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# Citizenship Survey Shows Gaps Between Rhetoric and Reality

The actions of consumer and investment activists in recent years have led to a greater focus of public opinion on the social and environmental outcomes of business. Reflecting this trend, the leaders of many companies have publicly embraced the need for corporate

America to step up its involvement in providing solutions to the social problems facing the nation. Yet the expectations of the general public continue to far exceed the actions of U. S. companies. Management accountants should be aware of these findings.

The *2007 State of Corporate Citizenship Survey* is the third biennial study of the citizenship attitudes and actions of senior U.S. executives conducted by the Boston College Center for Corporate Citizenship (BCCCC). Titled *Time to Get Real: Closing the Gap Between Rhetoric and Reality*, the study finds a rather paradoxical gap between what companies say they value and what they actually demonstrate by their actions. *Time to Get Real* is based on responses from 751 senior executives (more than half of whom were CEOs) in small, medium-sized, and large U.S. businesses.

The gap between stated corporate beliefs and the actual behavior of companies is exemplified by the fact that 73% of senior executives say corporate citizenship needs to be a priority, but only 60% say it's a part of their business strategy, only 35% include it in their business planning process, and only 28% report having written corporate citizenship policies.

Another gap reported by the study is that 65% of senior executives say the public has a right to expect good corporate citizenship, yet only 29% report ever discussing the subject outside the company with stakeholders, and only 21% make a public report on citizenship issues. "Even when action [by business] could address a pressing business need, such as developing and tapping a skilled workforce, reality trails behind rhetoric," says Barbara Dyer, president and CEO of the Hitachi Foun-

dation, which cosponsored the survey with BCCCC. "While 41% [of respondents] felt that companies should be held responsible for improving the education and skills in the communities where they operate, only 18% of businesses are offering job training to people in economically distressed communities," she notes.

A bright spot in the survey is revealed by comparing the areas in which company executives thought they should take responsibility as good corporate citizens to the thoughts of the general public as reported by the GlobeScan *2007 CSR Monitor*. Eighty-three percent of executives and 90% of the public believe large companies should be fully responsible for treating all employees and job applicants fairly, regardless of gender, race, religion, or sexual orientation. Additionally, 75% of executives and 88% of the public believe that large companies should be completely responsible for ensuring their products and operations don't harm the environment, and 74% of executives and 85% of the public believe that corporations should apply the same high standards wherever they operate in the world.

According to the GlobeScan *2007*

## Table 1: Corporate vs. Public Perception

| | Corporate Perception | Public Expectation |
|---|---|---|
| Ensuring that all materials a company uses have been produced in a socially and environmentally responsible manner | 55% | 79% |
| Reducing human rights abuses in the world | 32% | 62% |
| Improving education in communities where a company operates | 41% | 61% |
| Increasing economic stability in the world | 31% | 51% |
| Helping reducing the gap between rich and poor | 21% | 49% |

*CSR Monitor*, however, the expectations of the general public are significantly greater than perceived business influence on issues such as the environment, human rights, education, workforce development, and poverty elimination. Table 1 illustrates the differences between the business and public expectations regarding the responsibility of large companies for solving social problems.

In the BCCCC study, senior executives acknowledge that there's a growing distrust of large corporations in the U.S. Reasons cited include excessive CEO pay, a lack of accountability and transparency among companies, lack of public understanding of what companies do, and a perception that the media provides mostly negative coverage. While 60% of business executives believe the existing social contract (division of roles and responsibilities for addressing such issues in society) is either broken or has serious structural flaws and may need to be fundamentally overhauled, executives are convinced that other groups in society, including nonprofit organizations, the government, and individual citizens, need to take on a larger role in solving societal problems.

The survey of senior business leaders also asked respondents to identify three companies as leaders in corporate good citizenship. Topping the list was Microsoft, mentioned by 27%—a surprise considering similar listings haven't included that company as a front-runner. The next two mentioned most often were GE and IBM, two more companies usually not at the top of lists of good corporate citizens.

The motivations for companies to be better corporate citizens have remained constant through the six years the BCCCC studies have been conducted: Company traditions and values were cited by 76%, and improving reputation and image were cited by 66%. Ethical business practices and treating employees well are the two most important elements of good corporate citizenship. Additionally, most companies (from 64% to 69%) provide philanthropic support through cash donations, in-kind donations, or employee volunteering. Similar findings were reported in the 2007 Grant Thornton (GT) *Business Leaders Corporate Responsibility Survey*. GT Partner Jim Maurer says, "Companies are realizing that strong investment in corporate responsibility programs is both a civic obligation and a successful business strategy." While 68% of the 500 GT respondents expect environmental responsibility reporting to be mandatory within the next three to five years, 55% say they have no present plans to do any kind of corporate responsibility reporting.

According to Christopher C. Pinney, director of executive education at BCCCC, the most important question posed by the BCCCC research is: "Will American companies be laggards or leaders on corporate citizenship?" Pinney believes that after a decade of record profits and economic expansion, most Americans feel that businesses can and should be doing more to play greater roles in society. He says, "While wages have remained flat, executive compensation has soared, and stories of corruption, option back-dating, and [enrichment from] risky ventures such as subprime mortgages fuel the perception that business is not doing its part."

*Time to Get Real* ends with the conclusion that corporate citizenship is rapidly becoming a defining business issue for the 21st Century. This has been true for some years in Europe, and it's now becoming more of a factor in the U.S. as large corporations increasingly publish reports of their accomplishments that affect environmental and social issues. The Reputation Institute believes that many companies have more than half of their brand value tied to reputation. Thus, it seems that corporate citizenship is now eclipsing innovation, financial performance, workplace practices, governance, and leadership as the leading influencer of public perception of companies. Management accountants need to be at the leading edge of this trend so they can help to fulfill public expectations while also effectively serving their employers. ∎

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