



Weathering the storm

The State of Corporate Citizenship in the United States 2009

THE **HITACHI**
FOUNDATION



BOSTON COLLEGE
CARROLL SCHOOL OF MANAGEMENT
Center for Corporate Citizenship

About the survey

The 2009 State of Corporate Citizenship in the United States is the fourth biennial survey of the attitudes and actions of senior executives in small, medium and large businesses regarding corporate citizenship. The previous three surveys, conducted in 2003, 2005 and 2007, found that executives view corporate citizenship as a fundamental part of doing business but often allow aspirations to outpace actions.

The 2009 survey explores in greater depth the challenges of integrating corporate citizenship into core business practices and how tough economic times have impacted these practices. For the first time we also explore how executives view new public policy challenges and their reaction to public expectations for better regulation of business.

We thank The Hitachi Foundation for its generous support of this fourth biennial State of Corporate Citizenship survey and to the business executives and contributors who made this report possible.

Chris Pinney

Director, Research and Policy

Boston College Center for Corporate Citizenship

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Foreword

To quote Thomas Paine, “These are the times that try men’s souls.” Hard times make for hard choices. And choices made and actions taken in the tough times are the true gauge of the depth and durability of our values. We see reason for cautious optimism based on the attitudes, actions and investment decisions emerging from the sample of business leaders responding to this survey.

The context for the 2009 State of Corporate Citizenship survey could hardly be more dramatic and challenging. The economic shocks of the past two years are the strongest since the Great Depression. The consequences are the centerpiece of daily headlines. The economy skidded from robust growth to a hair-raising decline. Jobs vanished as unemployment soared. Both real estate and stock markets plummeted. Another cycle of egregious wrongdoing and corporate misdeeds emerged.

The toll of these trends on businesses pushed some to their demise, and left many others gasping for survival. People and communities continue to suffer greatly as many are losing hope of recovery. The effects of these forces on businesses are also amply documented by the survey. Most suffered large drops in sales or revenues and many were forced to cut jobs, hours, pay and benefits.

The hopeful message in our data is that, despite the extreme turbulence, most businesses are committed to being good corporate citizens. In fact, over half of these business leaders believe that corporate citizenship is even more important in a recession. Increasingly, companies are aiming to integrate corporate citizenship with their business strategy. And these executives identified a number of new business opportunities they are pursuing that are fundamental to good corporate citizenship.

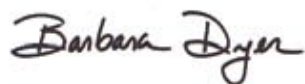
Further, more companies are aligning their actions and investments with good corporate citizenship principles. For example, just over 80 percent believe valuing and treating employees well is an important or very important part of their business’ role in society. And more companies, despite the economy and their own constrained budgets, are supporting their employees in important ways. More than half are boosting the skill

development, education and career advancement of workers earning less than \$40,000 per year. Just under half are providing frontline employees with business training to broaden and improve their skills. Six of ten support work/life balance for all employees – up from 46 percent in 2007. And the percentage of companies offering training and development for lower-wage employees actually rose in the past two years – despite the recession-induced slip from a tight to a slack labor market.

Why have corporate citizenship efforts been maintained and in key cases advanced in these difficult times? More businesses' leaders recognize that being a good corporate citizen adds real value to their firm. Particularly when times are desperate, attention is focused like a laser on those matters that contribute value to their bottom line. Most businesses maintained and some others expanded their attention to, and budget for, corporate citizenship. These actions are the strongest evidence that corporate citizenship has met the value-added test for a large and growing segment of U.S. businesses.

As we've been flooded by announcements of business cutbacks and misconduct over these past months, trust in business dropped. Many members of the public have undoubtedly mused that some corporations should have their citizenship curtailed or revoked. This survey shows that business leaders understand that corporate citizenship in our country entails great responsibilities as well as extensive rights. Most are diligently working and investing toward improving their efforts to more fully meet these responsibilities.

This report offers hope that corporate America is deciding that applying for full corporate citizenship delivers significant value to their business as well. It is a series of encouraging signs in the midst of a great economic upheaval.



President and CEO
The Hitachi Foundation

Key highlights

Continued commitment to corporate citizenship despite the recession

- Some 54 percent of U.S. senior executives believe corporate citizenship is even more important in a recession.
- Companies in 2009 increased internal and external communication about corporate citizenship, with 54 percent now communicating with employees about it and 39 percent talking with stakeholders.
- The top three areas of corporate citizenship rated most important continue to be: operating with ethical business practices (91 percent), treating employees well (81 percent) and managing and reporting company finances accurately (76 percent).
- Despite the tough economy, only 38 percent of companies said they reduced their philanthropy and giving. Support for employee volunteering also remained strong with 83 percent of large companies stating their companies support employee volunteering in the community.
- Companies increased employee support in their workplace with 60 percent backing work/life balance practices for all employees, compared to 46 percent in 2007.
- Most companies (51 percent overall, 69 percent of large) support skill development, education and career advancement of workers earning less than \$40,000.

A new role for business in public policy

- Most U.S. senior executives believe business should be more involved than it is today in addressing major public policy issues including health care, product safety, public education and climate change.

Citizenship gap grows between large and small U.S. companies

- While many large companies dealt with the recession with layoffs, they more or less kept on track with corporate citizenship activities as 81 percent call it a priority.
- Small firms stayed committed to their corporate citizenship priority of treating employees well by minimizing layoffs, but significantly decreased emphasis on other aspects of citizenship.

Increased appreciation of the business value of corporate citizenship

- Reputation is identified as the No. 1 driver of corporate citizenship by 70 percent of executives (82 percent from large companies).
- The CEO now leads the corporate citizenship agenda in three out of four companies.

Environmental sustainability efforts grow

- Sustainability is now seen as a major business driver with 52 percent (65 percent of large companies) designing and offering sustainable products or services.
- Some 72 percent of American companies (85 percent of large) are reducing costs through improved materials efficiency.
- In 45 percent of companies, employees were compensated for ideas benefitting the bottom line and the environment or community, compared to 37 percent in 2007.

Survey methodology and goals

Survey methodology

The findings in this report are based on results from a nationally representative sample of 756 small, medium, and large companies across the United States who completed an online survey between June 4 and June 23, 2009. The survey was conducted by Globe Scan, a professional polling firm based in Toronto.

To qualify for completing the survey, respondents had to meet the following two criteria:

- Be familiar with their company's corporate citizenship activities
- Be at vice president level or up for small/medium firms, and director level or up for large firms.

To ensure a representative sample of U.S. companies, sample control quotas were set in advance of the fieldwork by region where the company headquarters is located, size of company (by number of full-time equivalent employees), and industry. Large companies were over sampled to produce a significant number of responses for separate analysis. The data has been weighted by geographic distribution of establishments¹, number of employees (company size), and industry sector to reflect national United States Census data.

The survey included 26 multipart questions and additional questions for company size, industry, ownership, headquarters location, and financial performance, among others. Some of the questions were tracking questions used in the previous three surveys. Only direct comparisons to the 2007 survey results can be made, as the two earlier surveys used different sampling methodology.

Survey goals

The main goal of this survey was to sample small, medium and large companies in the United States to determine how corporate citizenship activities have changed during a period of deep financial and economic recession in the United States and globally. The survey also sought to explore senior executives' attitudes and aspirations, and to identify key trends and differences among businesses by size, type of ownership, and who they sell to (customers, other businesses, or both).

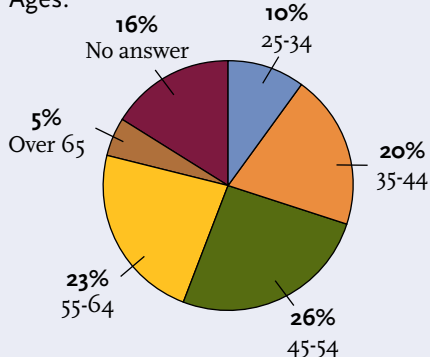
¹ Establishments (i.e., "branch" of a firm) were used in weighting, rather than firms (main company enterprise).

Who are the respondents?

A total of 756 executives participated in this nationally representative survey:

- 55% were CEOs/presidents
- 29% were vice presidents
- 11% were directors
- 5% were senior executives

Ages:

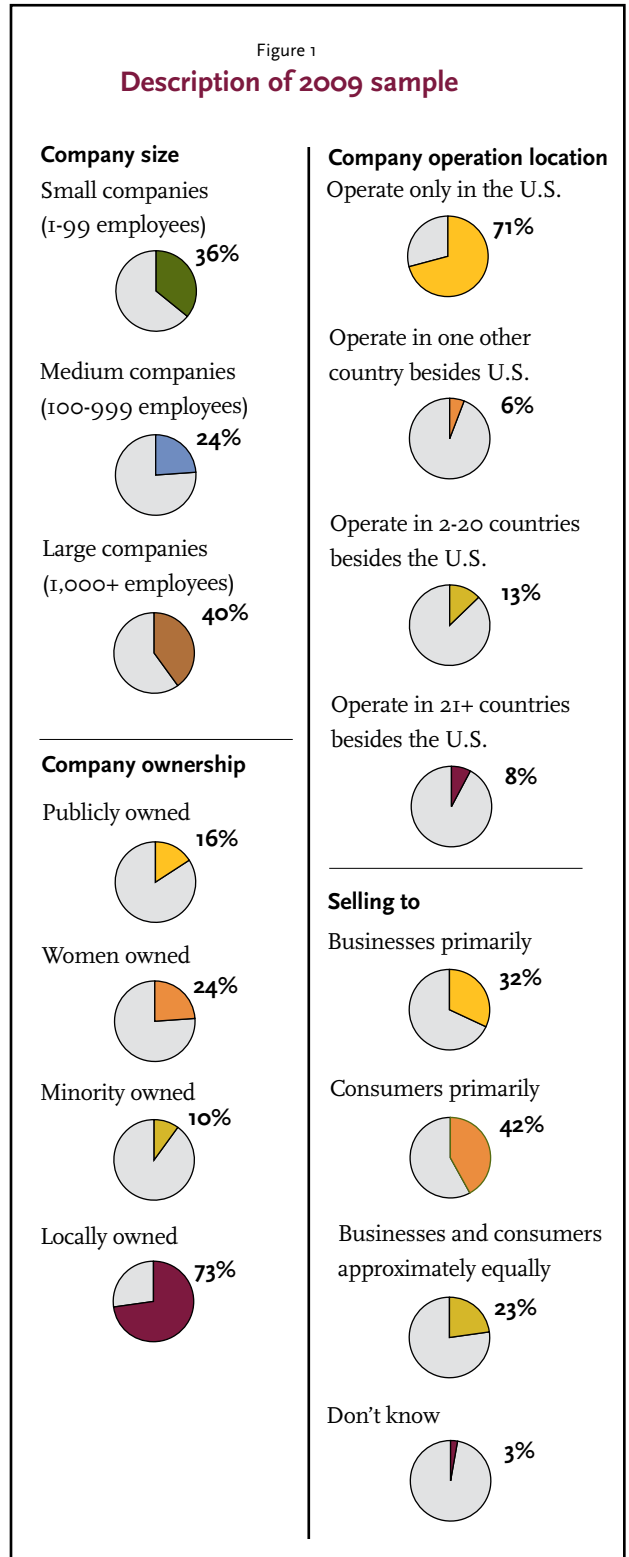


Key issues explored by the survey include:

- What changes in their corporate citizenship practices are businesses making during these turbulent times?
- What do they see as the best ways to solve the current economic crisis and create a more stable American economy?
- What do businesses see as the most important areas of corporate citizenship in their organizations?
- What motivates them to be better “corporate citizens” and has this changed since the 2007 survey?
- How well are they managing corporate citizenship across their organization?
- How well are they incorporating corporate citizenship in their products and services?
- Has their support for the communities in which they operate changed?
- Have they continued to support lower-income or economically distressed communities?
- Who are they partnering with to solve social and environmental problems, and why?

Defining Corporate Citizenship

There are many terms used to describe this aspect of business. We use corporate citizenship and define it as the way a company takes responsibility and is accountable for managing its social and environmental impacts on society – from the design of its products and services, to the management of its operations to the way it works beyond the fence line to address social and environmental challenges.



Context for corporate citizenship in the United States

There has been a significant change in the business operating environment since the 2007 State of Corporate Citizenship survey. A variety of forces and circumstances have combined to influence attitudes about corporate citizenship and the actions of those responsible for its practice. But the greatest single factor, without argument, is the economic storm that began to whip up at the end of 2007.

The recession that began with the bursting of the housing bubble and related financial crisis in the United States, quickly spread to other sectors and around the world because of

interdependent economies. The financial tidal wave swept from Wall Street to Main Street as the Dow plummeted along with corporate profits and housing prices. The only thing going up fast was unemployment.

In response to the crisis, governments around the world coordinated their efforts to expand money supply and prevent a credit freeze that had brought the global financial system to near collapse. In October 2008 the Emergency Economic Stabilization Act was signed into law to provide emergency bailout through the Troubled Assets Relief Program, or TARP,

Barometer for business in the 2008-09 recession

Perhaps the true impact of the recession on American business is best described by a sampling of numbers appearing on the economic weather map in the past two years:

- The Dow Jones Industrial Average dropped more than 50 percent to 6,547 in March 2009 from its high of 14,000 in July 2007
- Housing prices plunged more than 30 percent from their 2006 peak
- Total home equity dropped from \$13 trillion in 2006 to \$8.8 trillion by mid-2008
- Real GDP decreased at an annual rate of 5.5 percent in the first quarter of 2009, and 6.3 percent in the fourth quarter of 2008, according to the Bureau of Economic Analysis
- Corporate profits were down 10.1 percent in 2008 compared to 2007 and fell another 17.6 percent in the first quarter of 2009
- Between December 2007 and June 2009 the United States lost 6.5 million jobs
- Unemployment went from 4.5 percent in June 2007 to 9.5 percent in June 2009
- Average work hours per work week declined to 33 (the lowest since the government began collecting the data in 1964)
- Oil prices soared from \$50 to \$140 per barrel between early 2007 and 2008, then fell below \$40 in late 2008

to financial and other struggling businesses such as auto makers. The U.S. Federal Reserve went from being the “lender of last resort” to the “lender of only resort.”

To no surprise, trust in business dropped to a record low. According to the January 2009 Edelman Trust Barometer, 77 percent of Americans in 2009 said they trusted business less than they did a year before. With business practices being scrutinized and a new administration in the White House promising change, the time was ripe for calls to introduce sweeping regulatory initiatives on consumer protections, executive pay, bank financial requirements, climate change and health care.

While the dark economic clouds continue to loom overhead, other developments have made their mark on the corporate citizenship landscape. Demand for green and sustainable products and services has continued to grow. According to an April 2009 report by GMA-Deloitte, 54 percent of shoppers actively consider environmental sustainability characteristics when buying products. When given a choice between products of equal quality and price, consumers are more likely to buy from a company that manufactures energy efficient appliances and products (90 percent), promotes consumer health and safety benefits (88 percent), supports fair labor practices (87 percent), commits to environmentally friendly practices (87 percent) and manufactures its products in the United States (86 percent) (BBMG 2008).

The economy did help keep “clean and green” on the front burner. A central element in the

federal government’s stimulus efforts with the \$787 billion American Recovery and Reinvestment Act was to jump-start the “clean energy economy” with tax breaks and incentives for clean energy.

The interest in sustainability does not end with consumers or government. Mainstream investing is slowly moving to incorporate social, environmental and governance criteria. Venture capital for clean tech projects doubled between 2007 and 2008 and reached a record \$7.6 billion (State of Green Business 2009).

Inside companies, the C-suite has noticed developments outside its usual realm that show up on the bottom line. A recent joint Boston College Center/McKinsey survey found two-thirds of CFOs agree environmental, social and governance activities do create measurable value for their shareholders. Executives are also recognizing that the message of corporate citizenship resonates from office cubicles to the shop room floor, providing a means to attract and retain top talent.

Over the past two years more companies have realized they must communicate about their corporate citizenship efforts. The number of companies reporting their social and environmental performance continued to increase in response to pressures from stakeholders and desire to improve reputation. According to CorporateRegister.com, there were 3,100 CSR reports published in 2008, compared to 2,000 in 2007. Two-thirds of the Global FT 500 produced such a report in 2008. In the United States, 73 of the largest 100 companies produced nonfinancial reports.

The State of Corporate Citizenship 2009

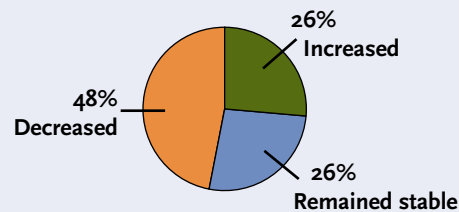
Weathering the economic storm

Despite the deep nationwide and global recession, American companies of all sizes have generally maintained their support for corporate citizenship initiatives. While charitable giving, product and service donations, and community investment registered declines, U.S. businesses put more efforts into integrating corporate citizenship with their business strategy, and launching “green” and sustainable products and services. The survey of 756 executives for the 2009 State of Corporate Citizenship in the United States reveals that more business leaders recognize the connection of corporate citizenship to reputation at a time when the American public’s distrust of business is at a record high.

As they ride out the storm, business leaders say they should be plotting a course toward greater involvement in addressing social and environmental issues. More than 50 percent of those surveyed say business must play a greater role in finding ways to meet the challenges of health care, product safety, public education and climate change.

This is all occurring during a period of economic and financial turbulence unequalled since the Great Depression. The nation and companies of all sizes are navigating seemingly unrelenting bad economic and business developments. About half of the executives surveyed (48 percent) report that their companies saw decreases in revenues/sales.

Change in revenues/sales reported by participants in the survey



Despite this, more than two-thirds (69 percent) agree that corporate citizenship needs to be a priority and 54 percent of the respondents agree or strongly agree that corporate citizenship is even more important in a recession. And they increasingly see the value of talking about it. Communicating corporate citizenship activities internally with employees and externally with stakeholders has increased significantly since the 2007 survey. Fifty-four percent (compared to 36 percent in 2007) say it is true or very true that they discuss corporate citizenship inside the company with employees. Thirty-nine percent (compared to 29 percent in 2007) discuss corporate citizenship outside the company with stakeholders.

Matters of money and mind set:

The impact of the recession on corporate citizenship 2009

How bad did the recession hit the companies in the 2009 State of Corporate Citizenship survey? Roughly half of the firms sampled reported revenue declines in the past year, with nearly one-in-four suffering declines of more than 15 percent.¹ Revenues in one-quarter of the companies surveyed were relatively stable and another one-in-four saw revenue gains.

In this context, a number of firms recorded layoffs (27 percent) and undertook reductions in staff hours, pay, and benefits (24 percent). Not surprisingly, investments in corporate citizenship also diminished in many firms. Some 38 percent reported declines in their philanthropy and charitable giving and 15 percent reported a decrease in their citizenship marketing and communications (see Figure 7).

To validate the relationship between the impact of the recession on firms and their citizenship investments, researchers looked at the overall impact of the economy on firms, taking into account revenue trends, layoff decisions and any reductions in hours/wages/benefits. The combined results show that 29 percent of companies suffered a significant negative economic impact, while 44 percent experienced a more modest impact, and 27 percent actually did comparatively well.

The tables at right show that the economic conditions facing firms correlate to their charitable giving (for more on this see Page 40). Among companies working through negative financial conditions 59 percent spent less on philanthropy, while almost 39 percent in this category spent about the same. For companies that experienced mixed economic results, 52 percent spent about the same on giving as in the past, while 38 percent spent less. Most firms that did well economically spent the same on charity (63 percent) with roughly the same portions spending more as spending less. The economic impact on corporate spending on citizenship marketing and communications was similar, albeit less pronounced.

Impact of the economy on philanthropy: (Revenue, layoffs, hours/wages vs. giving this past year)			
	Spending less on philanthropy	About the Same	Spending more on philanthropy
Negative economic impact	59	39	2
Mixed economic impact	38	52	9
Positive economic Impact	18	63	19

Impact of the economy on corporate citizenship marketing and communication: (Revenue, layoffs, hours/wages vs. investments this past year)			
	Spending less on marketing	About the Same	Spending more on marketing
Negative economic impact	30	63	7
Mixed economic impact	11	82	8
Positive economic Impact	6	72	22

¹Some 23% of companies surveyed saw their revenues decrease by more than 15%; 13% were down by 6 to 14%; and 12% were down by 3 to 5%.

Attitudes of executives

Reputation is the anchor

The 2009 survey shows companies increasingly find business value in corporate citizenship efforts. In the previous three surveys the top driver for social and environmental responsibility was companies' traditions and values. In 2007 reputation emerged as a strong second driver and in 2009 it shares the top spot at 70 percent with company traditions and values in motivating business actions (see Figure 2). For large companies it is the top driver of corporate citizenship, cited by 82 percent of respondents from companies with more than 1,000 employees.

Good reputation is increasingly linked to bottom line benefits such as improved sales, license to operate, employee morale and productivity, and attracting and retaining top talent. A 2008 Boston College Center/Reputation Institute study found that corporate citizenship is the second most important driver of reputation after quality of products and services².

Executives recognize the role of business in addressing the economic crisis

Company leaders are saying business has a major role to play in solving the current economic crisis and establishing a more stable American economy going forward. More ethical and values-based leadership in the executive offices is cited by 66 percent of senior

executives as an important factor in addressing economic woes. More effective corporate governance practices (61 percent) and more effective industry self-regulatory policies and initiatives (58 percent) (see Figure 3) also registered strongly as important factors.

Business executives do not see more government intervention as the best approach. Most senior executives do not welcome potential efforts at greater regulatory oversight by the government or creating a new framework for global regulation and governance. While 38 percent of senior executives say it is important or very important to have a new framework for global regulation and global governance, and 34 percent support greater regulatory oversight by federal government, 22 percent believe that greater regulatory oversight is not at all important.

Companies want to be good corporate citizens but do not want to be told how

Business leaders acknowledge they have a vital role to play in addressing a wide range of societal issues, however, they feel strongly that the decision to get involved is theirs to make (see Figure 5). Despite the growing importance of corporate citizenship for U.S. companies in terms of improving reputation and identifying business opportunities, there was a decline in the percentage of senior executives who believe the public has a right to expect good corporate citizenship, from 65 percent in 2007 to 57 percent in 2009.

²The study defined corporate citizenship as supporting good causes and not harming the environment. Other factors considered in the study included performance, innovation, workplace, governance and leadership.

Figure 2

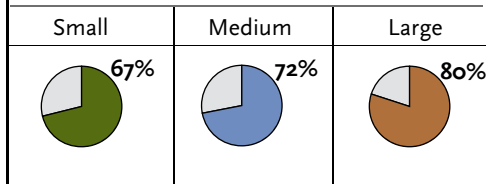
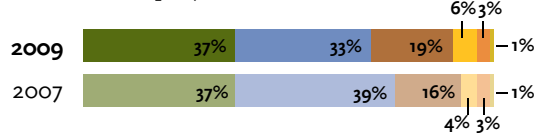
Drivers of corporate citizenship

Question asked: To what extent do each of the following factors “motivate” or “drive” your company’s efforts to be a good corporate citizen?

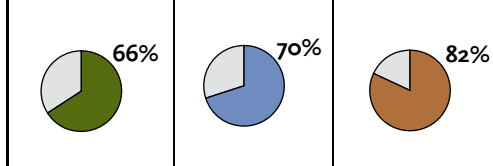
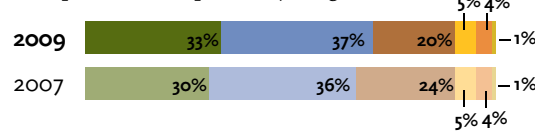
5-Very great amount 4-Large amount 3-Moderate amount
 2-Small amount 1-Not at all Don't know

Breakdown by company size - 2009 only
 % = responses of 4 and 5 on 5-point scale

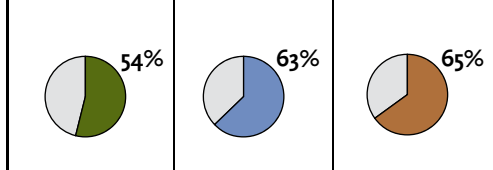
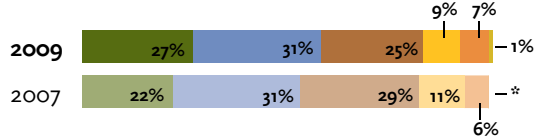
It fits our company traditions and values



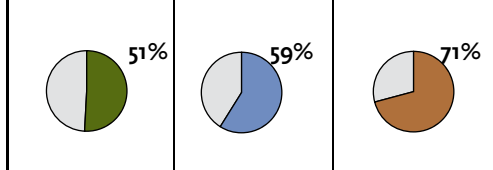
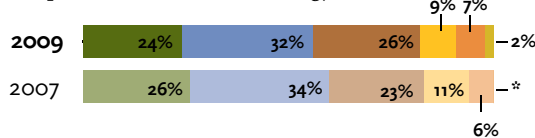
It improves our reputation/image



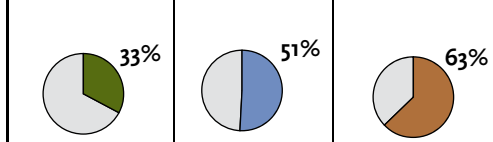
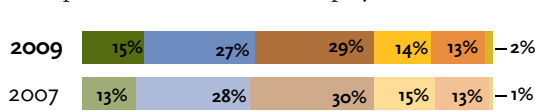
It's important to our customers/consumers



It's part of our business strategy



It helps to recruit and retain employees

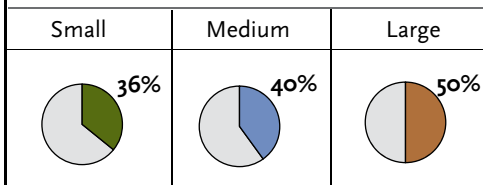
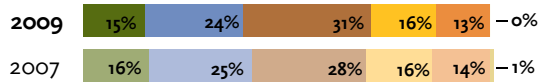


*Less than 1%

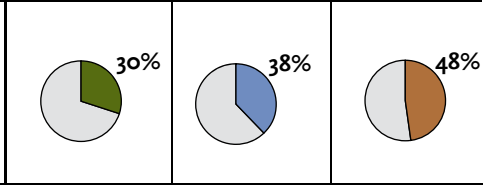
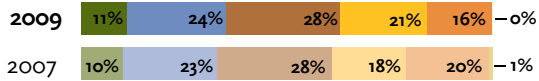
■ 5-Very great amount
 ■ 4-Large amount
 ■ 3-Moderate amount
■ 2-Small amount
 ■ 1-Not at all
 ■ Don't know

Breakdown by company size - 2009 only
 % = responses of 4 and 5 on 5-point scale

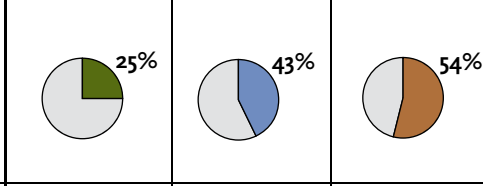
It gives us a competitive advantage



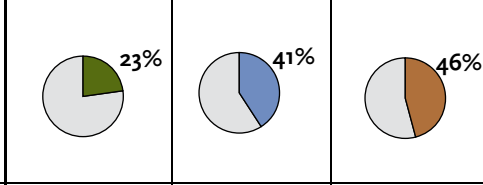
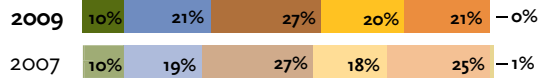
It helps us reduce business risks



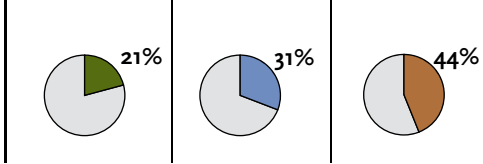
It's expected in our community

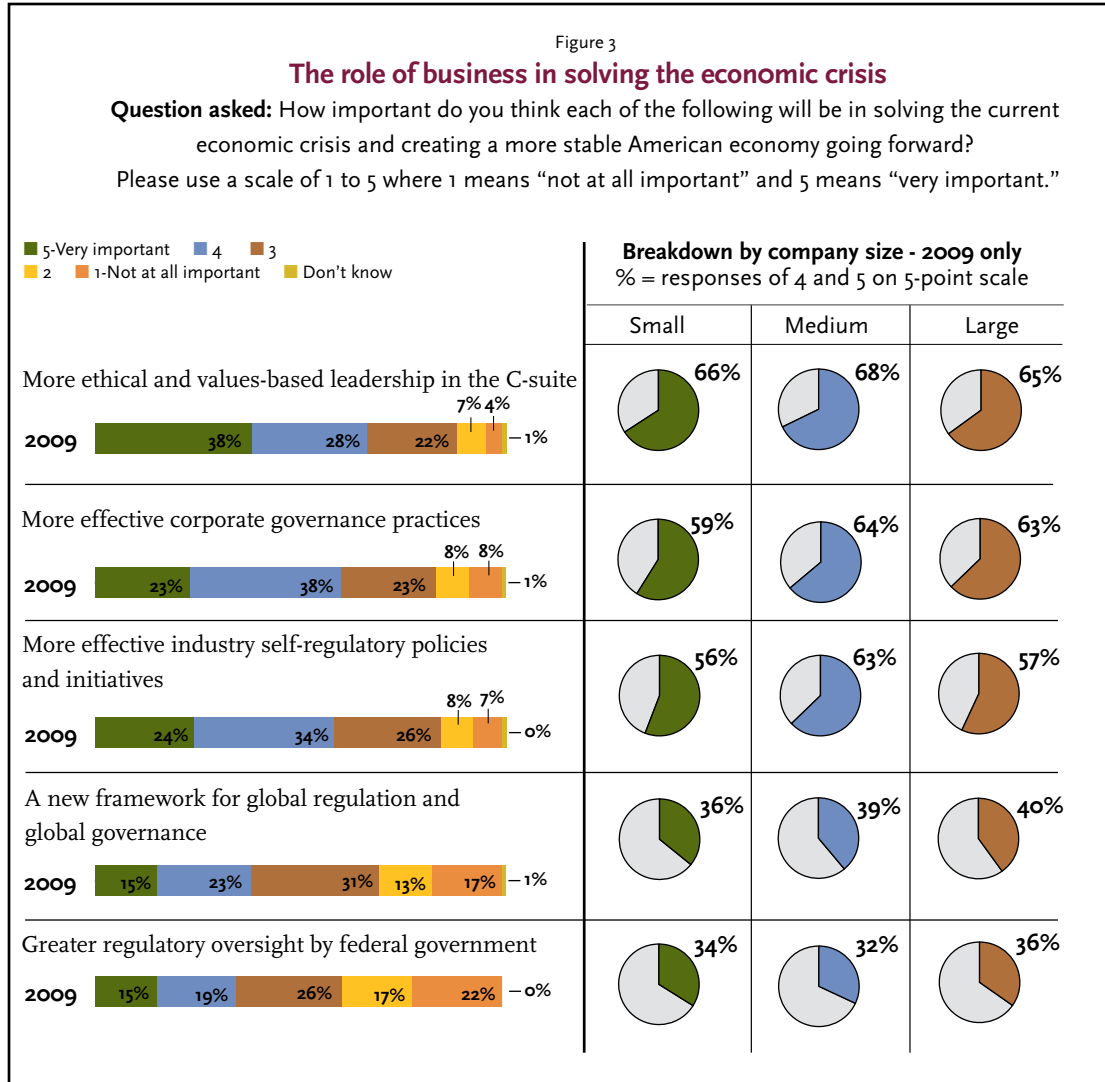


It helps manage regulatory pressures



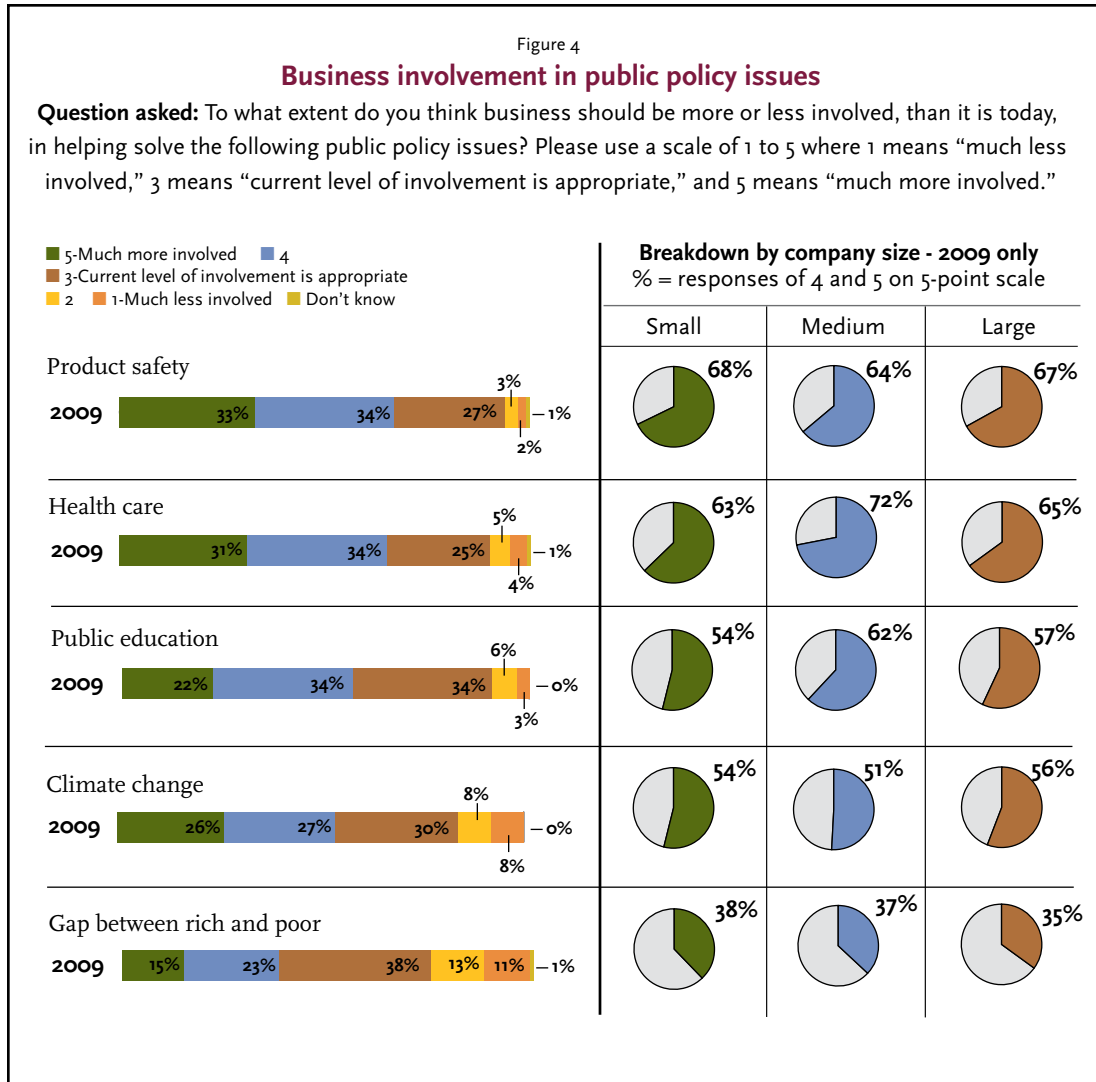
It allows us to get involved in the public policy debate





The decline could be linked to pressures on companies of all sizes trying to survive a recession and finding fewer resources to invest in social and environmental issues. Companies widely support keeping corporate citizenship completely voluntary. This reluctance to

submit to corporate citizenship mandates is accompanied by a belief that there is a lack of recognition for existing efforts. Almost three-fourths of senior executives believe much of what companies do for communities is not known or talked about. This could be a factor



in the increased reporting by companies since the 2007 survey (see Figure 13).

At the same time that executives dislike being prodded to be good corporate citizens, most recognize it's not simply something nice to

do. In the 2009 survey, 54 percent of respondents agree or strongly agree that corporate citizenship is even more important in a recession and more than two-thirds (69 percent) agree that corporate citizenship needs to be a priority (see Figure 5).

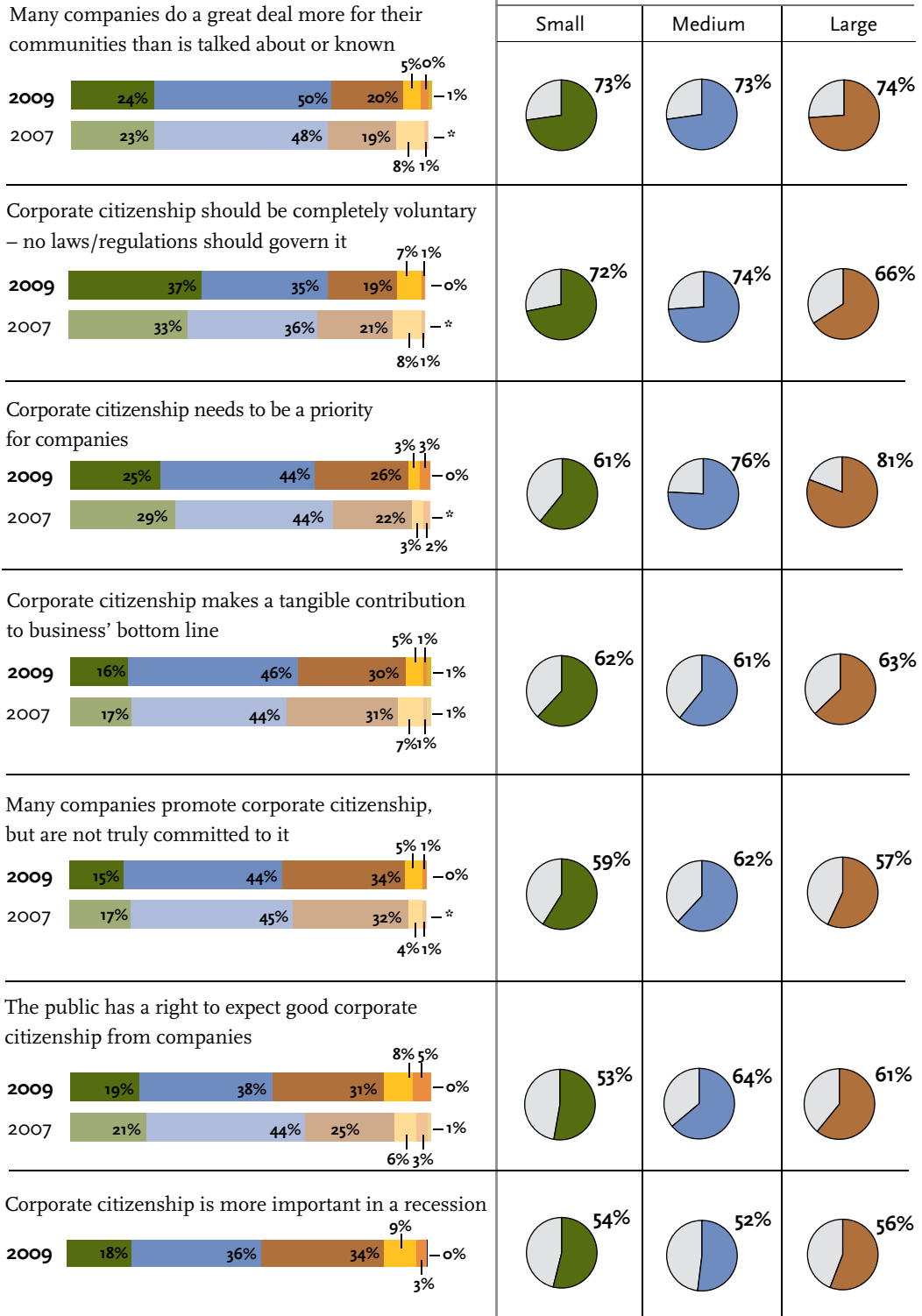
Figure 5

Attitudes toward corporate citizenship

Question asked: Please indicate how much you agree or disagree with the following statements.

■ 5-Strongly agree ■ 4-Agree ■ 3-Neither agree/disagree
■ 2-Disagree ■ 1-Strongly disagree ■ Don't know

Breakdown by company size - 2009 only
 % = responses of 4 and 5 on 5-point scale



*Less than 1%

Has the recession changed Americans' expectations for corporate citizenship?

Mismanagement of the financial sector and the subsequent economic crisis contributed to a major drop in trust in business since the 2007 State of Corporate Citizenship survey.

A July 2009 poll by Edelman found that only 48 percent of the American public trusts business, down from 59 percent a year earlier. Americans feel so strongly that business cannot be trusted to act responsibly that 50 percent of those polled by GlobeScan for its 2008 CSR Monitor said more laws are needed to regulate corporate social responsibility. That's an increase from 40 percent who felt that way in 2006.

While trust in business is falling, Americans' expectations of business for corporate citizenship and social responsibility have continued to grow. In Edelman's July 2009 Trust Survey more than 60 percent of American opinion leaders said they believe that business has not done enough to address key policy issues such as the environment and access to health care. And 55 percent do not believe business is doing enough to work with government to solve the economic crisis.

Americans also expect business to step up, not step back, when it comes to supporting worthy causes and organizations. In its 2009 report "Corporate Citizenship and American Business", GolinHarris revealed that 74 percent of Americans surveyed in the first quarter of 2009 said, now more than ever, businesses must show leadership, courage and commitment in keeping corporate citizenship among the top business priorities for meeting the economic challenge. The public does, however, seem to recognize that the capability of business to contribute to community is impacted by the economic crisis. In the same Golin Harris survey, 53 percent said they expect monetary and financial contributions to decrease in the current economy.

While recognizing the financial pressures of the recession, Americans still expect companies to make corporate citizenship a core part of how they do business. In the June 2009 Cone Consumer Environmental Survey, 35 percent of Americans said they have higher expectations for companies to make and sell environmentally responsible products and services despite the economic downturn. The same survey found that 71 percent of Americans say "doing well by doing good" is a smart and savvy business strategy.

Figure 6

The role of business in society – How business defines corporate citizenship

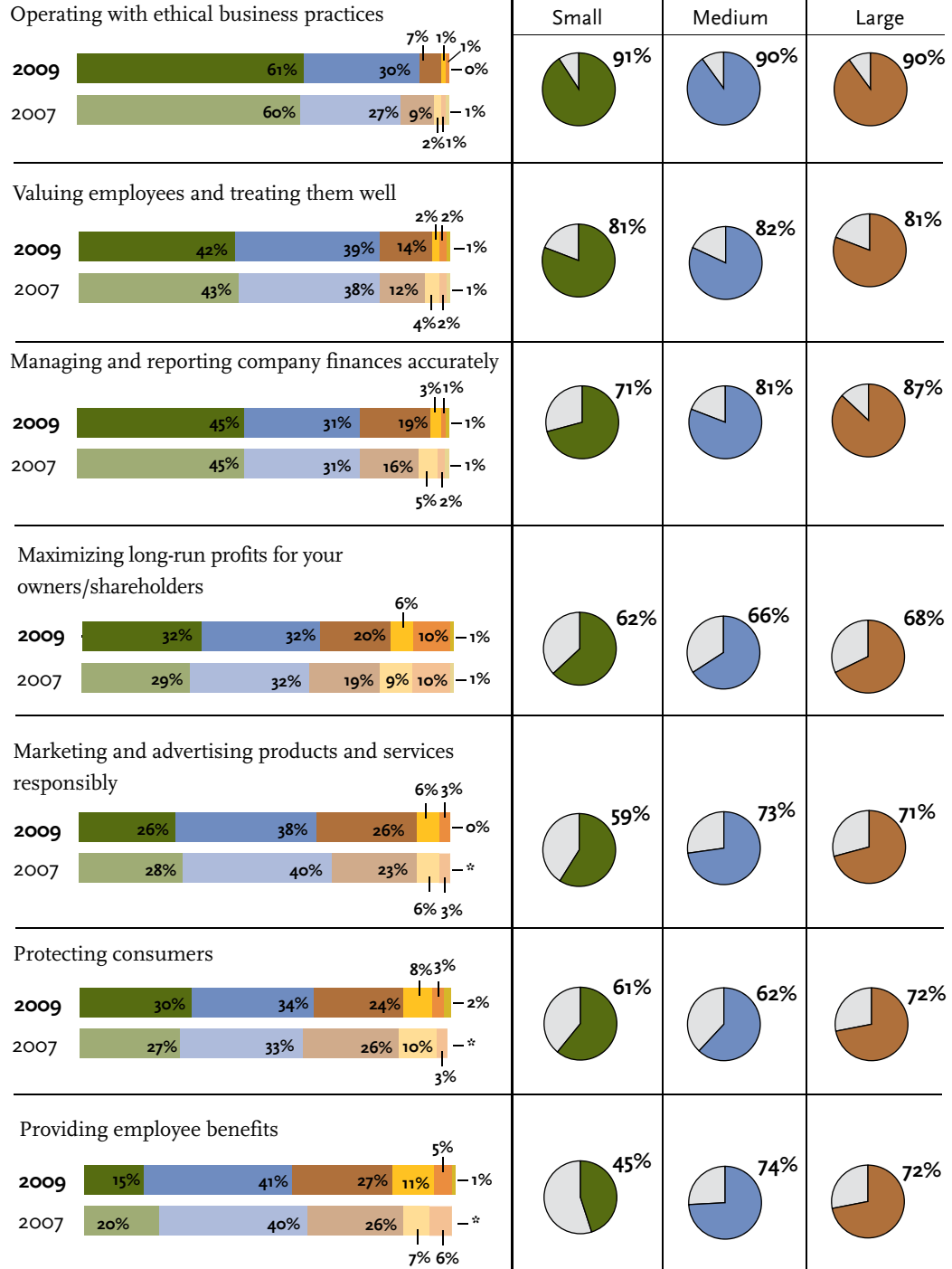
Question asked: Corporate citizenship means different things to different companies.

In your opinion, how important is each of the following to your company's role in society?

The 5-point scale ranged from "not at all important" to "critical."

■ 5-Critical ■ 4-Very important ■ 3-Important
■ 2-Somewhat important ■ 1-Not at all important ■ Don't know

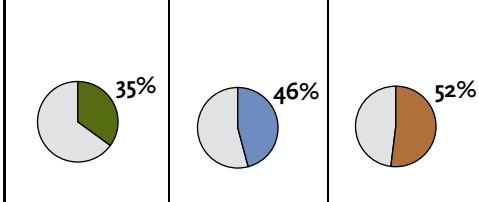
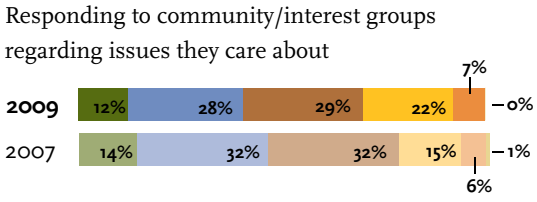
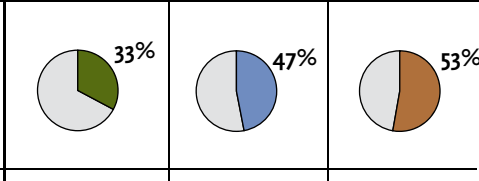
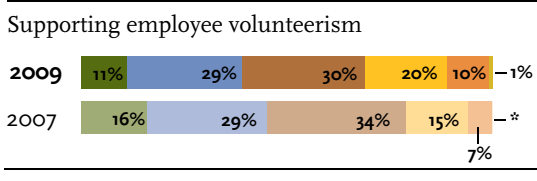
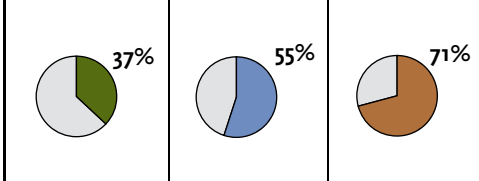
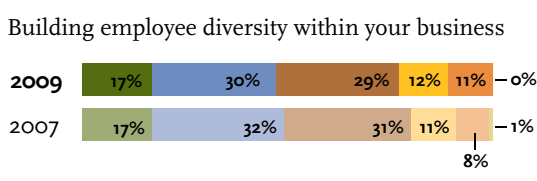
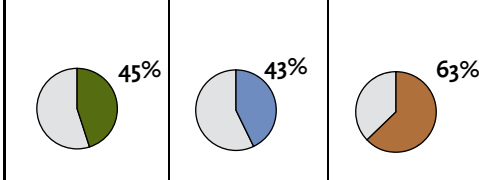
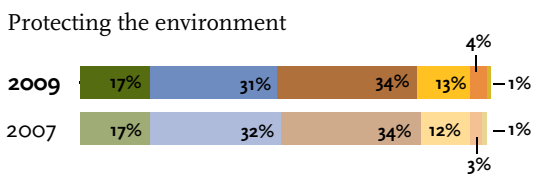
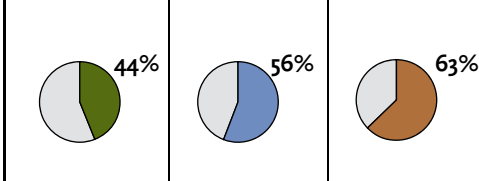
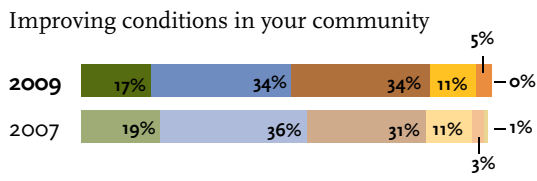
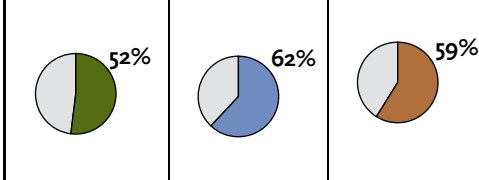
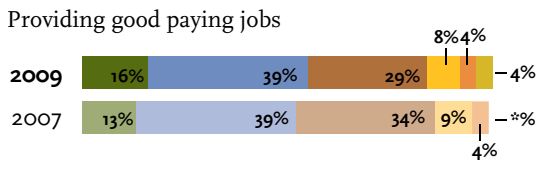
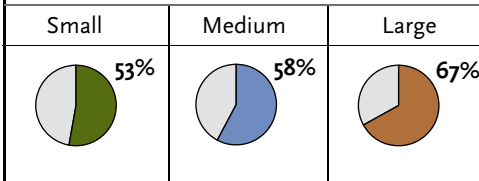
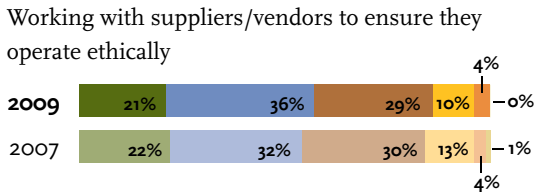
Breakdown by company size - 2009 only
 % = responses of 4 and 5 on 5-point scale



*Less than 1%

■ 5-Critical ■ 4-Very important ■ 3-Important
■ 2-Somewhat important ■ 1-Not at all important ■ Don't know

Breakdown by company size - 2009 only
 % = responses of 4 and 5 on 5-point scale



Most senior executives believe business should do more to tackle social problems

The economic crisis is not the only place where business leaders believe they have a key role to play in creating solutions. Most believe it is time for companies to step up and become more involved in solving other important issues facing society. Among these is the vexing issue of health care, where business is bracing to bear more of the financial burden as legislation is crafted to reform the U.S. system. Of the senior executives surveyed, 65 percent say business should be more involved in finding health care solutions (see Figure 4). Among leaders of mid-sized companies with 100 to 999 employees – where rising health insurance costs are of considerable concern

– 72 percent say business should be more involved. The majority of executives from companies of all sizes say business should also be more involved in addressing problems with product safety, public education and climate change (see Figure 4).

Actions

Riding out the recession

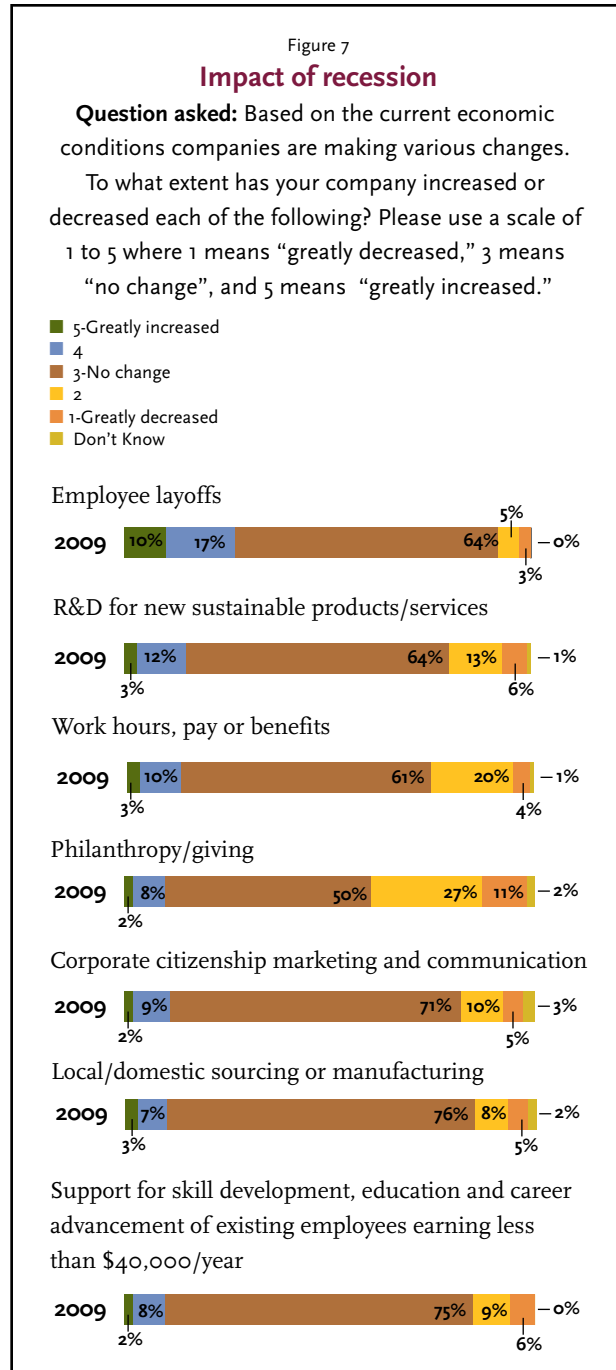
To survive the recession many businesses implemented cost-cutting measures: 27 percent of companies reported increased layoffs (the percentage is much higher for large companies – 54 percent), 24 percent reported reduced wages, benefits or work hours, and 38 percent reported reduced charitable giving.

At the same time, while 19 percent of companies cut R&D investments in new sustainable products and services, 15 percent actually increased these investments. Amid the rising tide of cuts in other aspects of business, only 15 percent cut back on corporate citizenship marketing and communication while 11 percent actually increased it.

The previous three biennial surveys of senior executives all demonstrated that corporate citizenship is important to American companies of all sizes. This time around, that emphasis was put to the test during a period when every aspect of business was being examined for its value and potential business opportunities. This survey indicates corporate citizenship is standing up to that challenge to the extent it can help business cut costs, differentiate products and services from competitors in the marketplace, improve reputation and bolster employee morale.

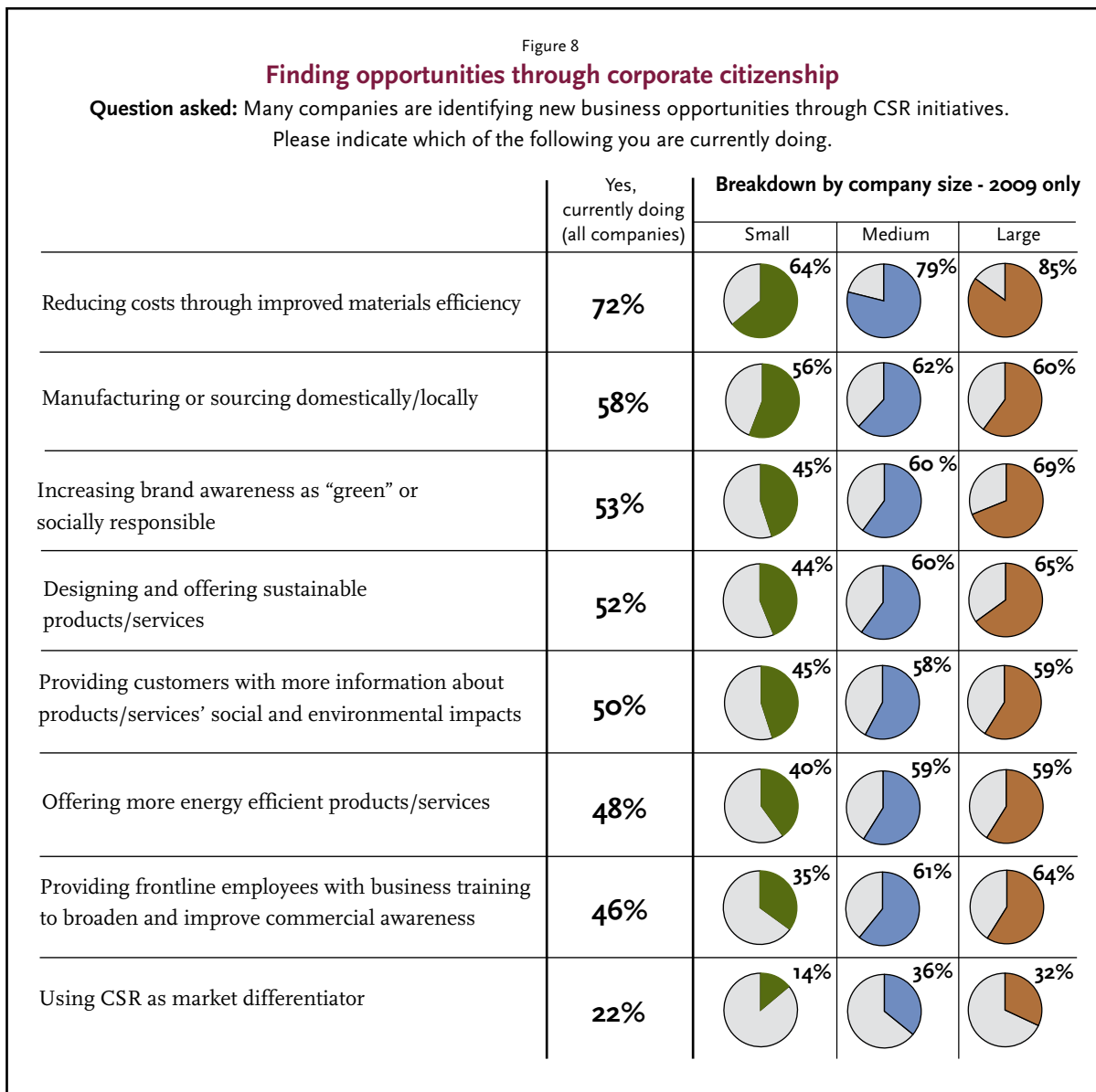
Companies seek opportunities to save, differentiate, and polish reputation

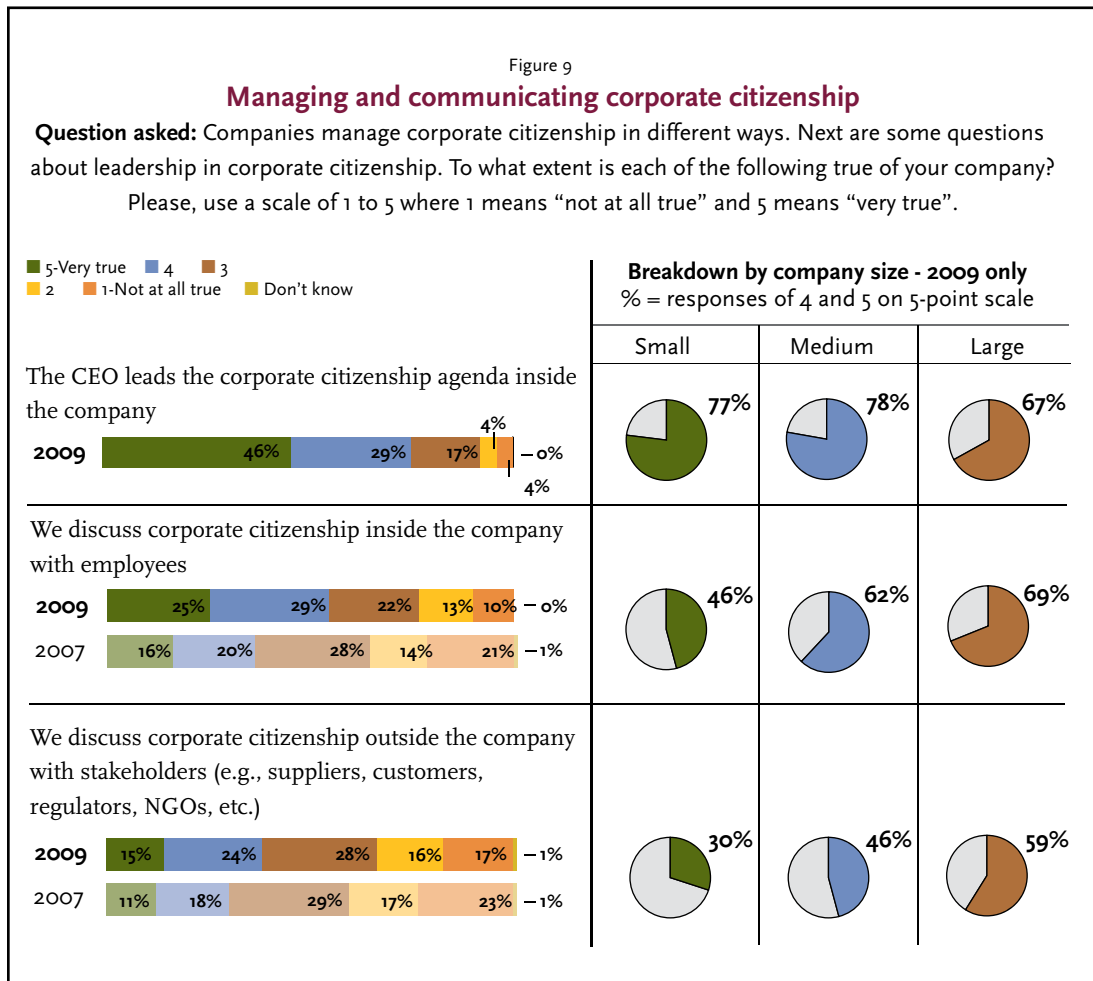
The top three areas for business opportunities through corporate citizenship that were seized on by companies include:



- Reducing costs through improved materials efficiency, 72 percent
- Manufacturing or sourcing domestically/locally, 58 percent
- Increasing brand awareness as “green” or socially responsible, 53 percent

Among large companies 65 percent aim to design and offer sustainable products/services, 59 percent offer energy efficient products and another 59 percent provide customers with more information about social and environmental impacts of their products and services (see Figure 8).





Companies are increasing communication about corporate citizenship efforts

Support from the top and communication of corporate citizenship values inside and outside the company was reported to be strong and growing. In three out of four companies the CEO leads the corporate citizenship agenda. Since 2007 there has been an increase in both internal communication with employees (from 36 percent to 54 percent) and external communication with stakeholders (from 29 percent to 39 percent). Among large compa-

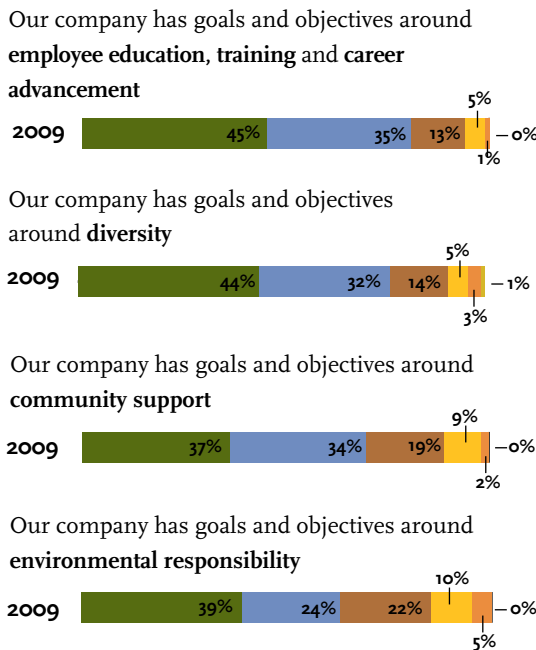
nies, explicit corporate citizenship goals are widespread on employee education, training and career advancement (80 percent), diversity (76 percent), community support (71 percent), environmental responsibility (63 percent), sustainable products/services (63 percent), and human rights within the supply chain (58 percent). More than half of large U.S. corporations report that their board reviews and approves corporate citizenship programs (59 percent) (see Figure 10).

Figure 10

Corporate citizenship goals and objectives of large companies

Question asked of large companies only: Companies manage corporate citizenship in different ways. Next are some questions about leadership in corporate citizenship. To what extent is each of the following true of your company? Please, use a scale of 1 to 5 where 1 means “not at all true” and 5 means “very true”.

■ 5-Very true ■ 4 ■ 3 ■ 2 ■ 1-Not at all true ■ Don't Know



Increasing integration

While top leadership is critical, integration with business strategy requires committing resources such as people and funding, building internal competencies, and setting clear policies and principles to support implementation. Senior executives report increases in such integration efforts. A team or individual is assigned to work on corporate citizenship issues in 40 percent of companies, up from 26 percent in 2007. There has also been an

increase in companies setting policies about corporate citizenship and integrating it with the business planning process (see Figure 11).

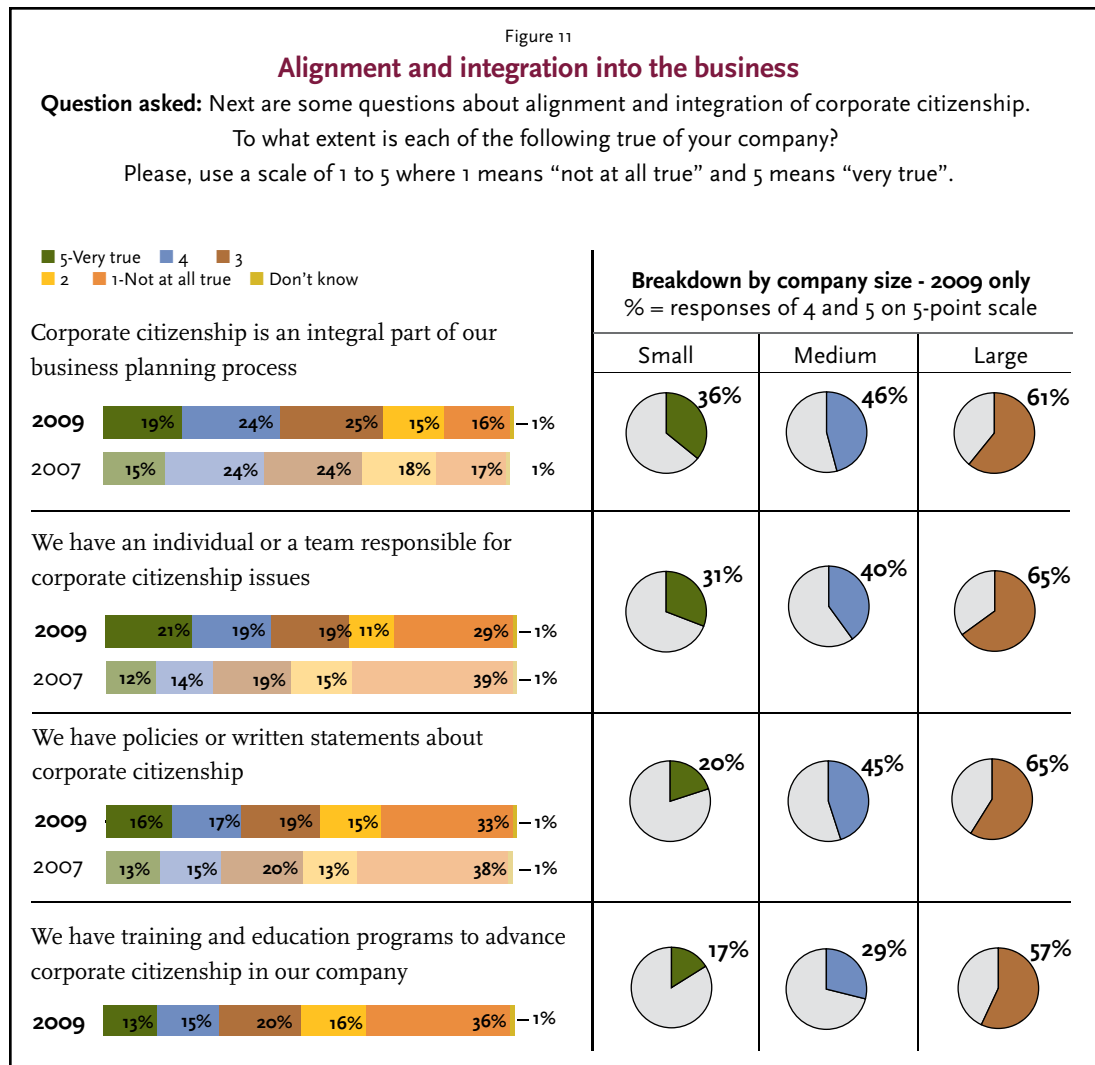
Effective integration of corporate citizenship with the business strategy also requires setting performance goals for managers and key champions as they may face conflicting objectives, such as pitting sales/revenue growth against ensuring supplier compliance.

Larger companies lead on integration

Large companies are clearly recognizing the need for integration. Some 70 percent report having goals for managers around education, training and skill development; 58 percent have goals around diversity; 50 percent around sustainable products and services; and 47 percent around environmental responsibility (see Figure 12).

More companies are reporting on their corporate citizenship efforts

Integrating corporate citizenship with the business strategy requires making the “business case” and measuring the ROI or other intangible benefits from social and environmental initiatives. Measuring the business value, however, is not an easy undertaking



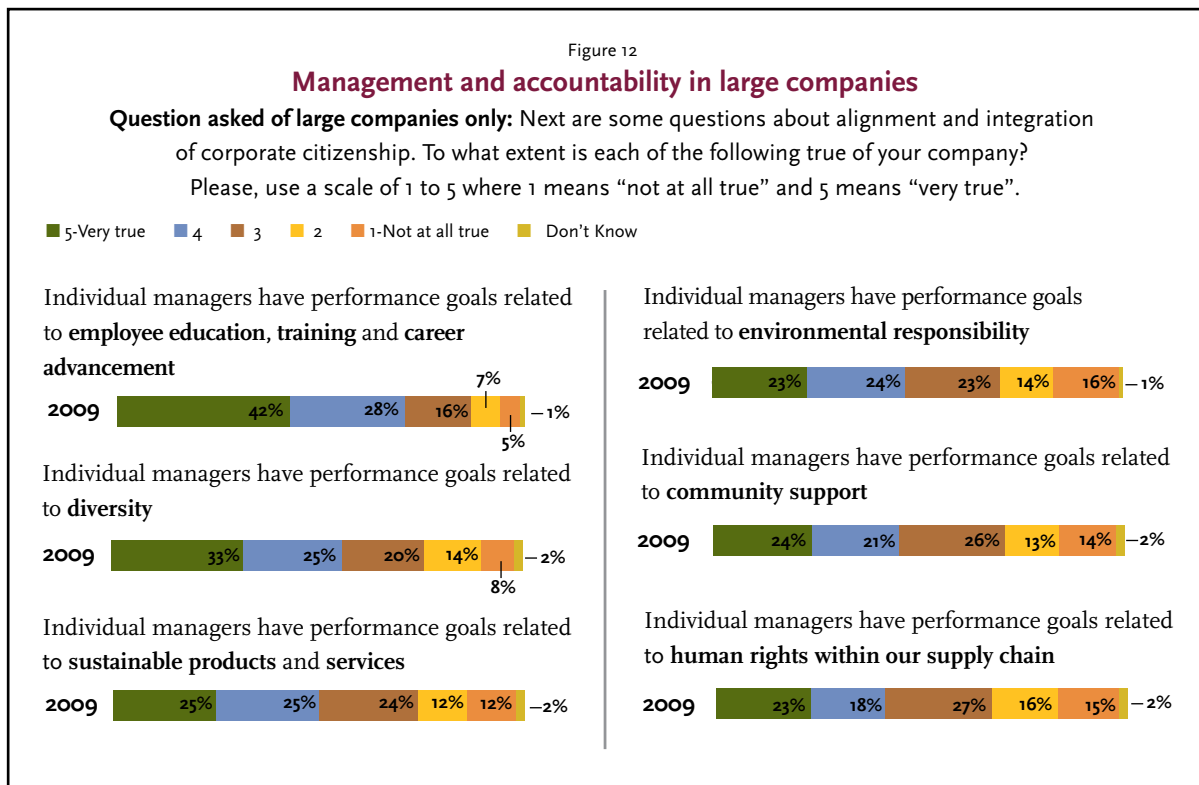
and there are no widely accepted frameworks and indicators. Most of the benefits, particularly in the social area, are qualitative and hard to quantify, such as improved employee morale and productivity, reputation and license to operate. The survey shows that about one in three companies (35 percent) uses some way to measure business impact (see Figure 13), although no data is available to evaluate the quality of such measures.

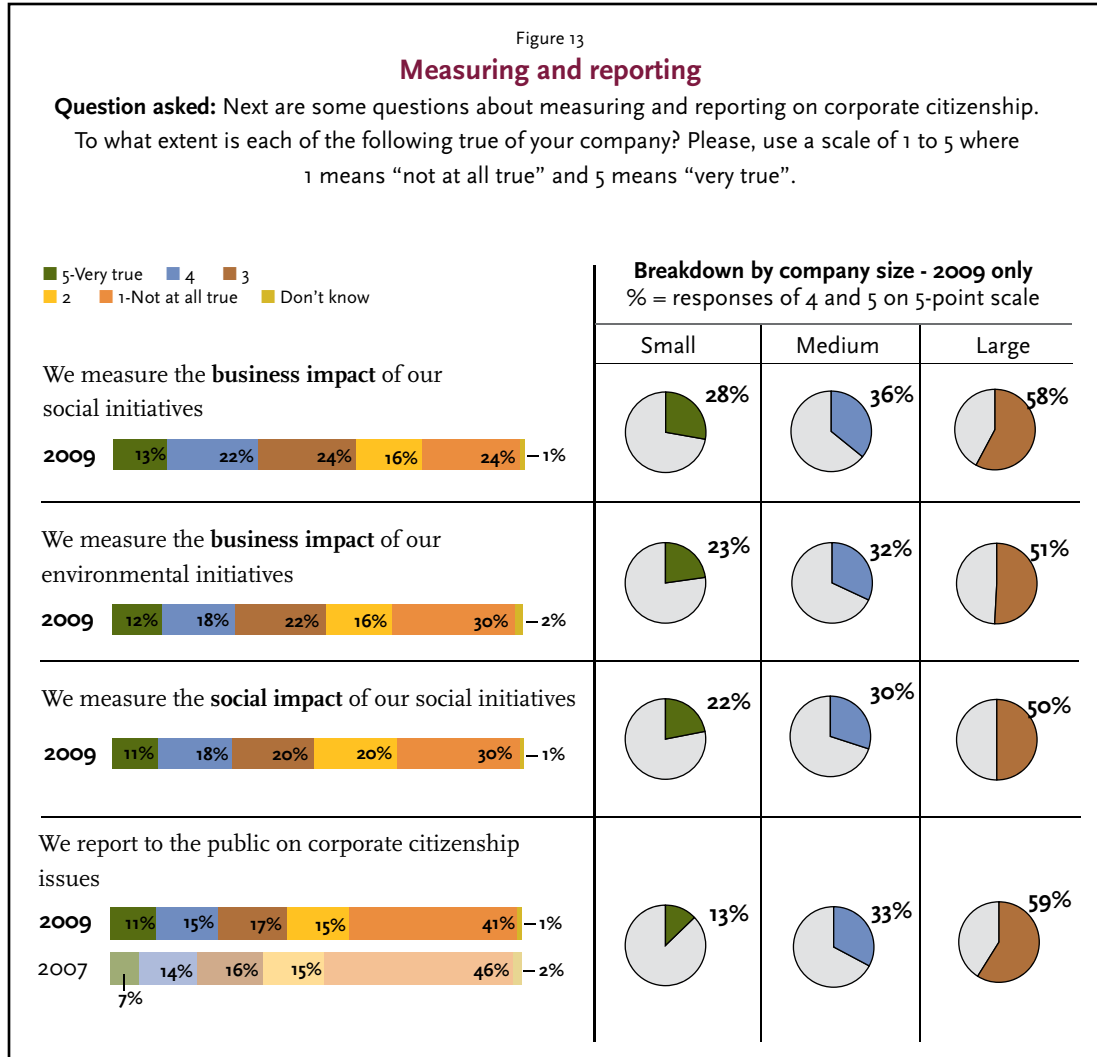
Companies of all sizes are increasingly reporting on their corporate citizenship performance – 26 percent compared to 21 percent in 2007. Among large companies, 59 percent

report to the public. Businesses appear to be recognizing that to link their products and services with an image of responsibility and reap the reputational benefits, they must do a better job of being transparent and telling their corporate citizenship stories.

Companies are increasing green initiatives in operations, products and services

While senior executives’ responses indicate the importance of protecting the environment has not changed since the 2007 survey, there is evidence companies of all sizes are increasing their investments in greening communities, operations, and products and services.





In the 2009 survey, 29 percent of business leaders say their companies supported environmental issues through their community investment strategy – a 10 percent increase since 2007 and a change in ranking from seventh to third (see Figure 16). Among large companies, 63 percent have goals and objectives around environmental responsibility

(see Figure 10), 58 percent measure the business impact of their environmental initiatives, and 47 percent report having environmental performance goals for individual managers.

Protecting the environment is increasingly seen as providing bottom line benefits:

- 72 percent of all American companies (85 percent of large companies) are reducing costs through improved materials efficiency;
- 53 percent (69 percent of large companies) are increasing brand awareness as green or socially responsible, and;
- 52 percent (65 percent of large companies) are designing and offering sustainable products or services (see Figure 8).

The growth in offering and communicating about sustainable products and services indicates that American companies are beginning to catch up with their overseas peers in bringing corporate citizenship strategies to market (see Figure 14):

- 41 percent of U.S. companies (compared to 35 percent in 2007) design products and services that take into consideration impacts throughout their life cycle
- 43 percent (compared to 37 percent in 2007) advise their customers about sustainable choices of products or services
- 37 percent (compared to 29 percent in 2007) track what their competitors are doing regarding sustainable products and services
- 31 percent (compared to 24 percent in 2007) offer products that are certified and labeled as environmentally friendly or sustainable
- 26 percent (compared to 23 percent in 2007) invest R&D resources into new, more sustainable products and services.

Other studies have also confirmed these positive developments in the environmental area despite the budget cuts and the deep recession.

A recent GreenBiz Executive Network study found that 47 percent of companies surveyed were increasing their investments in green product development in 2009, less than 6 percent said they will be reducing such investments.

Various powerful factors are driving the “green” agenda in the United States – from a changing regulatory landscape and market incentives for clean energy, to increasing customer and consumer demand, NGO pressures and investor interest:

- A 2009 survey by Allianz Global Investors found that “investors perceive environmental issues as long-lasting and presenting enduring investment opportunity” with 91 percent of respondents believing that finding solutions to environmental problems will be an issue for a long time, and 69 percent stating their interest in “green” investments.
- GlobeScan Greendex results for 2009 revealed that despite the global recession there has been an increase in environmentally friendly consumer behavior in 13 of the 14 countries that were surveyed both in 2008 and 2009.

Yet, skepticism remains among consumers and other stakeholders about how truly “green” companies are. The 2008 Green Gap survey by Cone and the Boston College Center found that 73 percent of consumers believe companies that communicate about the environment are “just trying to sell more products and services,” and 90 percent say companies need to prove their “green” claims.

Figure 14

Sustainable products and services

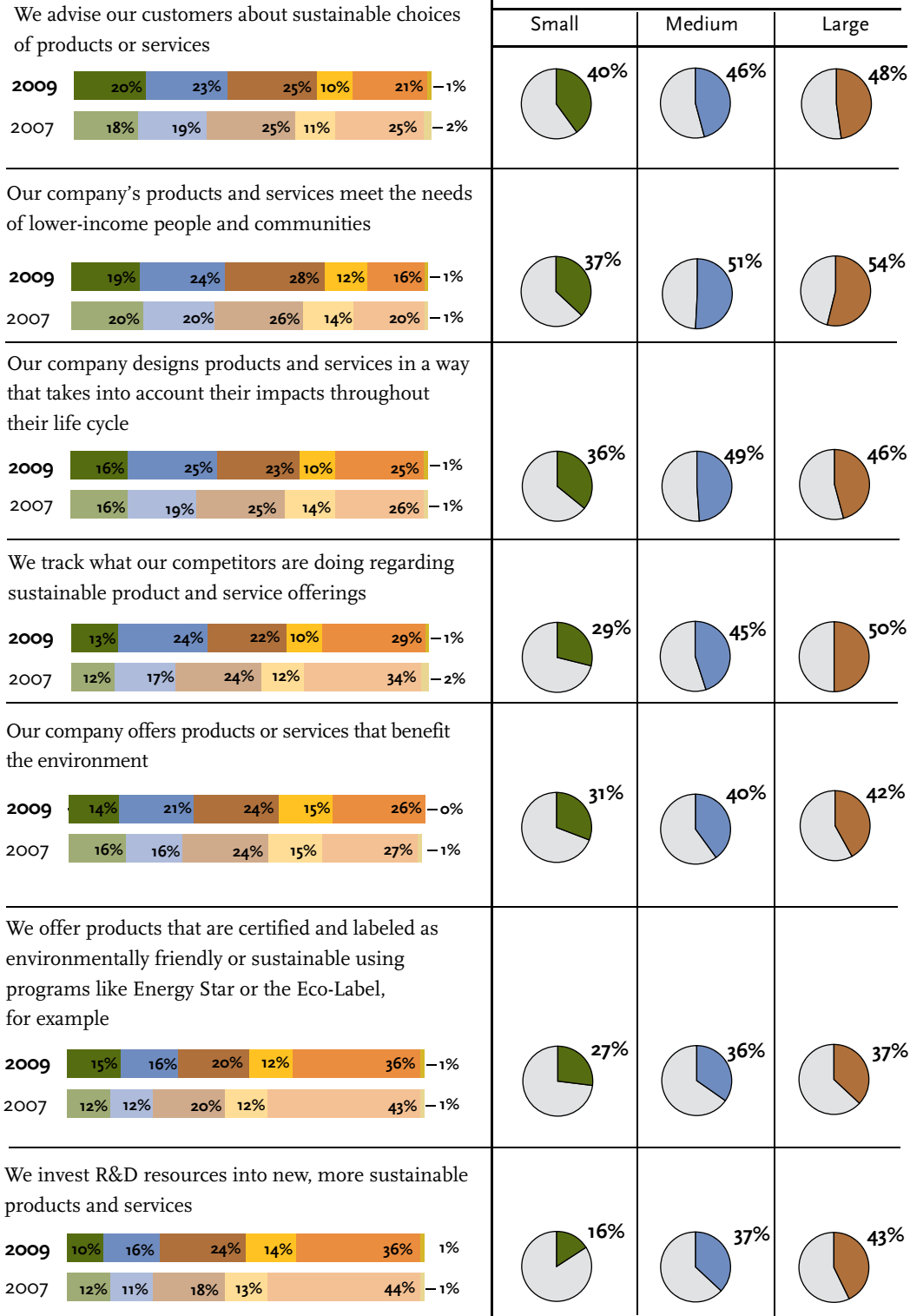
Question asked: Next are some statements about **products** and **services**.

To what extent is each of the following true of your company?

Please use a scale of 1 to 5 where 1 means "not at all" and 5 means "a great deal."

5-A great deal 4 3
2 1-Not at all Don't know

Breakdown by company size - 2009 only
% = responses of 4 and 5 on 5-point scale



Community support dropped slightly when corporate profits declined

The 2009 survey shows the recession has had a modest negative impact on philanthropy and community support. Corporate donations and sponsorships are closely linked to corporate profits so it is not surprising 38 percent of companies reduced philanthropy and giving (see Figure 7)³. The percentage of companies making in-kind donations dropped from 65

³According to Giving USA, total corporate donations were \$14.5 billion in 2008 (an 8 percent drop compared to 2007). In comparison, corporate profits were down 10.1 percent in 2008.

percent in 2007 to 60 percent in 2009, those providing employee volunteering opportunities fell from 64 percent to 57 percent, and community investments were down from 30 percent to 21 percent.

The top three areas of community support by U.S. companies in 2009 were education (46 percent), health care, including nutrition and physical fitness (33 percent), and environmental issues (29 percent). Mid-size companies supported job training at a much higher rate (45 percent compared to 27 percent for all U.S. companies) and small companies

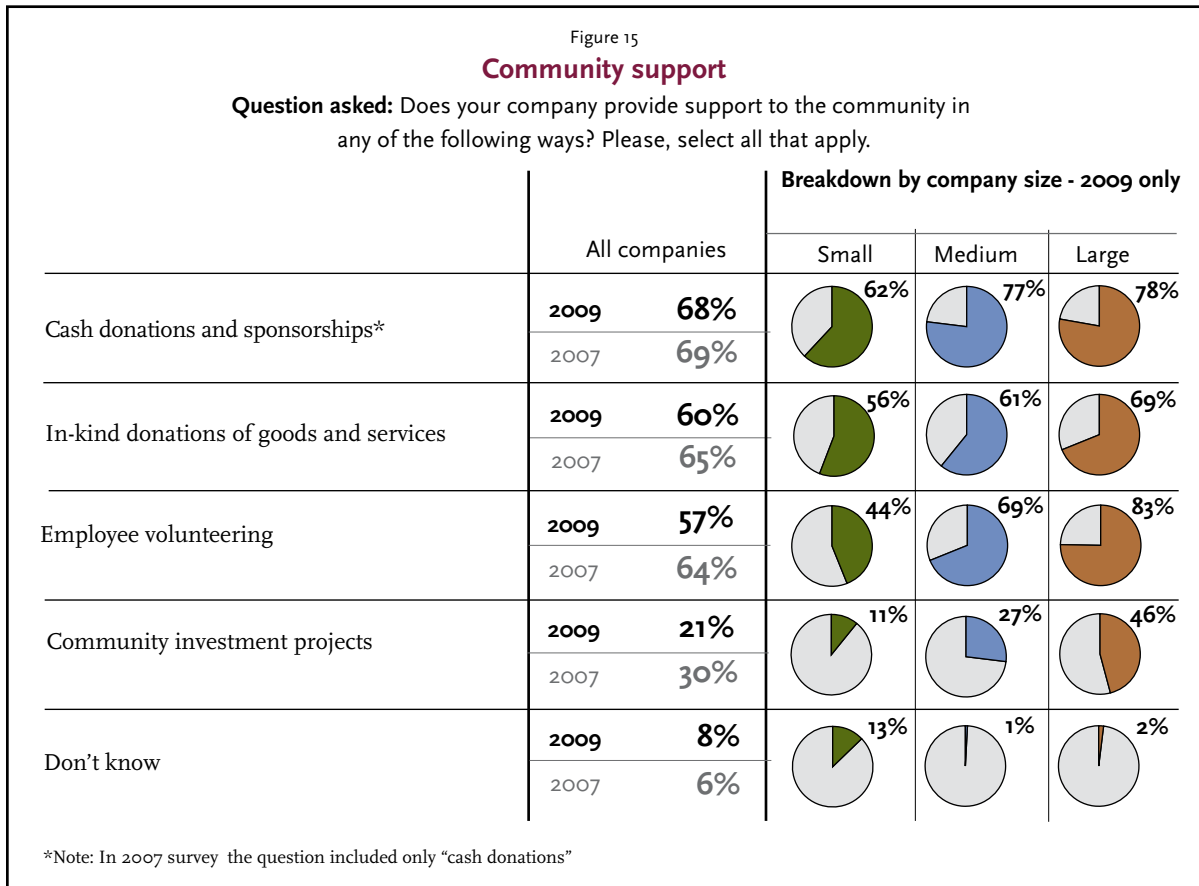


Figure 16

Top areas of community support

Question asked: Based on the amount of resources invested in community support activities (e.g., money, time, product and service donations), which are the top three areas your company supported in the past year?

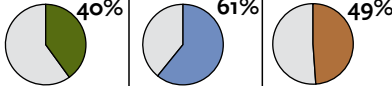
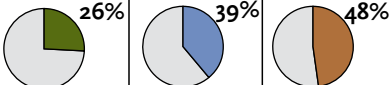
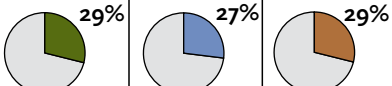
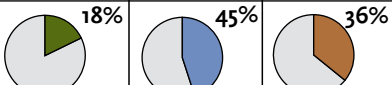
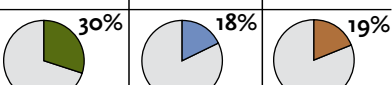
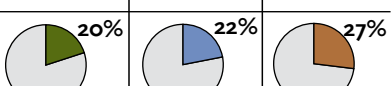
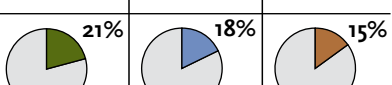
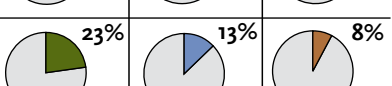
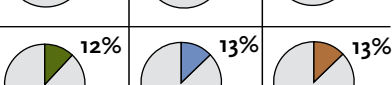
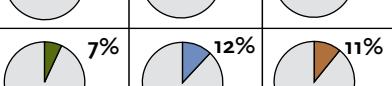
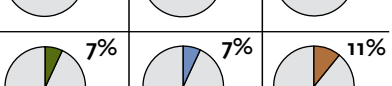


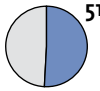


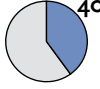











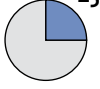







	Combined mentions All companies		Breakdown by company size - 2009 only		
			Small	Medium	Large
Education	2009	46%			
	2007	53%			
Health care, including nutrition and physical fitness	2009	33%			
	2007	36%			
Environmental issues	2009	29%			
	2007	19%			
Job training	2009	27%			
	2007	32%			
Arts and culture	2009	25%			
	2007	26%			
Economic development	2009	22%			
	2007	19%			
Community safety	2009	19%			
	2007	15%			
Sports	2009	18%			
	2007	15%			
Child care	2009	12%			
	2007	12%			
Affordable housing	2009	9%			
	2007	12%			
Literacy	2009	7%			
	2007	10%			
Don't know/no answer	2009	6%			
	2007	19%			

Figure 17

Partnerships for solutions

Question asked: Do you partner with any of the following to solve social or environmental problems?
Please select all that apply.

	Combined mentions Total	Breakdown by company size - 2009 only		
		Small	Medium	Large
Charitable organizations	45%	 37%	 51%	 64%
Customers	33%	 27%	 40%	 42%
Schools	29%	 21%	 41%	 41%
Industry peers	26%	 22%	 31%	 33%
Suppliers	21%	 14%	 28%	 33%
Regulators	15%	 7%	 25%	 29%
NGOs	8%	 4%	 12%	 16%
Don't know/no answer	27%	 36%	 17%	 10%

continued to show stronger support for arts and culture compared to large and mid-size companies (see Figure 16).

Companies are partnering with other organizations and businesses

To address social and environmental problems, companies are partnering with charitable organizations (45 percent), customers (33

percent), schools (29 percent) and industry peers (26 percent). The top three reasons for establishing such partnerships: to improve reputation (79 percent), to obtain financial benefits by identifying opportunities for innovation (69 percent), and because the company could not solve the problems alone (64 percent) (see Figure 18). It's not just about doing the right thing (a motivation for 3 percent)

or giving back to the community (2 percent). Companies are looking for involvement with impact, inside and outside the business.

The recession squeezed business support for economically distressed communities

Business involvement with economically distressed communities has been constrained, with little growth and some decline. Most companies (72 percent) have kept the same level of investment in these communities, and purchases from minority-owned and women-owned suppliers have generally been

maintained (see Figure 19). Some decreases are found in:

- Hiring people from poor communities, 18 percent compared to 23 percent in 2007;
- Locating company facilities or jobs in economically distressed communities, 12 percent compared to 15 percent in 2007;
- Offering job training programs to people in economically distressed communities, 12 percent compared to 18 percent in 2007;
- Providing training and development opportunities for lower-wage employees, 26 percent compared to 31 percent in 2007.

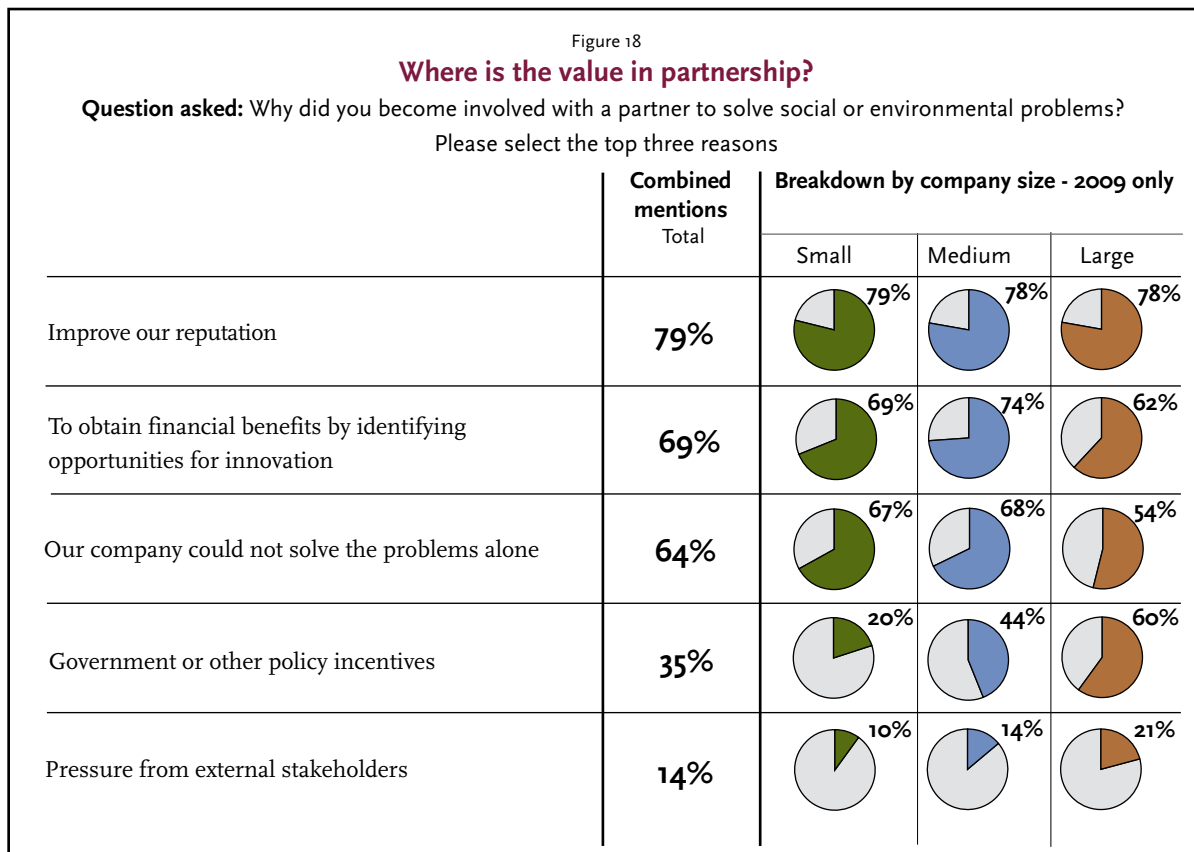


Figure 19

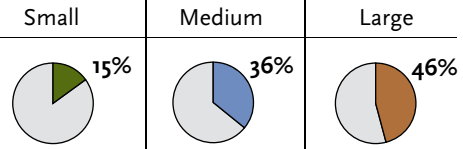
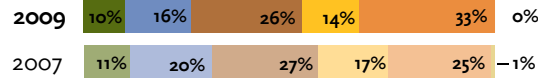
Support for economically distressed communities

Question asked: To what extent is your company involved in any of the following?

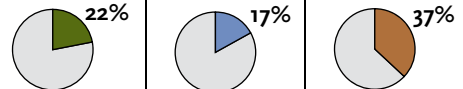
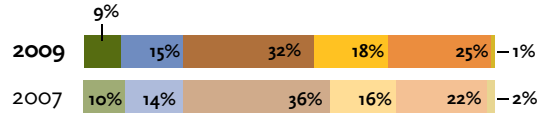
5-Very large 4-Large 3-Moderate
2-Small 1-Not at all Don't know

Breakdown by company size - 2009 only
% = responses of 4 and 5 on 5-point scale

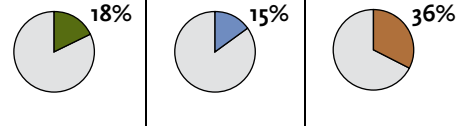
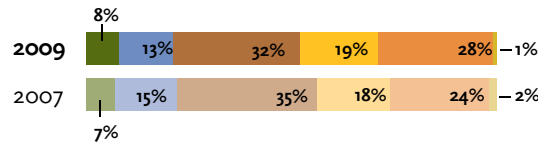
Providing training and development opportunities for your lower-wage employees



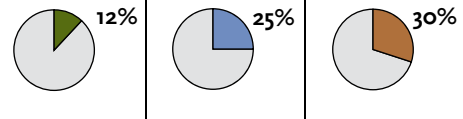
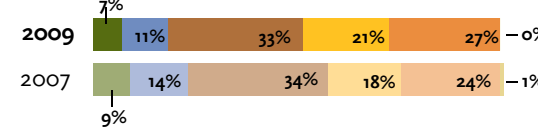
Purchasing from women-owned suppliers



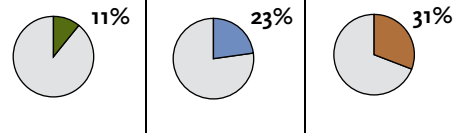
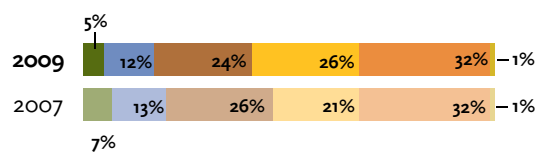
Purchasing from minority-owned suppliers



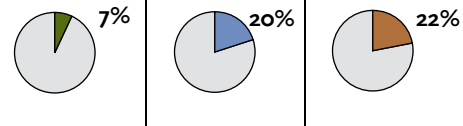
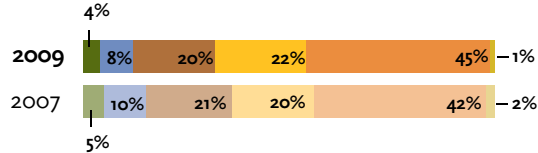
Hiring people from poor (economically distressed) communities



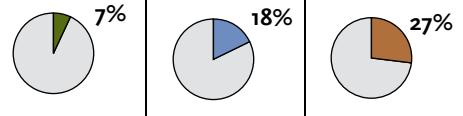
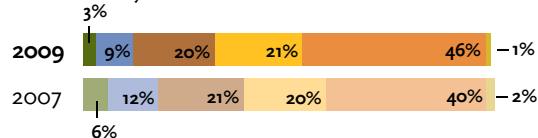
Improving conditions in economically distressed communities



Locating your company's facilities or jobs in economically distressed communities



Offering job training programs to people in economically distressed communities



There are some significant differences by company size. While small companies have reduced support, large companies in many cases have maintained or increased support for economically distressed communities:

- Hiring people from poor communities increased from 23 percent in 2007 to 30 percent in 2009;
- Involvement in improving conditions in economically distressed communities increased from 29 percent to 31 percent;
- Providing training and development opportunities for lower-wage employees increased from 43 percent in 2007 to 46 percent in 2009.

Despite layoff pressures, companies are maintaining support for employees

Numerous public studies have found that treating employees well is one of the most important criteria for demonstrating good corporate citizenship (GolinHarris 2008; Fleischman-Hillard/National Consumers League Study 2007; GlobeScan Monitor 2008). As in 2007, 81 percent of the 2009 survey respondents say valuing employees and treating them well is critical or very important. Such practices improve company reputation, morale and productivity, help to attract and retain top talent and reduce turnover costs.

Despite the scale of revenue/profit decline and layoffs, executives from U.S. companies of all sizes report they have maintained support for remaining employees (see Figure 20):

- 60 percent of all companies (68 percent of large corporations) support work/life balance practices for all employees, compared

to 46 percent of all companies in 2007;

- 45 percent of all companies compensate employees for ideas that benefit the bottom line and the environment or community, compared to 37 percent in 2007;
- Large and mid-size companies increased their offering of health insurance to all employees, including hourly workers, from 76 percent to 91 percent for large companies, and from 77 percent to 87 percent for mid-size companies.

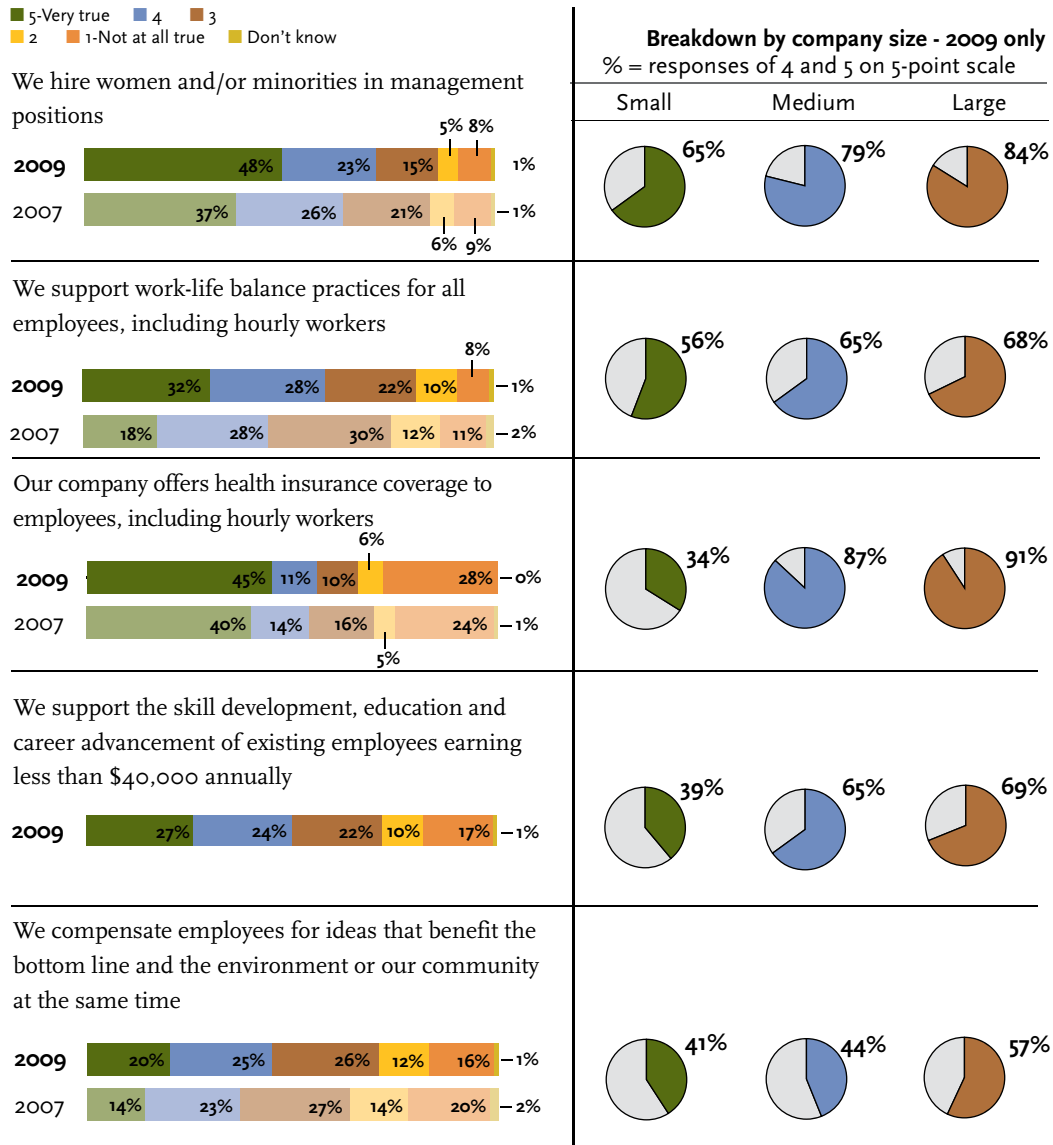
More than half of the companies (51 percent) report they are supporting skill development, education and career advancement of existing workers who earn less than \$40,000 a year. Large and medium-size companies support these workers at a much higher rate (69 percent and 65 percent, respectively) than small companies (see Figure 20). This commitment appears to endure across economic hard times. Company support for skill development, education and career advancement is almost as high for companies facing great or moderate declines in sales/revenues as those benefitting from moderate or great increases.

The 596 executives who reported their companies support skill development, education and career advancement for employees making less than \$40,000 say they are primarily motivated by a desire to improve productivity (54 percent), reduce turnover (44 percent), or fill skill shortages (28 percent). The 156 executives who reported their companies do not support skill development, education, and career advancement for this group say that either they do not need changes to meet skill needs (45 percent) or have insufficient budget or personnel to provide training (42 percent).

Figure 20

Employees and workplace practices

Question asked: Next are some questions about employees and workplace practices. To what extent is each of the following true of your company?
Please use a scale of 1 to 5 where 1 means “not at all true” and 5 means “very true”.



Large companies sustain volunteering as a staple of community involvement

Large companies' support for employee volunteering in 2009 was strong with 83 percent of respondents stating their companies support employee volunteering in their community. Most offer organized non-skilled volunteering (67 percent) and pro-bono/skill-based volunteering (60 percent). The top three reasons for providing employee volunteering according to the respondents include:

- Improving public relations, branding and reputation, 55 percent;
- Improving job satisfaction and retention, 42 percent, and;
- Supporting employee team building, 35 percent.

For privately held large companies the second most important reason for supporting volunteering, after improving PR, branding and reputation (55 percent), is helping employees build relationships with important community stakeholders (35 percent).

Employee volunteering in large companies	
Question asked: In what ways do you support employee volunteering? Please select all that apply.	Combined mentions
Offer company organized non-skilled volunteering	67%
Offer company organized pro-bono/skill-based volunteering.	60%
Offer "Dollars-for-doers" grants (grants to nonprofits where individuals or teams of employees volunteer)	29%
Provide nonprofit board placement	28%
Offer sabbatical volunteer programs	25%
Offer loaned executives to nonprofits/NGOs	19%
Offer opportunities for employees to travel to another country to volunteer	17%
Other	5%
Question asked: Why do you offer volunteer programs to your employees? Please select the top two most important reasons.	Combined mentions
To improve public relations, branding and reputation	55%
It improves job satisfaction and retention	42%
To support employee team building	35%
To help employees build relationships with important community stakeholders	32%
To support employee skill building	12%
It is an effective recruiting tool	5%
It helps improve sales	5%
It is the right thing to do	2%
Don't know/Not available	3%

Citizenship gap between large and small companies

One of the findings to emerge comparing the results of the 2007 and 2009 surveys is the growing citizenship gap between large (1,000 or more employees) and small (less than 100 employees) U.S.-based companies.

In several areas, the survey shows large companies in 2009 significantly increasing

their investments and involvement in citizenship activities. Small companies registered modest improvements or more or less stayed the same. This was especially notable in the management of corporate citizenship where many more large companies had policies about citizenship (increasing from 55 percent in 2007 to 65 percent in 2009), incorporated

The citizenship gap in executives' attitudes grows between large and small U.S. companies.

<i>The importance of...</i>	Small cos. %		Large cos. %	
	2009	2007	2009	2007
Improving conditions in your community	44	53	63	59
Responding to community interest groups regarding issues they care about	35	45	52	51
Protecting the environment	46	50	62	53
Providing employee benefits	59	69	72	69
Building employee diversity	37	43	71	65
Supporting employee volunteerism	33	42	54	54
Marketing and advertising products and services responsibly	59	69	71	70
<i>Overall importance...</i>	2009	2007	2009	2007
Corporate citizenship needs to be a priority for companies	61	69	81	83

citizenship into their business plans (from 46 percent to 61 percent), and reported to the public on citizenship issues (from 45 percent to 59 percent).

In other areas, a different pattern emerged. While large companies were more likely to respond to the economic pressures of the recession with layoffs, they more or less kept on track with corporate citizenship activities. In contrast, small firms stayed committed to their corporate citizenship priority of treating employees well by minimizing layoffs, but significantly decreased their emphasis on other aspects of citizenship.

This was especially evident in how their citizenship priorities in 2009 varied from those in 2007 (see chart at left). For example, fewer small company executives surveyed in 2009 stressed the importance of improving conditions in their communities – a 9 percent decrease – and of responding to community interests about issues of concern – a 10 percent decrease. Small firms also put less stress on providing employee benefits (10 percent decrease) building employee diversity in their work force (6 percent decrease) and supporting employee volunteerism (9 percent decrease). On the green agenda, slightly fewer small firms saw this as critical or very important (4 percent decrease) whereas many more large firms emphasized it (9 percent increase). One statistic seemed to exemplify this overall pattern: More than 80 percent of large company executives in 2007 and again in 2009 agreed that corporate citizenship needs to be a priority for companies. In the case of small companies, fewer supported this proposition in the latest survey, decreasing from 69 percent to 61 percent.

Are these differences attributable to a greater commitment to corporate citizenship by large companies or did the financial crush of the recession have more of a negative impact on small companies and lessen the priority they gave to corporate citizenship investments?

Researchers first examined whether or not small firms suffered greater revenue losses than mid-size and large firms. The findings showed that there were no differences in revenue decreases between small, mid-size and large firms.⁴ This allows testing the independent impact of the economy versus company size as a contributor to corporate citizenship investments.

The chart on Page 40 highlights the results of these analyses.⁵ It shows that regardless of company size the economic impact of the recession had a significant independent effect on corporate giving and philanthropy in 2009, and in corporate investments in training in low-income communities and for their own low-income employees. All companies suffering a negative economic impact gave significantly less money and spent less on training in these regards.

However, the economy alone was not a significant predictor of whether or not a company hired people from poor communities or worked to improve conditions in

⁴Taking into account increased layoffs and reductions in hours, wages, and benefits, it could be argued that large firms absorbed a more negative economic impact than smaller ones. Yet studies consistently find that larger company size provides more of a buffer in a downturn. Smaller firms have fewer resources to draw on to weather a recession.

⁵The statistical analyses tested the impact of economic conditions on companies, controlling for firm size, and the impact of size, controlling for economic impact.

Corporate philanthropy and community investments
Differences based on company size and the impact of the economy

	Company size	Impact of economy
Philanthropy/giving versus past year	√	√
Hiring people from poor (or economically distressed) communities	√	
Improving conditions in economically distressed communities	√	
Locating your company's facilities or jobs in economically distressed communities	√	
Offering job training programs to people in economically distressed communities	√	√
Providing training and development opportunities for your lower-wage employees	√	√
Purchasing from minority-owned suppliers	√	
Purchasing from women-owned suppliers	√	

√ = Significant predictor of citizenship activity in 2009

those communities. Nor did it predict differences in purchasing from minority-owned or women-owned suppliers. In all of these areas of community outreach, size was the key differentiator. Big companies did more and small ones less, independent of the impact of the economy on their business.

The analyses found that both company size and economic conditions had a significant effect on philanthropy and job training. In these areas, small companies overall gave and did less. Those companies suffering most from the recession gave and did even less. By extension, charities and local communities looking for support from small business experienced a “double-whammy.”

What’s the best way to interpret the effect of the economy and company size on corporate citizenship in 2009? It could be that the recession had a material and psychological impact on corporate citizenship that led some small firms “back to the basics” when it came to their philanthropy, community support and the priority given to corporate citizenship. At the same time, small firms (14 percent) were far less apt than big ones (54 percent) to lay off employees. And from 2007 to 2009, attention to work/life balance and to talking about citizenship with employees increased in small companies. Perhaps the best way to express the small company mind set in the recession is that “citizenship begins at home.”

By comparison, more large firms chose to “stay the course” when it came to corporate citizenship. Even as they scaled back their philanthropy, big firms continued to put a priority on citizenship, promote employee volunteerism and, where there was a history of doing so, attend to needs of low-income communities. One way to describe the pattern in big companies is through the strategic logic of “shrink-and-grow.” Big firms shrank their work force this past year, as they’ve been doing for the past three decades when profit pressures arise. But at the same time, they grew more green products and programs and upgraded the management of citizenship within the firm.

Importance of citizenship priorities		
	Small company trends	Large company trends
Financial impact of recession	<p>Back to the basics</p> <p>Less support for charity and for low-income communities. Less of a priority on improving communities, supporting volunteering, and on citizenship overall.</p>	<p>Stay the course</p> <p>Less charity but continued support for low-income communities. Continue to emphasize community improvement, employee volunteering, and corporate citizenship overall.</p>
Strategic impact of recession	<p>Citizenship begins at home</p> <p>Retain staff, be good citizens toward employees, and ‘stick to the knitting.’</p>	<p>Shrink-and-grow</p> <p>Reduce staff, upgrade management of citizenship, reach out to stakeholders, and go green.</p>

The future of corporate citizenship

Corporate citizenship will continue to move into the core of business strategy and practice

Some thought corporate citizenship would quickly drop from U.S. executives' radar in the face of the worst economic recession since the Great Depression. In fact, more than half of U.S. senior executives said in the 2009 State of Corporate Citizenship survey that corporate citizenship is even more important in a recession and most now understand the value of corporate citizenship as a business driver and not simply the "right" thing to do.

More investment is being made – particularly by large companies – in establishing corporate citizenship management policies and practices to ensure citizenship is integrated into the core business. This is particularly true in the environmental dimension of corporate citizenship where executives see a growing market for green products and services. These business leaders are actively working to increase their brand awareness as "green" while using environmentally responsible practices to cut costs through improved materials efficiency.

The next frontier for corporate citizenship is public policy

Public opinion polling data clearly indicate that public expectations will continue to rise for business to do more to address domestic and global economic and social challenges. The 2007 State of Corporate Citizenship survey showed that business leaders were

fully aware of these expectations and the changing role of business in society. They also recognize that existing models for addressing these challenges through government are insufficient. In 2007 the survey showed 60 percent of business leaders thought America's contract was fundamentally broken and in need of a major overhaul. This year's survey revealed business leaders recognize business needs to be an active player in addressing society's problems and should be more involved in addressing major public policy issues from health care to climate change.

The challenge for companies as they engage in the public policy arena will be to separate their immediate self interest and interest of their shareholders from the broader interests of society and their role as "corporate citizens." The current public debate on the future of health care and the role of the private insurance industry is a good illustration of where business can be seen as both a part of the problem and part of the solution from a public policy perspective.

These public policy issues will raise new corporate citizenship questions for companies about understanding and managing their overall impact on society. It is interesting to note, for example, that while large companies kept up their "citizenship" philanthropic contributions and strengthened commitments to employee volunteerism, they also responded to the economic crisis by cutting their work forces. In contrast, small businesses appear to have resisted job cuts at the expense, arguably, of philanthropic and other "citizenship"

activities. The question is, which response creates a better outcome for society. It is these kinds of questions that large companies in particular must address as they engage more deeply in public policy making.

Accountability and governance issues will continue to dominate the agenda

No issue is more central to the notion of corporate citizenship than effective governance to ensure accountability of the firm to society and its owners. It is the failure of governance, particularly in the financial sector, that many see as the prime culprit in the economic crisis. This perception of corporate mismanagement and self interest coupled with excessive compensation with insufficient accountability has, more than any other corporate citizenship issue, turned public opinion against business.

Not surprisingly, most business executives do not see more government regulation and oversight as the best or only way to address governance failures. They believe business leaders themselves need to take more responsibility for addressing these failures.

While honestly expressed, these sentiments will do little to assuage a public that has lost trust in business and has heard the same promises after every scandal and crisis, such as the Enron debacle of less than a decade ago. What specific assurance can business leaders offer that they can put their own house in order on the governance front? At the same time, it is clear government regulation alone is not sufficient as long as there are corporate leaders willing to break the law and even ignore the interest of shareholders let alone society.

The challenge for business leaders is to engage constructively with the new administration in Washington, and leaders from civil society, to create a framework for corporate responsibility that brings together ethical leadership, self regulation and regulation to create a viable platform for corporate responsibility and accountability in a global economy.

Is capitalism 2.0 possible?

In recent years and in response to the current crisis there has been much talk about a “kinder capitalism” or capitalism 2.0 through which business will take much greater responsibility for its conduct and impact on society and work actively with governments and civil society to address social challenges in the United States and globally. To achieve this will require business leaders to move well beyond traditional notions and models of corporate citizenship based primarily on philanthropy to look holistically at the role and impact of business on society and engage actively in bringing their assets to bear on addressing society’s challenges.

The good news in the 2009 State of Corporate Citizenship is that business leadership in America seems fully aware of the challenges ahead and the new markets and business opportunities that will emerge if companies embrace those challenges.

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