a part of their business strategy.

Three in four respondents indicate “the public has a right to expect good citizenship” from companies. On this count, the public has also spoken loud and clear. A 2003 survey of public opinion in 21 countries showed that most agree large companies should “do more than give money to solve social problems” (Environics 2003). Closer to home, more than four out of five Americans polled said it was “more important than ever for companies to support the needs of society” (Cone/Roper 2001).

Business executives say they support the current movement to promote corporate citizenship through voluntary mechanisms. Four in five respondents agree that “corporate citizenship should be completely voluntary—no laws should govern it.”

ATTITUDES TOWARD CORPORATE CITIZENSHIP

How do companies define corporate citizenship?

Respondents reviewed a list of attributes, from paying taxes to operating ethically to safeguarding the environment, and were asked to rate the importance of each attribute to the definition of good corporate citizenship (see figure 3).

Core to the definition respondents provided was a version of the conventional view that suggests being a good corporate citizen is making a profit, paying taxes, and providing jobs. While the latter element regarding job creation is a notable expansion of the basic, rational economic view, the survey reveals a large segment of busi-
ness leaders recognize good corporate citizenship to be even broader including a proportion of the sample that includes environment and community in their definition.

An analysis of these responses reveals the following:

- Reflecting the state of the field, companies do not possess a single, common understanding of corporate citizenship.
- Only a small minority of American companies hold the narrow, conventional view of their role in society, which has traditionally been seen as making a profit, paying taxes, and providing jobs.
- A broad majority of American companies believe that good corporate citizenship includes meeting ethical, environmental, and social objectives as well as the company’s financial goals.
MOTIVATIONS: WHAT DRIVES COMPANIES TO PRACTICE CORPORATE CITIZENSHIP?

Survey respondents listed a variety of factors that play a role in company decisions to invest in corporate citizenship:

- **Values.** Overwhelmingly (75 percent), executives say that the founding traditions and core organizational values of their companies dictate their commitment to corporate citizenship (see figure 4).

- **Strategy.** Respondents see corporate citizenship as both consistent and aligning with key strategic objectives. Figure 5 shows that the vast majority of respondents (82 percent)—from large, medium, and small companies—concur with the proposition that “good corporate citizenship helps the bottom line.” Specifically, six in ten say that the opportunity to enhance and protect firm reputation and image is a key driver of corporate citizenship. More than half of the respondents say that corporate citizenship is part of their business strategy. Over half cite expectations from customers and consumers as a key motivator. And nearly four in ten see personnel recruitment and
retention goals as a key driver of their corporate citizenship practices.

- **External forces.** Fewer respondents cite external forces as driving corporate citizenship. Three in ten cite community expectations, and nearly one in four identify laws and political pressures as driving corporate citizenship.

- **Stakeholders.** When asked which external stakeholder groups possess the greatest ability to influence business decision-making, respondents cite customers (84 percent) and owners/shareholders (79 percent; see figure 6). Two-thirds identify employees as a factor influencing business decisions. More than four in ten note the influence of government in addition to these traditional stakeholder groups, and more than three in ten cite the influence of local communities and suppliers.
EXECUTIVES SAY THEY FEEL A GROWING PUBLIC EXPECTATION FOR CORPORATE CITIZENSHIP. AS FIGURE 7 SHOWS, RESPONDENTS BELIEVE THAT THE PUBLIC EXPECTS COMPANIES TO DELIVER HIGH STANDARDS OF PERFORMANCE, INCLUDING EXCEEDING THE MINIMUM LEGAL STANDARDS FOR PRODUCT SAFETY (75 PERCENT) AND THE ENVIRONMENT (58 PERCENT), CONTRIBUTING TIME AND MONEY TO ADDRESS COMMUNITY NEEDS (53 PERCENT), AND BEING INVOLVED IN SOLVING PROBLEMS IN SOCIETY (53 PERCENT).

These sentiments concur with the findings of many public opinion polls. For example, a 2003 Environics survey (see figure 8) shows that 65 percent of U.S. households believe companies should be held completely responsible for “restoring the environment for the future,” while 37 percent say that companies should be held completely responsible for “improving education/skills in communities.” Twenty-five percent of U.S. households say that companies should be held completely responsible for “solving social problems” (Environics 2003).
Obstacles: What inhibits companies from practicing corporate citizenship?

Businesses may face several barriers to achieving their corporate citizenship goals, including a lack of resources and resistance from company personnel.

- **Resources.** Respondents cite a lack of resources as the biggest obstacle to practicing corporate citizenship, although less than half (46 percent) identify this as a barrier (see figure 9).

- **Resistance.** Resistance from important colleagues—such as top management (18 percent), middle management (9 percent), and employees (14 percent)—is a less common barrier. Few respondents indicate that these colleagues are skeptical of the ability of corporate citizenship to generate benefits for the business (9 percent).

**INVESTING IN CORPORATE CITIZENSHIP**

Business executives were given a list of corporate citizenship performance attributes, including community support, environmental protection, health and safety, support for employees, governance, and financial accountability and asked to reflect on their overall investment in these areas.

**Are companies increasing, maintaining, or decreasing their investments?**

Despite the economic downturn occurring at the time of the survey, respondent companies were either increasing or holding firm their investments in corporate citizenship (see figure 10).

- 30 percent of business executives say their company has increased overall investments (time, money and effort) in corporate citizenship over the last year; 14 percent have decreased these investments.

- 23 percent have increased investments in economically distressed communities; 10 percent were investing less.

- Of the 32 percent of businesses indicating a decline in financial
performance, one-quarter increased investments in corporate citizenship, and 17 percent increased efforts to reach out to economically distressed communities (see figure 10).

**How do companies invest?**
Most companies are providing resources to support communities. While corporate philanthropy and volunteering is often thought to be an activity for very large firms, the survey reveals that companies of all sizes are involved in supporting communities. Seventy percent surveyed say they tend to provide some level of cash contributions to support the well-being of communities (see figure 11). Also, 57 percent say they tend to contribute goods and services; 55 percent tend to support the efforts of their employees to volunteer in communities; 52 percent donate products; and 36 percent donate equipment.
What are companies investing in?

K–12 education and economic development are the top community investment priorities for companies in this survey (see figure 12). These findings are consistent with those from the annual Community Involvement Index by The Center for Corporate Citizenship at Boston College (2003), in which companies also cited K–12 education and economic development as their top two focus areas for community involvement. Issues of housing, literacy, and child care appear to be less of a priority for companies.

What social issues do companies care about?

Respondents believe that their companies should be part of the solution to difficult social problems. Over half say their companies should play an active role in helping to improve education, health care, and the development of alternative energy sources (see figure 13). It is interesting to note that although 51 percent of executives said they should play an active role in health care, only 26 percent
indicate that health care is a priority for their company’s community investment.

**Are companies addressing issues related to low-income communities?**

The call is increasing from governments, nonprofits, communities, and even some companies for business to support the security and development of low-income/low-wage individuals, employees, communities, and minority- and women-owned businesses operating in low-income areas. Moreover, research suggests that business can find profitable opportunities by supporting the development of low-income communities through hiring, purchasing, site location, marketing, and corporate giving strategies (Rochlin and Boguslaw 2001, and Porter 1995).

Findings from this survey show that some businesses are undertaking initiatives to support these low-income stakeholders.
Figure 14
BUSINESSES SUPPORTING INITIATIVES FOR LOW-INCOME STAKEHOLDERS

33% Provide training for lower-wage employees
19% Improve conditions in economically distressed communities
17% Purchase from women-owned suppliers
16% Purchase from minority-owned suppliers
12% Offer job training to people in economically distressed communities
12% Hire people from poor communities
10% Locate company facilities in poor communities

Figure 15
ISSUES THAT WILL AFFECT BUSINESS PRIORITIES 2003-2006

63% Cost of and access to healthcare
36% Threat of terrorism and homeland security measures
35% Increased environmental regulations
32% Performance of public schools (K–12)
31% Legislation/regulations to change financial governance and accountability
16% Immigration policy
14% Tensions between “haves” and “have nots”
10% Protests and opposition to “globalization”

Figure 14 shows that one-third provide training for low-wage employees; nearly two in ten work to improve conditions in economically distressed communities; 12 percent hire people from poor communities; and 10 percent locate company facilities in poor communities.

KEY ISSUES FOR THE FUTURE
Respondents were provided a list of major social and environmental issues and asked to identify which will have a major impact on business operations in the future (figure 15).
• 63 percent of business executives expect that “cost and access to health care” will be one of the most influential issues affecting business priorities in the coming years.
• 36 percent cite the threat of terrorism.
• 35 percent cite increased environmental regulations.
• 32 percent say performance of public schools.
• 31 percent say increased legislation regarding corporate governance.
• 16 percent cite immigration policy.
• 14 percent cite tensions between “haves” and the “have-nots.”
• 10 percent cite protests and opposition to globalization.

**COMPARISONS BY SIZE, INDUSTRY, AND REGION**

Respondents share much common ground, regardless of company size, industry, and region (see figure 16 for a breakdown on firm
characteristics). Small, medium, and large companies, for instance, have similar views regarding basic corporate responsibilities with respect to employees, the environment, and the community. The same is true when comparing companies engaged in

**Figure 17**

**LARGE COMPANY “MACHINERY”**

<table>
<thead>
<tr>
<th>What companies <em>currently</em> leverage</th>
<th>What companies <em>could</em> leverage better</th>
</tr>
</thead>
<tbody>
<tr>
<td>Include corporate citizenship responsibilities in</td>
<td>Include corporate citizenship responsibilities in...</td>
</tr>
<tr>
<td>• Reputation management (87%)</td>
<td>• Strategic plan (41%)</td>
</tr>
<tr>
<td>• Responsibility to improve corporate citizenship within company shared by many people (67%)</td>
<td>• Work unit goals (36%)</td>
</tr>
<tr>
<td>• Employee communications (64%)</td>
<td>• Manager performance appraisals (18%)</td>
</tr>
<tr>
<td>• Public relations (58%)</td>
<td>• Corporate website (33%)</td>
</tr>
<tr>
<td>• Vision or mission statement (54%)</td>
<td>• A report about the company’s social, environmental performance (24%)</td>
</tr>
<tr>
<td>• Full commitment to corporate citizenship efforts (81%)</td>
<td></td>
</tr>
<tr>
<td>• Annual plans (56%)</td>
<td></td>
</tr>
</tbody>
</table>

heavy industry and those providing services and companies based in different regions of the United States (see appendix B). While respondents share a common view of corporate citizenship, some distinct differences do exist.

Company size, for example, affects the ways in which companies approach and make financial investments in corporate citizenship and the ways in which they engage with government and global issues.

- Leaders of large firms (over 250 employees) are approximately twice as likely to report that government and local community
interests exert influence on business decisions and actions, compared with their counterparts in small and midsize companies.

- Executives in large companies are twice as likely as those in small firms to say that good corporate citizenship is “expected in our community.”
- Large companies are nearly two-and-a-half times more likely to partner with local nonprofit community service organizations than are small and midsize firms.
- Large companies are twice as likely as smaller firms to support economically distressed communities through contributions and targeted purchasing strategies.
- Large firms are four times more likely than small companies to partner with local government agencies.

Leaders of large companies are also more likely to indicate that businesses should play an active role in helping solve social and environmental problems. For example, executives from large companies are more than twice as likely as their counterparts from smaller firms to agree that “the public has a right to expect companies (like their own) to contribute time and money to address community needs” and are more likely to agree that companies should be “actively involved in solving problems in society.” In addition, executives from large companies are more likely than those from smaller firms to say that business should play an active role in addressing global climate change, poverty, education, and the digital divide.
HOW DOES CORPORATE CITIZENSHIP HELP THE BOTTOM LINE?

A growing body of research supports the claim that corporate citizenship supports, and does not detract, from the bottom line. This research is demonstrating that corporate citizenship:

Supports Revenue Generation By...
• Attracting and retaining consumers

Enhances Assets and Value By...
• Attracting equity investment and increasing company market valuation
• Helping to build a positive reputation
• Inspiring efforts to innovate new products and more efficient processes
• Building a “bank account of goodwill” that helps companies weather crises and receive favorable treatment from the public, media, government, and non-governmental organizations
• Boosting employee morale and creating experiential learning opportunities (e.g., through volunteering) that enhances the productivity of employees
• Drawing a more talented pool of individuals to the company

Reduces Costs By...
• Promoting operational efficiencies and reducing waste (e.g., by investing in cleaner, more efficient technologies)
• Managing and mitigating risks generated by the opposition or concerns from political, social, or environmental stakeholder groups that threaten both project success and the value of key assets
• Reducing the costs of recruiting and retaining employees
• Reducing the costs of customer acquisition and retention

Enhances Social Capital By...
• Building relationships of trust with stakeholders
• Using trust as an asset to help reduce the costs of making transactions, and the costs of obtaining important information
• Using the trust employees possess for the company to improve productivity and efficiency
THE FUTURE OF CORPORATE CITIZENSHIP

The survey’s most notable finding is that U.S. business executives view corporate citizenship as an important part of business practice. Their vision of corporate citizenship is not narrowly defined; the majority believe that corporate citizenship should include protecting the environment, supporting the health and prosperity of communities, producing safe and reliable products, operating ethically, engaging in social problems, providing jobs, making a profit, and paying taxes.

Business executives are aware of and sensitive to growing public expectations for good corporate citizenship. Moreover, they believe the public has a right to expect companies to safeguard the environment, support communities, and ensure product safety. Many perceive that companies must take an active role in addressing difficult global problems, from poverty to human rights.

Business leaders appear to agree that, rather than being a distraction—or worse, a conflict with profitability—corporate citizenship is good for the bottom line. Executives representing small, medium, and large businesses from across a variety of industries and geographies largely concur with these sentiments.

As a consequence, many companies are helping address the myriad challenges and opportunities confronting their communities and society as a whole. Business leaders say their companies are engaged in a variety of economic, social, and environmental issues, and they foresee a greater societal role in the future. Despite the recession and financial squeeze of 2002 and 2003, 86 percent of businesses surveyed have maintained or increased their investments in corporate citizenship.

While these and other findings are highly encouraging, it can be difficult to align these results with the headlines appearing in the morning newspapers. A wave of financial misdeeds and scandals
within the business community is contributing to a low level of public trust toward business.

While the survey finds that business leaders possess a more expansive definition of corporate citizenship than conventional wisdom might predict, gaps remain between these definitions and those of external advocates. Bridging this definitional gap may be critical for the future of corporate citizenship.

Evidence from the survey findings, supported by the research team’s observation of companies over the last 10 years, indicates that more companies—particularly large firms—are beginning to formalize roles and responsibilities for corporate citizenship through changes in staffing and departments. As the survey results demonstrate, there is no one blueprint for exercising good corporate citizenship. We suggest that the process begins with an openness to engage in dialogue in order to respond to the expectations of key stakeholders in a way appropriate to the business, its operating environment, and its particular industry.

The survey supports the contention that the foundation for this dialogue is present. American companies and advocates agree that corporate citizenship is good business.
**BENCHMARKING PRACTICE**

For the typical business manager, it is challenging to identify the breadth and depth of practices that corporate citizenship should entail. This survey was designed so that specific information could be pulled out to help companies benchmark their progress.

What follows is a brief summary of the major elements that principal advocates of corporate citizenship promote. Companies may find this list useful to benchmark their own policies and performance as corporate citizens.

**Leadership and Management**
- An internal vision statement
- An internal values statement
- Transparent governance program
- An internal code of conduct
- Signatory to an external or public code of conduct
- A social and environmental report (as a companion to a financial report)
- Assurance and verification of the social and environmental report
- A strategy targeting the value that corporate citizenship is generating to the business and society
- Leadership and management structures to oversee and manage corporate citizenship performance
- Operational infrastructure (e.g., dedicated staff, programs, and communications)
- Operational accountabilities (e.g., corporate citizenship included in the performance evaluation of executives and line managers; corporate citizenship performance goals included in business line strategies)

**Community and Social Involvement**
- Member of a business coalition to address a social issue
- Employee volunteer program
- Community investment program
- Community hiring program
- Training and education program
- Participation in a partnership to address social issues with a nonprofit and/or government agency

**Responsible Marketing**
- Consumer education program
- Community advisory program
- Product and marketing responsibility

**Environment, Health, and Safety**
- Limited greenhouse emissions
- Waste reduction
- Biodiversity preservation
- Accidents – goal is zero
- Preservation of water and air quality
- Sustainability

**Human Resources**
- Work-life policies
- Diversity policies
- Training and development
- Humane and safe working conditions
- Fair compensation

**Supply Chain and Procurement**
- Standards of corporate citizenship performance for suppliers and for procurement
- Independent verification and/or enforced management systems that monitor compliance to labor and environmental practices that are in line with the stated company values
Figure 18

APPENDIX A: SAMPLE CHARACTERISTICS OF RESPONDENTS’ COMPANIES

Company Size
Number of employees

<table>
<thead>
<tr>
<th>Fewer than 10</th>
<th>10-249</th>
<th>250+</th>
</tr>
</thead>
<tbody>
<tr>
<td>28%</td>
<td>47%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Revenue

<table>
<thead>
<tr>
<th>Fewer than $1 million</th>
<th>$1 million-$9 million</th>
<th>Greater than $10 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>21%</td>
<td>41%</td>
<td>38%</td>
</tr>
</tbody>
</table>

Industry

<table>
<thead>
<tr>
<th>Heavy industry</th>
<th>Services</th>
<th>Nondistributive</th>
</tr>
</thead>
<tbody>
<tr>
<td>50%</td>
<td>37%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Region

<table>
<thead>
<tr>
<th>Northeast</th>
<th>South</th>
<th>Midwest</th>
<th>West</th>
</tr>
</thead>
<tbody>
<tr>
<td>26%</td>
<td>27%</td>
<td>22%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Company Size

<table>
<thead>
<tr>
<th>% Respondents</th>
<th>% U.S. Chamber</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small (1-9 employees)</td>
<td>28%</td>
</tr>
<tr>
<td>Mid-size (10-249)</td>
<td>47%</td>
</tr>
<tr>
<td>Large (250 or more employees)</td>
<td>25%</td>
</tr>
</tbody>
</table>

% U.S. Business

<table>
<thead>
<tr>
<th>% Paid U.S. employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small (1-9 employees)</td>
</tr>
<tr>
<td>Mid-size (10-499)</td>
</tr>
<tr>
<td>Large (500 or more employees)</td>
</tr>
</tbody>
</table>

*Although the sample includes a high proportion of respondents from small and mid-size firms, it does not mirror the contours of the U.S. economy or the Chamber of Commerce, where small firms predominate. Note, however, that mid-size and large firms employ far more paid employees.

*Source: Small Business Administration. Please note that the size breaks are slightly different for the population data because that is what was available.
Figure 19
APPENDIX B: COMPARISONS BY SIZE, INDUSTRY, REGION

In your opinion, how important are each of the following activities to good corporate citizenship?

<table>
<thead>
<tr>
<th>Activity</th>
<th>&lt;10 employees</th>
<th>10–249 employees</th>
<th>250+ employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Making a profit, paying taxes, providing jobs</td>
<td>93%</td>
<td>97%</td>
<td>96%</td>
</tr>
<tr>
<td>Treating employees well</td>
<td>96%</td>
<td>99%</td>
<td>99%</td>
</tr>
<tr>
<td>Having a good environmental record</td>
<td>92%</td>
<td>89%</td>
<td>92%</td>
</tr>
<tr>
<td>Improving conditions in the community</td>
<td>77%</td>
<td>81%</td>
<td>97%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Activity</th>
<th>Heavy industry</th>
<th>Service industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Making a profit, paying taxes, providing jobs</td>
<td>99%</td>
<td>95%</td>
</tr>
<tr>
<td>Treating employees well</td>
<td>99%</td>
<td>98%</td>
</tr>
<tr>
<td>Having a good environmental record</td>
<td>91%</td>
<td>89%</td>
</tr>
<tr>
<td>Improving conditions in the community</td>
<td>83%</td>
<td>88%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Activity</th>
<th>Northeast</th>
<th>South</th>
<th>Midwest</th>
<th>West</th>
</tr>
</thead>
<tbody>
<tr>
<td>Making a profit, paying taxes, providing jobs</td>
<td>94%</td>
<td>97%</td>
<td>95%</td>
<td>96%</td>
</tr>
<tr>
<td>Treating employees well</td>
<td>97%</td>
<td>99%</td>
<td>98%</td>
<td>100%</td>
</tr>
<tr>
<td>Having a good environmental record</td>
<td>95%</td>
<td>89%</td>
<td>92%</td>
<td>86%</td>
</tr>
<tr>
<td>Improving conditions in the community</td>
<td>84%</td>
<td>90%</td>
<td>86%</td>
<td>73%</td>
</tr>
</tbody>
</table>
the state of corporate citizenship

BIBLIOGRAPHY

The Center for Corporate Citizenship at Boston College.

The Community Involvement Index. 2002.


Edelman. 2004 Edelman Fifth Annual Trust Barometer, January 2004


Political & Economic Link Consulting and Ethical Corporation.


The Center for Corporate Citizenship at Boston College, a membership-based research organization, is committed to helping business leverage its social, economic and human assets to ensure both its success and a more just and sustainable world. As a leading resource on corporate citizenship, The Center works with global corporations to help them define, plan and operationalize their corporate citizenship. Through the power of research, executive education and the insights of its 350 corporate members, The Center creates knowledge, value and demand for corporate citizenship.

The Center offers publications including a newsletter, research reports, and white papers; executive education, including a Certificate program; events that include an annual conference, roundtables and regional meetings; and a corporate membership program.

www.bc.edu/corporatecitizenship

U.S. Chamber of Commerce Center for Corporate Citizenship is a business service organization of the U.S. Chamber of Commerce. It exists to enable and facilitate corporate civic and humanitarian initiatives particularly in terms of civic engagement, economic development, economic security, and disaster management/economic recovery. It is ideally positioned to do so through its close interaction with government policymakers and many leading civic groups, community service organizations, industry associations, and individual businesses.

The CCC’s core competencies include policy analysis and development; research and data gathering; facilitating public-private partnerships; coordinating crisis response networks; and producing events, conferences, and networking.

http://www.uschamber.com/ccc

The Hitachi Foundation is an independent nonprofit philanthropic organization established by Hitachi, Ltd. in 1985. The Foundation seeks to address conditions that perpetuate economic isolation in America. The Foundation invests to expand opportunities for economically isolated people to work and earn living wages and accumulate savings and assets. The actions and interaction of business and community are fundamental to this goal. We focus our resources at the intersection of two sectors where path-breaking business and community practices are underway. By illuminating the business and community roles in this equation, the Foundation hopes to have a profound influence in both sectors as they strive to strengthen corporate citizenship and civil society.

http://www.hitachifoundation.org
THE STATE OF CORPORATE CITIZENSHIP IN THE U.S.

A view from inside 2003-2004