THE CENTER
FOR CORPORATE
CITIZENSHIP
AT BOSTON COLLEGE

Stages of Corporate Citizenship: A Developmental Framework

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A Center for Corporate Citizenship at Boston College Monograph

To the Reader:

This monograph is intended for executives who find themselves on the front line of balancing the expectations of stakeholders – such as shareholders, employees, communities, governments, and activists – with the management of a successful business. While there are many terms used to describe this, such as corporate citizenship, corporate responsibility, sustainability or the triple bottom line, there are few mechanisms that allow you to gauge the status of your company. We believe this monograph and the developmental framework it presents is such a tool.

The Center for Corporate Citizenship at Boston College defines the essence of citizenship as how a company delivers on its core values in a way that:

- Minimizes harm
- Maximizes benefit
- Is accountable and responsive to key stakeholders
- Supports strong financial results

There is no one-size-fits-all model of corporate citizenship. Each company must identify the values and practices that anchor its business strategy and then manage appropriate to specific dynamics related to the company's history, industry, workforce, and other aspects of its competitive environment. This monograph provides a perspective that allows you to determine where your company fits in the current landscape and provides guidance to plot a future course. We provide tangible examples and case studies to illustrate distinct dimensions of citizenship within a company at a specific point in time.

We encourage you to determine the stage that best describes the current status of your company. Does this match the expectations of your top executives, employees, and key stakeholders? Perhaps along some dimensions and not others. With this development framework you can take the mystery out of your corporate citizenship and control the future course of your company.

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Stages of Corporate Citizenship: A Developmental Framework

Introduction

Business leaders throughout the world are making corporate citizenship a key priority for their companies. Some are updating policies and revising programs; others are forming citizenship steering committees, measuring their environmental and social performance, and issuing public reports. Select firms are striving to align staff functions responsible for citizenship and move responsibility—and accountability—into lines of business. And a vanguard is trying to create a market for citizenship and offer products and services that aim explicitly to both make money and make a better world.

Not all of these initiatives are suitable for every company. How then is an executive to know what to act on now, or assuming the company is already knee-deep in many initiatives, what is the optimal set of initiatives for the company and its stakeholders? A company should assess the appropriate and effective actions it should take regarding transparency, governance, community economic development, work-family balance, environmental sustainability, human rights protection, and ethical investor relationships. A company should ask whether there a connection between risk management, corporate branding, stakeholder engagement, supplier certification, cause-related marketing, and employee diversity? Should there be?

Research by The Center for Corporate Citizenship at Boston College suggests that the balance between confusion and coherence often depends on what stage a company is in relative to its development of corporate citizenship.[1] Relative neophytes, for instance, often lack understanding of the many aspects of corporate citizenship and have neither the expertise nor the machinery to respond to so many diverse interests and demands. Their chief challenges are to put citizenship firmly on the corporate agenda, get better informed about the concerns of stakeholders, and take sensible initial steps. At the other extreme are companies that have already made a significant investment in citizenship. In this case, the CEO is typically leading the firm's position on social and environmental issues, and the board is fully informed. To move forward these companies might try to connect citizenship to core business strategy and to employees through a "live the brand" campaign like those at IBM and Novo Nordisk or by establishing citizenship objectives for line managers, as Dupont and UBS have done.

To understand the relevance of corporate citizenship for a company, much depends on what the company has accomplished to date and how far it intends to carry its commitment. Through a random sample of American businesses, The Center has found that roughly 10 percent of company leaders do not understand corporate citizenship.[2] On the other end of the spectrum, not quite as many firms have integrated programs and are setting new standards of performance. Among the majority in between, there is a wide range of companies in transition whose knowledge, attitudes, structures, and practices represent different degrees of understanding of and sophistication about citizenship.

Recognizing the stage in which a company is operating and understanding the challenges created by advancing citizenship, will help clarify for executives a sense of where things stand, frame strategic choices about where to go, aid in setting benchmarks and goals, and perhaps speed movement forward.

Stages of Development

What does it mean that a company is at a particular stage of corporate citizenship? The general idea, found in the study of children, groups, and systems of all types, including business organizations, is that there are distinct patterns of activity at different points of development.[3] Typically, these activities become more complex and sophisticated as development progresses and therefore capacities to respond to environmental challenges increase in kind. Jean Piaget's developmental theory, for example, examines how children progress through stages that entail more complex thinking and finer judgments about negotiating the social world outside of themselves. Similarly, groups mature along a developmental path as they confront emotional and task challenges that require more socially sensitive interaction and sophisticated problem solving.

Larry Greiner, in his ground-breaking study of organizational growth found that companies also develop more complex ways of doing things at different stages of growth.[4] Organizations, over time, find more direction after their creative start-up phase. Infrastructure and systems then take on more responsibilities, followed by working through challenges of over-control and red tape with better coordination and later progressing to collaboration across work units and levels.

Stages of Corporate Citizenship: Many Models

There are a number of models involving the stages of corporate citizenship. On a macro-scale, for example, scholars have tracked changing conceptions of the role of business in society as advanced by business leaders, governments, academics, and multi-sector associations.[5] They document how increasingly elaborate and inclusive definitions of social responsibility, environmental protection, and corporate ethics and governance have developed over recent decades and resulted in an enlarged role of business in society. Others have looked into the spread of these ideas into industry and society in the form of social and professional movements.[6]

At the level of the firm, Post and Altman have shown how environmental policies progressively broaden and deepen as companies encounter more demanding expectations and build their capability to meet them.[7] In turn, Zadek's case study of Nike's response to challenges in its supply chain highlights stages in the development of attitudes about social responsibilities in companies and in corporate responsiveness to social issues.[8] Both of these studies emphasize the role of organizational learning as company responsibilities become more complex at successive stages of development, action requirements are more demanding, and the organizational structures, processes, and systems used to manage citizenship are more elaborate and comprehensive.

Factors in Development of Citizenship

Hundreds of citizenship practitioners have rated their companies along the dimensions of this stage model developed by The Center for Corporate Citizenship at Boston College. After considering the options, most find that their businesses are not at any single stage of citizenship: in some aspects their firms are integrated, in others innovative, and in still others just getting started. This means that the dimensions we have outlined are not invariant. Companies are apt to be ahead in some dimensions and behind on others. One observer pointed out, for instance, that there are companies that win citizenship awards based on their social reports but have seemingly mastered only the reporting aspects. Others, by comparison, may be proactive in their programs but lagging in transparency.

These kinds of variation are found in developmental models of all types. After all, development is shaped by the interaction of a unique entity such as a person, group, organization, or social phenomena and its distinct environment such as material, social, or political.

Development of Citizenship

In our research, The Center has examined the generative logic and mechanisms that drive the development of citizenship within companies. We consider the development of citizenship as a stage-by-stage process in which a combination of internal capabilities applied to environmental challenges propels development forward in a more or less "normal" or normative logic. In Greiner's terms, organizational development is punctuated by a series of predictable crises that trigger responses that move the organization forward. The triggering mechanisms are often the tensions between current practices and the problems they produce that demand

a new response from a firm. For instance, creativity—the entrepreneurial fire in companies—also generates confusion and a loss of focus that may stall growth. This poses a "crisis of leadership" that must be resolved to allow a stage of orderly growth and direction to result, often under new leadership and more formal structures. A later tension between delegation and its consequences, sub-optimization and inter-group conflict, triggers a "crisis of control" and movement toward coordination. And so on. In development language, companies in effect master these challenges by devising progressively more effective and elaborate responses.

The Center's model is also normative in that it posits a series of more or less sequential stages in the development of corporate citizenship. Here, too, the triggers for movement are internal and external challenges that call for a fresh response. These challenges, as we shall see, center initially on a firm's credibility as a corporate citizen, then its capacities to meet expectations, the coherence of its many subsequent efforts, and, finally, its commitment to institutionalize citizenship in its business strategies and culture.

Movement along a single development path is not fixed nor is attaining a penultimate "end state" a logical conclusion.[9] This means that the arc of corporate citizenship within a firm is shaped by the socio-economic, environmental, and institutional forces impinging on the enterprise. This effect is well documented by David Vogel's analysis of the "market for virtue" where he finds considerable variability in the business case for citizenship across firms and industries and thus limits its marketplace rewards.[10] Notwithstanding, a company's response to these forces also varies based on the attitudes and outlooks of its leaders, the design and management of its citizenship agenda, and firm-specific learning.[11] Thus, there are "companies with a conscience" that have a more expansive citizenship profile and firms that create a market for good works.[12]

STAGES OF CORPORATE CITIZENSHIP

THE CENTER FOR CORPORATE CITIZENSHIP AT BOSTON COLLEGE

Dimensions	Stage 1: Elementary	Stage 2: Engaged	Stage 3: Innovative	Stage 4: Integrated	Stage 5: Transforming
Citizenship Concept	Jobs, Profits & Taxes	Philanthropy, Environmental Protection	Stakeholder Management	Sustainability or Triple Bottom Line	Change the Game
Strategic Intent	Legal Compliance	License to Operate	Business Case	Value Proposition	Market Creation or Social Change
Leadership	Lip Service, Out of Touch	Supporter, In the Loop	Steward, On Top of It	Champion, In Front of It	Visionary, Ahead of the Pack
Structure	Marginal: Staff Driven	Functional Ownership	Cross-Functional Coordination	Organizational Alignment	Mainstream: Business Driven
Issues Management	Defensive	Reactive, Policies	Responsive, Programs	Pro-Active, Systems	Defining
Stakeholder Relationships	Unilateral	Interactive	Mutual Influence	Partnership Alliance	Multi-Organization
Transparency	Flank Protection	Public Relations	Public Reporting	Assurance	Full Disclosure

DIMENSIONS OF CITIZENSHIP

To track the developmental path of citizenship in companies, we focus on seven dimensions of citizenship that vary at each stage:

1 Citizenship Concept: How is citizenship defined? How comprehensive is it?

Definitions of corporate citizenship are many and varied. The Center's concept considers the total actions of a company and applies social contract principles such that a company's actions minimize harm, maximize benefit, are accountable and responsive to stakeholders, and support financial results.

From a developmental perspective our interest focuses on how comprehensive and inclusive a company regards its role in society and less on how a company defines its specific citizenship activities.

2 Strategic Intent: What is the purpose of citizenship?

A second dimension concerns the strategic intent of a company: What is it trying to achieve with citizenship? N.C. Smith observes that few companies embrace a strictly moral commitment to citizenship; often considering reputational risks and benefits, and a business case for their efforts.[1] The Center's research finds increasing interest in an "inside-out" framework to guide actions and investments. This is a key indicator of the relative importance of citizenship to the corporate agenda.

Regardless of the terms and framework used, we focus on the extent that citizenship is embedded in a company's strategies, products and services, culture, and ways of doing business.

3 Leadership: Do top leaders support citizenship? Do they lead the effort?

Visible, active, top level leadership appears on every industry and executive survey as the top factor for driving citizenship within a corporation.[2]

This third dimension addresses how informed top leaders are about citizenship, how much leadership they show, and to what extent they "walk the talk."

4 Structure: How are responsibilities for citizenship managed?

The fourth dimension concerns the management of citizenship throughout an enterprise. A three-year in-depth study by The Center involving eight companies found that many progressed from managing citizenship from functional "islands" to cross-functional committees and a few had begun to achieve integration through a combination of structures, processes, and systems.

We look at this development in terms of the movement of citizenship from a marginal position to its management as a mainstream business activity.

5 Issues Management: How does a company deal with issues that arise?

Scholars have mapped the evolution of the public affairs office in corporations and stages in the management of public issues.[3]

Here we consider how pro-active a company is on myriad citizenship issues and how responsive it is in terms of policies, programs, and performance.

6 Stakeholder Relationships: How does a company engage its stakeholders?

The sixth dimension of citizenship concerns a company's relationship with its stakeholders. A wide range of trends, from increased social activism by shareholders to an exponential increase in the number of nongovernmental organizations (NGOs) around the world, has driven wholesale changes in the ways companies communicate with and engage their stakeholders.

Here we look at this development in terms of the increasing openness and depth of such relationships.

7 Transparency: How open is a corporation about its financial, social, and environmental performance?

Upwards of 80 percent of Fortune 500 companies now use their web sites to address social and environmental issues and roughly half of the companies today issue a public report on their activities.[4]

From a developmental perspective, our interest is in when and how companies adopt transparent practices and how much they disclose.

[1]Smith, N. C. "Corporate Social Responsibility: Whether or How?" *California Management Review.* 45/4 (2003): 52-76.

[2]See *Responding to the Leadership Challenge: Findings of a CEO Survey on Global Corporate Citizenship.* (Geneva: World Economic Forum, 2002). *The Changing Role of Business in Society: A Global CEO Survey.* (New York: The Conference Board, International Business Leaders Forum, Asian Institute of Management and Instituto Ethos, 2002).

[3]See Post, J. E. and Griffin, J. J. *The State of Corporate Public Affairs: Final Report.* (Boston: Boston University School of Management and Foundation for Public Affairs, 1966); State of Corporate Public Affairs Survey. (Washington: Center for Public Affairs Management, 2002); Mahon, J. J. and Waddock, S. A. "Strategic Issues Management: An Integration of Issue Life Cycle Perspectives." *Business & Society,* 31/1 (1992): 19-32.

[4]On web sites, see Bhattacharya, C. B. and Sen, S. "Doing Better at Doing Good: When, Why, and How Consumers Respond to Corporate Social Initiatives." *California Management Review.* 47/1 (2004): 9-24; *Social Reporting Fact Sheet.* (Boston: Center for Corporate Citizenship at Boston College, 2004).

The Stages of Citizenship

The model presented here is normative in that it offers a series of more or less sequential stages in the development of corporate citizenship along seven dimensions. Each phase is illustrated with examples of corporate practice. Please note, however, we are not implying that the companies cited operate currently at that stage; rather we report practices that, at the time cited, are illustrative of citizenship at a specific development stage. A closer inspection of any company cited will reveal instances where it has a leading edge practice in some dimensions but is less developed in others. This should not be surprising. After all, development is seldom uniform, as can be witnessed in a child's whose physical, mental, and emotional growth typically develop at different rates. In the same way, the development of corporate capabilities is uneven. Often influencing the development of citizenship are firm-specific forces in society, industry dynamics, and other environmental influences, not to mention leadership and a company's culture. Nevertheless, the normative pattern of activity at each stage has an internal consistency that can be useful in gauging where a company is in the development of its citizenship thrust and where it might choose to develop further.

Stage 1: Elementary

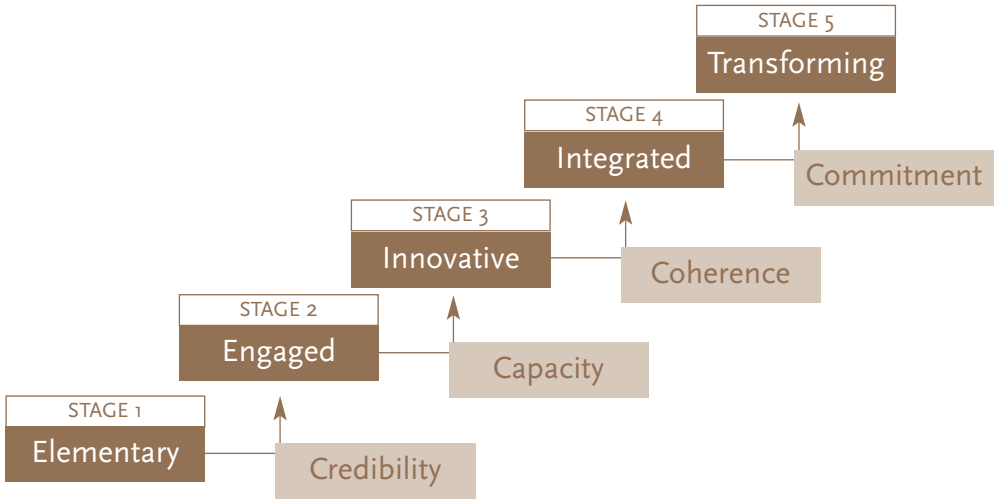
Citizenship Concept: Jobs, profits & taxes
Strategic Intent: Compliance
Leadership: Lip service; out of touch
Structure: Marginal; staff driven
Issues Management: Defensiveness
Stakeholder relationships: Unilateral
Transparency: Flank protection

In this base stage, citizenship activity is episodic and its programs are undeveloped. The reasons are usually straightforward: scant awareness of what corporate citizenship is all about, uninterested or indifferent top management, and limited or one-way interactions with external stakeholders, particularly in the social and environmental sectors.

The mindset in these companies, reflected in policies and practices, often centers narrowly on compliance with laws and industry standards. Handling matters of compliance in these firms is usually assigned to the functional heads of departments such as human resources, legal, investor relations, public relations, and community affairs. The focus is simply on obeying the law and protecting the firm's reputation and consequently, in many cases, the company appears to take a defensive stance toward outside pressures. In the early 1990s Nike exemplified this stage in its dealings with labor activists.

It is not fair to label leaders of companies at this stage as backward or to see their citizenship efforts as necessarily suspect. Some believe on principle, like economist Milton Friedman, that a company's obligations to society are to "make a profit, pay taxes, and provide jobs."[13] Others, particularly those heading smaller and mid-

DEVELOPMENTAL CHALLENGES THAT TRIGGER MOVEMENT OF CORPORATE CITIZENSHIP



size businesses, comply willingly with employment and health, safety, and environmental regulations but have neither the resources nor the wherewithal to do much more for their employees, communities, or society writ large.

Former General Electric CEO Jack Welch is an exemplar of this Friedman view. "A CEO's primary social responsibility is to assure the financial success of the company," he says. "Only a healthy, winning company has the resources and capability to do the right thing."[14] GE's financial success over the past two decades is unquestioned. However, the company's reputation suffered toward the end of Welch's tenure when it was revealed that one of its business units had discharged tons of the toxic chemical PCB into the Hudson River. When challenged, Welch was defensive and pointed out that GE had fully complied with then existing environmental protection laws.

This illustrates one of the triggers that move a company forward into a new stage of citizenship. Welch's stance was out of touch with changing expectations of corporate responsibility. Welch's successor, Jeffrey Immelt, reversed this course by accepting at least partial financial responsibility for the cleanup and thereafter elevated citizenship on the company's agenda.

Challenge: Gain Credibility. It's clear that society expects more from companies today—particularly larger businesses. A recent survey of public opinion found only 10 percent of adults subscribed to Friedman's narrow view of corporate responsibility. A follow-up poll found more than 80 percent agreed that "larger companies should do more than give money to solve social problems."[15]

These prevailing expectations challenge a firm at this basic stage of citizenship. The difficulties that Nike and Shell experienced in the 1990s illustrate how mere compliance with legal and industry standards threatens the credibility of a company when it proves unable or unwilling to respond to new expectations. Such challenges are most potent when, as in these cases, they take the form of a crisis and threaten a highly visible firm's reputation or competitive status.

Interestingly, most U.S. business leaders today understand these changing expectations and have taken steps to further develop a citizenship agenda. The Center's 2003 survey of business leaders, for example, found that 75 percent believe that the public expects them to exceed laws to make sure products are reliable and safe and 58 percent said the public expects them to exceed laws to protect the environment. More broadly, three-fourths say that the public has a right to expect good citizenship from companies.[16] Such awareness, inside a company, reveals a readiness to make the transition from a basic law-abiding stance to initial engagement with broader realms of corporate citizenship.

Stage 2: Engaged

Citizenship Concept: Philanthropy, environmental protection
Strategic Intent: License to operate
Leadership: Supporter, in the loop
Structure: Functional ownership
Issues Management: Reactive, policies
Stakeholder relationships: Interactive
Transparency: Public relations

At this second stage, top management often wakes up to society's increasing expectations and begins to adopt a new outlook on the company's role and responsibilities. Dupont had this awakening in 1989 when new CEO Edward Woolard declared that the company would move from simply complying with environmental laws to winning the public's trust.[17] Chiquita, a late-riser by comparison, got its wake up call in 1998 when it was attacked by the media and NGOs with allegations related to the firm's woeful employment practices in Central and South America. The company subsequently interviewed hundreds of employees, revised its statement of core values, and adopted a new code of conduct that articulated its social responsibilities.

There are a number of signs that mark the transition to the Engaged Stage of corporate citizenship. Simon Zadeck, for instance, points out that at this stage companies often adopt a policy-based approach to mitigate the likelihood of litigation and risks to reputation.[18]

The policies typically drafted call on the company to exceed the law with respect to employment and health, safety, and environmental practices. Furthermore, community, environmental, and social issues are typically studied and gain more visibility and attention within the firm. Top leaders, who may have been out of touch with these matters, begin to take an interest and monitor what is going on. Staff units, formerly left to their own devices, are now tasked with owning corporate-wide policies and expected to perform to higher standards. The leaders of these functions are expected to become better informed about developments in their industry and among their competitors.

Still, companies at this developmental stage tend to be reactive to emerging social and environmental issues—as was the case with Chiquita, Nestlé (regarding infant formula), and more recently, Home Depot (regarding the sale of lumber cut from protected forests). Outside professionals or consultants with specialized knowledge and experience often have to be brought in to enhance functional know-how. These experts often introduce new concepts and performance standards about issues such as protecting human rights in overseas operations, gaining ISO 14000 certification for eco-friendly technologies, ensuring transparency in financial disclosures, or becoming a more family-friendly employer.

Throughout this stage, many companies undertake more extended, two-way communication with stakeholders—talking with, rather than just at, community groups, socially responsible investment bodies, and NGOs. Employees may gain insight on company practices overall or on issues involving, for example, the needs of working parents, ethnic minorities, or gays.

Challenge: Build Capacity. At this developmental point, staff units are often overwhelmed by engagements with stakeholders and are seldom equipped to respond to new issues, opportunities and threats. This gap, in turn, triggers a phase of innovation where senior executives become more deeply involved, staff launch more extensive programs, and firms reach out to stakeholders and become more open about their activities. A company simply needs more capacity to address the spectrum of new and varied interests and needs.

Engaged Stage

SHELL

The Anglo-Dutch oil company Shell illustrated this during its response in the mid-90s following the challenge by environmentalists to the proposed sinking of its Brent Spar platform and by social activists to the arrest by the Nigerian government of a community leader who had protested the company's treatment of the indigenous Ogoni tribe and homeland.[1] Shell's scenario-planning process had not anticipated such threats; and its then-current Business Principles proved woefully inadequate to guide a response to the issues which resulted in contradictory responses from country managers, various corporate groups, and Shell's committee of managing directors.

Shell thereupon created a crisis management group of all relevant interests in the company to address the immediate issues. Later, a cross-functional, multi-business team was formed to study the larger issues of Shell's role in society, engage external stakeholders, and set new socially and environmentally responsible business principles. The strategic intent, characteristic of this stage, was to protect Shell's reputation and preserve the company's "license to operate" around the globe.

Over the next several years Shell's citizenship efforts broadened. In 1999, as the Shell Group began to innovate, it devised a sustainable development management framework that addressed economic development, wealth creation, climate change, and engagement with society. It also established a council of key staff and line executives to oversee its implementation. In 1998 Shell was also one of the first large, public companies to issue a report on its social and environmental performance, *People and Profits*.

But there's a cautionary note here, too. Shell's efforts to strengthen its social and environmental capabilities were not matched by developments in transparency and ethics. Knowing misstatements of its oil reserves and failings in environmental reparation in Nigeria have since harmed Shell's reputation and license to operate. The Group's latest move, to create a single CEO position, is another attempt to deal with a changing landscape.

[1]For a description of Shell's response, see Mirvis, P. H. Transformation at Shell: Commerce and citizenship. *Business and Society Review*, 105-1, (2000): 63-84.

Stage 3: Innovative

Citizenship Concept: Stakeholder management
Strategic Intent: Business case
Leadership: Steward, on top of it
Structure: Cross-functional coordination
Issues Management: Responsive, programs
Stakeholder relationships: Mutual influence
Transparency: Public reporting

During this stage of development a company moves forward in two ways: 1) broadening its agenda by embracing a more comprehensive concept of citizenship and 2) deepening its involvement as a top leader and assuming more of a stewardship role. High levels of innovation and learning mark this stage. One spark is usually increased consultation with a diversity of stakeholders that involve more open, two-way communication and mutual influence. Another feature is contact with leading-edge companies and experts through forums, conferences, and professional meetings.

As companies evolve through the Innovative Stage, they typically grapple with creating the business case for citizenship.[19] Research among companies in The Center's Executive Forum research project suggest, however, that the criteria and metrics tend to be functionalized at this stage. Managers responsible for social agendas, for example, cite benefits for recruiting, retention, and reputation; those on the environmental front cite factors of risk and life-cycle costs; and those on the financial side stress matters of exposure and access to capital. Meanwhile, senior leaders, taking an enterprise perspective, point to the strength and value of the corporate brand.[20]

We have found that myriad corporate citizenship-related programs are planned, funded, and launched during this innovative stage. These typically start in functional units and include internal and external input, an analysis of needs and opportunities, a plan of action, and proposals on budget and staff, all buttressed by a business case to sell the benefits to management. What would have been more ad hoc or reactive at an earlier stage now appears to fit a more programmatic and strategic logic.

Furthermore, companies also begin to monitor their social and environmental performance and publish the results in public reports. Our research, however, reveals that most firms at this stage are simply compiling data prepared by operating units and presenting it with a corporate overlay. Recent financial scandals and subsequent legislation have led to wholesale changes in financial transparency and disclosure throughout industry. More benign pressures come through the supply chain where firms are called upon to complete questionnaires about their employment, environmental, and community practices. Surveys from socially responsible investment houses, and from religious, social action, and environmental interests also sharpen attention to what is happening in a company. All of this input and exposure, according to Gene Endicott, former director of public affairs and social responsibility at Agilent, "bring a lot of people out of the woodwork" and becomes a stimulus to action.

Innovative Stage

BAXTER INTERNATIONAL

One company that progressed into the innovative stage of citizenship early on is the global healthcare company Baxter International. In the early 1990s the company piloted what would become the United Nation-sponsored Global Reporting Initiative by measuring and reporting on its economic, environmental, and social performance. In 1997 it became one of the first adopters of the CERES principles to report on and improve its environmental performance. In the process, Baxter embraced the still-controversial idea that the company is responsible to both stockholders and stakeholders and will be held accountable for its performance. This commitment was tested in 2001 in Spain when six patients died during dialysis treatment—potentially because of problems with filters manufactured by a Baxter subsidiary. The company responded by recalling the filters, apologizing publicly, taking a $189 million hit, and reducing, at his own request, the CEO's bonus.[1]

[1]Hammond, K. H. "Harry Kraemer's Moment of Truth." *Fast Company*. 64 (2002): 93.

Challenge: Create coherence. The launch of so many new programs, growing requests for information and exposure, and an increase in dialogue with stakeholders often means that "a thousand flowers bloom." This seeds a new developmental crisis: coping with massive differentiated activity. The case of Petro-Canada illustrates this phenomenon. An inventory of existing programs in the company in 2002 revealed that activity was widespread but siloed and without alignment or strategic purpose. Says Hazel Gillespie, PetroCanada's community investment manager, "We all realized that we were contributing to the company's reputation, but we weren't doing it in a coordinated, concentrated, focused, and strategic way."

Asea Brown Boveri (ABB) was a pioneer in addressing this kind of chaos in an orderly fashion. The Swiss maker of power and automation technologies established a sustainability management program in 1992 and today has a Stakeholder Advisory Board composed of the CEO, a sustainability department head, and seven ad hoc advisors. ABB distributes responsibilities among different groups in its global operation. Business ethics, for example, fall under the company's legal department while human resources is responsible for upholding labor principles. In total, nearly 500 people in more than fifty countries have specific responsibilities for sustainability programs and coordinate through working groups and committees. The system reflects ABB's viewpoint that citizenship should be, according to Michael Robertson, former sustainability affairs officer, "set from the top and driven down through the organization by example, leadership, and top management support."

Such efforts to systematize, coordinate, and manage this flurry of activity illustrate the developmental tensions between differentiation and integration. These are attempts to pull together a response to the increasing lack of coherence in the citizenship agenda in many companies. However, these are generally insufficient at this stage for three interrelated reasons.

- corporate staff units don't see the necessity and value of working together, especially when they feel stretched by their own agendas and a sense of competition for scarce resources.
- many line managers don't see the relevance as they often face competing, short-term priorities.
- and most importantly, a comprehensive view of citizenship is not linked with corporate strategy or embedded in the company culture.

INTEGRATING CITIZENSHIP: SAMPLE MECHANISMS

Action/company process	Corporate exemplars
Board of Directors Level Committee	Merck, McDonald's, Nike
Top Executive Steering Committee	Shell, BP, Novartis, Group Danone, Henkel
CSR Risk Management Systems	South African Breweries, Petro-Canada, Unocal
Stakeholder/Issues Management Matrix	AMD, Renault, SC Johnson
Key Performance Indicators/Internal Reviews	British Telecom, Novo Nordisk
Life Cycle Value Assessments	Suncor, 3M
Triple Bottom Line/Balanced Score Card	Thames Water, Novo Nordisk
Employee Sustainability Training	Nike, Unilever

Integrated Stage

BP

British Petroleum was another leader in attempting to integrate citizenship from top-to-bottom and throughout its businesses. BP's integrated agenda begins with a commitment to sustainability that builds on the logic of multi-stakeholder capitalism but joins social, environmental, and economic sustainability to the long-term survival of the firm.[1] Other firms have expressed this kind of holistic conception of citizenship in the form of the triple bottom line.

Such high minded commitments are important, but insufficient in the post-Enron era. Accordingly, BP has put into place an integrated governance system that includes a Board-level Ethics and Environmental Assurance Committee, Corporate Directors of Social Policy and Business Ethics, Group-level oversight bodies, corporate and regional coordinators, and business unit accountability measurements and audits. Heading all of this machinery is Lord John Browne, CEO, who has been the champion of corporate citizenship in BP and a global spokesman for all of industry. BP, then, exemplifies three keys to developments in this phase: 1) Vocal, out-in-front leadership; 2) an inclusive vision of citizenship; and 3) integrative structures, processes, and systems.

[1] *BP Social Report.* (2003). www.bp.com. "For us 'sustainability' means the capacity to endure as a group by renewing assets, creating and delivering products and services that meet the evolving needs of society, attracting successive generations of employees, contributing to a flourishing environment and retaining the trust and support of customers, shareholders and communities."

Stage 4: Integrated

Citizenship Concept: Sustainability or triple bottom line
Strategic Intent: Value Proposition
Leadership: Champion, in front of it
Structure: Organizational alignment
Issues Management: Pro-active, systems
Stakeholder relationships: Partnership, alliances
Transparency: Assurance

One of the developmental challenges for companies at the Integrated Stage is to progress, in Greiner terms, from coordination to collaboration in driving citizenship efforts. Select firms are making moves in this direction. Boards of directors are increasingly setting standards and monitoring corporate performance in these arenas. An analysis of the Dow Jones Sustainability Index reveals that roughly one in five of its member companies have board-level citizenship committees.[21] Examples of other corporate-wide efforts to integrate citizenship are also growing (see box on page 9). These include risk management systems, stakeholder consultation schemes, sustainability training for managers and employees, issues management frameworks, and the like.

Companies at this stage take steps to drive citizenship into the lines of business. In operational terms, this involves setting targets and key performance indicators, and monitoring performance through balanced scorecards. Two exemplary companies in these areas are the U.K.-based beverage company Diageo and 3M:

- Diageo CEO Paul Walsh has created an executive level corporate citizenship committee and several tiers of multi-functional committees to support citizenship in the company's lines of business.
- 3M has adopted a health, safety, and environment management system with representatives in every business. The company has applied life-cycle management policies to its product development functions and requires that all of its manufacturing facilities obtain ISO 14001 certification.

Both Diageo and 3M have corporate citizenship teams of internal consultants and business managers who offer advice and conduct audits in work units.

Social and environmental reporting, once a cutting-edge practice, is no longer exceptional for big companies. Estimates, however, are that only 15 percent of such reports are subject to any external verification—which may be the next big step in embedding account-

ability into the business. Companies at this stage are also more apt to disclose their failings as corporate citizens. Both BP and Shell, for instance, have disclosed social and environmental problems and conducted "warts-and-all" assessments of questioned practices.

Interestingly, our research finds that many of the companies that move into the Integrated Stage premise their citizenship efforts less on a specific business case and more on core corporate values.[22] Two examples:

- Group Danone, the French multinational, frames its code of conduct with a value proposition known as the "Danone Way." Its origins date to the protest movements of the late 1960s when Antoine Riboud, then chairman and CEO of a predecessor company, vowed to meet new expectations of workers and society. His vow was expressed formally in 1974 with a statement setting out a dual commitment to business success and social responsibility. Today, this dual commitment is reflected in myriad criteria of citizenship used by Danone Group companies in self-assessments that are, in turn, reviewed by a high-level steering committee.[23]
- Novo Nordisk, the Danish pharmaceutical, has adopted the triple bottom line and uses it to structure its policy bodies and management reviews. It's specific commitment to citizenship is expressed in a charter of vision, values, and fundamentals summed up as the "Novo Nordisk Way of Management."[24] To further infuse this philosophy into the culture, during a three-year cycle a group of 30-40 non-executive facilitators meets with every work unit and every employee to ensure that actions and decisions live up to the promise of the company's values. Led by COO Kåre Schultz, this thrust reinforces the brand message that Novo is a "caring company" and helps to "secure and maintain 80 years of tradition and integrity."

Challenge: Deepen Commitment. The value proposition for corporate citizenship reaches its fullest expression when it is visibly integrated into a company's business strategy. BP stands out for its strategic commitment to environmental sustainability in development of future technologies, products, and services. Another leader, Interface, the largest commercial carpet manufacturer in the world, has translated its commitment into a commercial strategy of renting carpets to corporate clients and then recycling them. The CEO of Interface says: "We have found a new way to win in the marketplace...one that doesn't come at the expense of our grandchildren or the earth, but at the expense of the inefficient competitor."[25] GE has recently made a bold commitment to its Ecoimagination initiative that involves a doubling of research spending on environmental technologies (to 25 percent of its research budget) in anticipation of increasing the revenues from these technologies from $1.5 billion in 2004 to $17.9 billion in 2010. GE CEO Jeffrey Immelt, troubled by what he terms the "new economics of scarcity," aims to reinvigorate the company by focusing on the big problems facing society.

The key question a company at this stage has to confront is how deep is its commitment to citizenship? Such a question is raised when a company is seriously considering the complexities of sustainability and the relative impact of its efforts versus the social, economic, and environmental problems it encounters in the world. A select few will identify opportunities in this and find partners willing to co-create new models of sustainable commerce. Confronting this question moves a company into the Transforming Stage and places citizenship as more central part to the business model. New organizational structures needed to manage and deliver citizenship are also created.

Stage 5: Transforming

Citizenship Concept: Change the game
Strategic Intent: Market creation or social change
Leadership: Visionary, ahead of the pack
Structure: Mainstream; business driven
Issues Management: Defining
Stakeholder relationships: Multi-organizational
Transparency: Full disclosure

At this point, it is premature to specify all of the characteristics of this stage of development. However, some features of this stage seem clear.

First, firms that innovate, rather than imitate, at this stage seem to have a vision of being global citizens and are often led by visible, visionary leaders. Indeed, some of them have become global spokesmen for industry

in this arena, specifically Ray Anderson, head of Interface, who appears in the oft anti-business film The Corporation and Jeffrey Hollender, CEO of Seventh Generation and author of recent book on sustainable corporate values.[26]

Second, these firms seem to take stated corporate values seriously. A 2005 study of CEOs in 20 companies that reflect this stage found that they are deeply troubled by social and environmental conditions in the world and motivated by a higher sense of corporate purpose. Accordingly, a stated value expressed in many of these companies was the aspiration to make the world a better place.[27]

Finally, firms at this stage seldom operate solo in the social and environmental realm. They partner extensively with other businesses, community groups, and NGOs to address problems, reach new markets, and develop local economies. At Unilever, for instance, we identified nearly 20 global and more than 1,000 country-based or local partnerships. Not surprisingly, Zadek terms this a "civil" stage in the growth of corporate responsibility as it involves cross-industry and multi-sector cooperation in addressing societal ills.[28]

Ben & Jerry's, the Body Shop, and Patagonia are companies that make social and environmental activism

Transforming Stage

UNILEVER

Making a business of citizenship is not limited to high-technology companies. Unilever, the Anglo-Dutch marketer of foods and home-and-personal care brands, has been widely noted for its socio-economic investments in emerging markets including the sale in India and parts of Africa of iodized salt that addresses a dietary deficiency among the poor, and a campaign on hand-washing in India, where its Lifebuoy soap aims to reduce diarrheal disease.[1] In both instances, the company devised new supply-chains to make their products affordable to the poor, developed new distribution channels that turned under-privileged women into village-level entrepreneurs, and partnered with government agencies and NGOs to leverage expertise and legitimate their efforts. This thrust, pioneered in its India operating company, has spread to water purification (where P&G is also a player) and to children's nutrition (where other competitors have initiatives, too).

There is more to this, however, than the immediate bottom line. While C.K. Prahalad makes the case that there is a fortune at the "bottom of the pyramid," the experience of Unilever (and P&G) is that these are long term investments to unlock markets.[2] None of their efforts achieve accustomed hurdle rates of return on capital in the short term. Our interviews with some 60 marketing experts, top executives, and citizenship specialists in Unilever, however, revealed broader, strategic motivations for "changing the game." On the supply side, for instance, they pointed out that their capacity to grow is threatened by current environmental trends. Hence the global company has launched multi-sector sustainability partnerships concerned with agriculture, fish, and water supply. As for demand, they pointed to pandemic problems of both under- and over-nutrition (obesity) that beckon their know-how and that of their competitors. Finally there is the question, as one executive put it, of "Who are we?" Unilever has embraced a "vitality mission" and its corporate brand promise is to add vitality to life. Yet our interviewees find a gap between who they say they are and what they produce. Today the company is experimenting with a "vitality check" for its brands to certify their use of safe and healthy ingredients and their contribution to environmental and social sustainability. Why? "We made a statement of 'our purpose in being,'" said one business leader. "We can't go back on it. This is us."

[1]See Prahalad, C. K. and A. Hammonds. Serving the world's poor, profitably. *Harvard Business Review,* (September, 2004).

[2]Prahalad, C. K. *The Fortune at the Bottom of the Pyramid*. (Upper Saddle River, NJ: Wharton School Publishing, 2005).

central to their mission and appeal to consumers. Ben & Jerry's credo, for instance, speaks of an economic, product, and social mission and its product manufacture, packaging, and marketing all designed for green consumers. The cause-related marketing of the Body Shop, the eco-friendly products of Patagonia and Seventh Generation, and the socially responsible investing of Trillium Asset Management and other socially responsible investment houses all give credence to the maxim that you can both "do good" and "do well."

Once at the margins of the marketplace, and frankly ridiculed in many managerial circles, these kinds of practices and the values that underlay them are making their way into mainstream corporations. Leading pharmaceuticals are giving away or offering discounts to the developing world for drugs to treat river blindness (Abbott), HIV-AIDS (Merck), leprosy (Novartis), and diabetes (Novo Nordisk). Campaigns by Diageo on responsible drinking, advertisements by Shell and BP on environmental sustainability, and community investment programs like Cisco System's Networking Academy all exemplify this mainstream emphasis.

It's easy enough to pigeonhole these initiatives under the labels of strategic philanthropy, cause-related marketing, community relations, or employee volunteerism. But companies moving into this Transforming Stage of citizenship have bigger aspiration to, in effect, change the game of business. Their strategic intent is to create new markets by fusing their citizenship and business agenda.

Hewlett Packard, for example, has invested in digital communities in Sao Paulo, Brazil, in villages in India and South Africa, and in inner-city Baltimore to create new market opportunities and promote community economic development. On the business side of the deal, HP has partnered with local business leaders, community groups, and NGOs to create web-based services for education, healthcare, and agriculture needs. These efforts, led by the company's emerging market solutions team, aim to give HP "first mover" skills, credibility, and advantage in reaching other emerging markets. On the citizenship side, this is all part of HP's "e-inclusion" strategy to reduce the digital divide.[29]

HP has fellow travelers heading in this direction. Micro-chip maker AMD has launched a 50x15 strategy where it aims to connect 50 percent of the world's population to the internet by 2015. Finnish phone manufacturer Nokia has now reached 100,000 young people around the world with e-learning curricula developed by business partner Pearson publishing. Both companies premise these investments on social benefit and future sales. Nokia measures and evaluates its programs in 17 countries where it has programs. Its "dashboard" records the number of beneficiaries and gains in their life skills as well as the impact on public opinion, brand reputation, and stakeholder relationships.

Challenge: A schematic of these five stages of citizenship and their developmental triggers might seem to imply that perpetual transformation and multi-sector partnering is the final stage of development. As valid as that notion may be, it is only a place-marker because scholars have not as yet mapped the many possible patterns of transformation in companies and in their citizenship agenda in these turbulent times. Conceptually, this phase seems to pose yet another tension in companies—prior emphasis on integration and order has to give way to differentiation and a bit of chaos as companies develop inter-organizational alliances and innovate in new socio-economic spheres. This, in turn, raises questions about the "business of business" in different kinds of socio-economies and on stages in the further development of citizenship in its multi-sector form.[30]

Factors that shape citizenship

While the model presented here presents a normative path in the development of citizenship in companies, there are several factors that shape the specific trajectory within a firm. For one, varied forces in society, industry dynamics, cross-sector influences, and certainly leadership and a company's culture all feature in how citizenship develops in a specific firm.[31] Second, attitudes and practices within a company are perforce influenced by and contribute to trends in the larger and fast moving field of corporate citizenship.[32] The question at hand is whether there are particular patterns to

the development of citizenship in firms of different types and that operate in different environments. Here, the research of The Center and of many others point to some suggestive trends.

Factor: Founding Purpose and Time

Mirvis' hands-on studies of Ben & Jerry's through the 1980s, and The Body Shop, Esprit, Smith & Hawken, Patagonia, and others, suggest that such firms founded on principles of citizenship seem to hop over stages marked typically by defensiveness and reactivity and innovate in these areas from birth or early on.[33] Interestingly, the same might be have been said in the 1880s of U.K.-based Cadburys and Unilever, and U.S.-based Hershey and Pullman. Does this mean that the stage model does not apply to such firms?

Yes and no. Plainly in terms of their founders' outlook and corporate culture, these firms were rather like prodigies when it comes to corporate citizenship: highly receptive to the environment around them and creatively entrepreneurial in response. To illustrate the point, note that at least the modern-day "cause companies" were founded as the environmental movement was born, where a growing segment of customers were interested in "all natural" and "green" products, and when heretofore counter-cultural movements began to move into mainstream niches. The synchronistic fit between internal predilections and external conditions certainly affected the overall trajectory and pace of the development of citizenship in these firms.

At the same time, there were gaps in the infrastructure and capabilities of these firms that raised stage-based tensions having to do with credibility, capacity, and ultimately coherence and commitment. At Ben & Jerry's, for example, there was extended conflict over the introduction of a cause-related product, "Peace Pops," that led the founders to revisit and revise their founding principles and ultimately adopt their own version of the triple bottom line.[34] Environmental damage by The Body Shop USA, in turn, forced the company to substantially upgrade its eco-management systems.[35] Finally, poor business results have affected the agendas of these still-progressive businesses. Ben & Jerry's, for instance, unable to raise enough capital to grow was acquired by Unilever. And The Body Shop has scaled back some of its cause-related marketing and the prominence of its social campaigns, particularly in non-U.K. retail stores.

A variety of other factors seem to have a bearing on the path, pace, and progress of citizenship in firms. These affect the development of citizenship in a company as they put specific demands on a firm, influence its readiness and reasons to respond, and either aid or impede its capacities to deliver.

Factor: External Forces

There are several socio-economic and -political factors that to some extent influence where companies lead in developing citizenship and where they might lag. For instance, companies that extract natural resources, such as oil and timber companies, are monitored closely by NGOs and find themselves more exposed on their environmental performance. Risk management criteria naturally dictate that they give greater attention to environmental safeguards. Not surprisingly, the Center's annual scan finds that the policies, structures, and metrics in Anglo-Australian Rio Tinto (mining), Dupont (chemicals), and most oil-and-gas companies are stronger and more elaborate in the environmental arena than in, say, community affairs. Firms with a significant supply chain or labor force in developing countries, such as Nike or Intel, attend more closely to working conditions and employment fairness. In turn, companies like Unocal or Petro-Canada, whose business brings them into contact with indigenous peoples, tend to have sophisticated stakeholder and community consultation systems.

Laws and regulations also influence how citizenship develops in companies. Many U.S. banks, subject to community banking provisions, have programs to provide loans and improve economic conditions in low-income communities where they do business. JPMorgan Chase, as one example, has a very well regarded foundation and community banking arm. Its community investments and volunteer programs are notable, too. At this time, however, there is no unifying concept of citizenship in the company and little has been done to build connections among units and businesses that have citizenship responsibilities.

Finally, the national origins of a company also figure into its citizenship agenda—even for global firms. U.S.-based business, for example, has longstanding philanthropic tradition and most firms have active community affairs programs—a product of U.S.-style capitalism.[36] Plus, local civic forces stimulate a company's charitable bent: through, for instance, membership in the 5 percent club in Minneapolis (firms that give 5 percent or more in pre-tax profits to charity), or in the Boston Compact (business partnerships with the public school system). In turn, employee volunteerism is legion in the United States and U.S. firms overall see more benefits from local community engagement than do firms based in Europe or Asia.[37]

By comparison, European-based companies are not typically as engaged in local communities and their employees are less apt to be volunteers; both are a function of nation-states that assume many more social welfare functions than in the United States. At the same time, EU bodies such as the Brundtland Commission have pushed for social reporting while important public figures, such as the Prince of Wales, have established forums to inculcate social responsibility into U.K. businesses. As a result, European firms are more apt to espouse integrative citizenship concepts, like the triple bottom line, and are well ahead of American firms in social and environmental reporting.[38]

Factor: Strategy and Competition

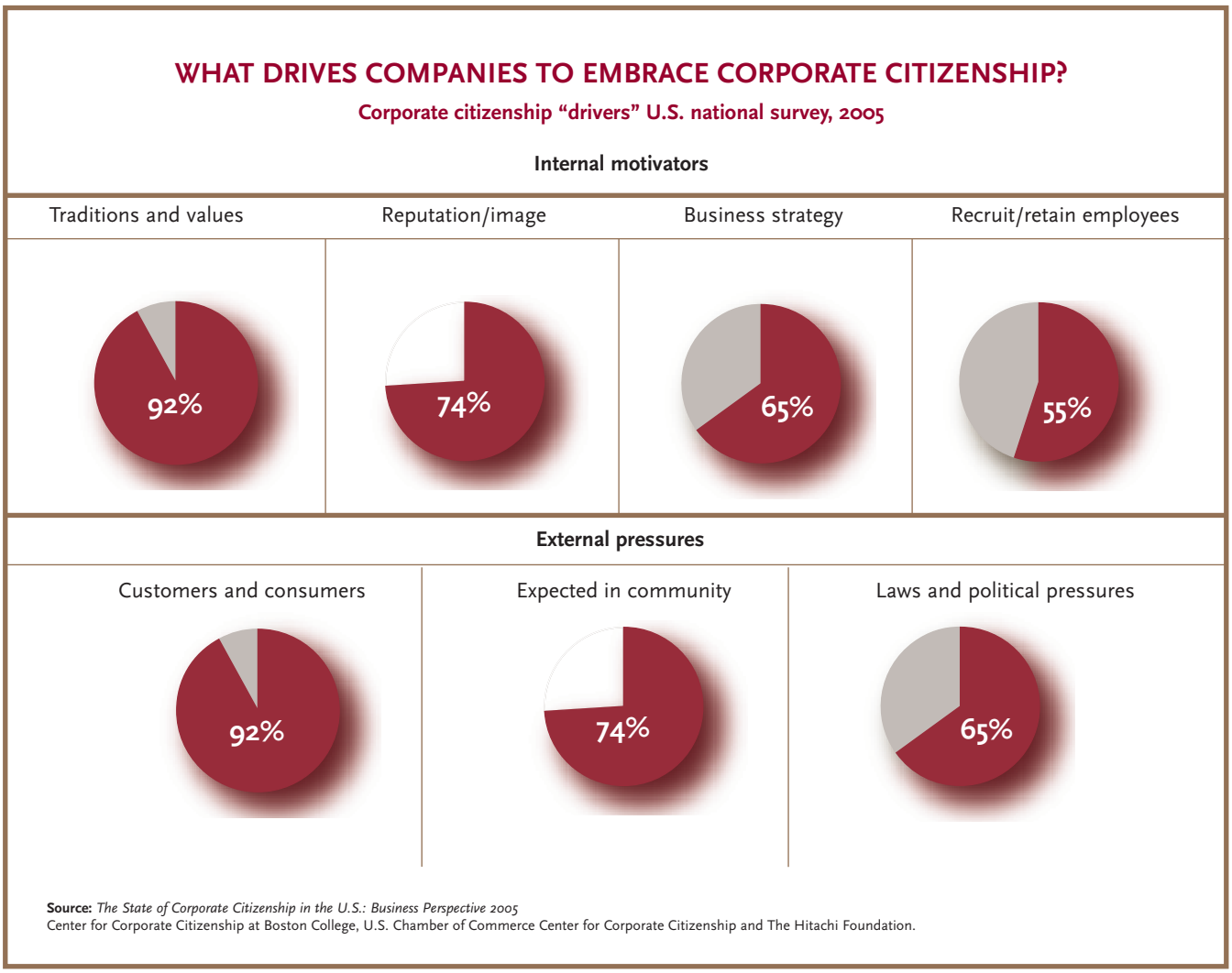
Strategic and competitive forces surely influence the direction and pace of citizenship in companies—increasingly so.[39] The Center's 2003 State of Corporate Citizenship survey found, for instance, that executives in roughly half of the American companies sampled say that their business strategy influences their citizenship agenda. In the 2005 survey, that figure dropped slightly to 44 percent.

IBM provides an interesting example. For many years, the company has been a leading contributor and voice in K-12 education in the United States. With globalization, concern over the digital divide, and noteworthy social investments and programs by HP, Cisco, Microsoft, and others, IBM needed to re-think its citizenship strategy. The result has been the rapid creation of its "On Demand Community" that currently has 12,000 employee volunteers using IBM's intranet, e-tools, and technology planning expertise to assist schools, community groups, and nonprofits all over the world. IBM also supports the "Be Blue Every Day" campaign designed to reinforce core values and get the corporate brand behind employee volunteers.

The Center's studies highlight industry influences on citizenship. For instance, manufacturers put more stress on workplace safety and health than in the service sector where "family friendliness" is a higher priority. This reflects on both the nature of the workplace and distinct makeup of the workforce in these two sectors. In turn, firms in the service sector say that consumers have more influence on corporate citizenship. By comparison, manufacturing companies assign relatively more influence to laws and political pressures.

On these counts, Jawahar and McLaughlin make the case that an organization's life stage influences who its stakeholders are and how it responds to them.[40] This is a promising line of inquiry that may help explain some of the differences in citizenship found in companies in different industries and competitive contexts. We have found that large companies (likely to be more mature than smaller ones) report that government and local community interests exert far more influence on their business decisions and actions than do their counterparts in small and mid-size companies. Plus they are twice as likely to say that good citizenship is "expected in our community." In addition, executives in larger companies are much more likely than those in smaller ones to agree that business should play an active role in addressing global climate change, poverty, hunger, and human rights. This agenda fits with their scale, visibility, and comparative impact on society. It is also in line with public expectations of big business.

Interestingly, Sandra Waddock, extending Greiner's five-stage model of organization development, posits a sixth stage where mature firms respond to their more complex social, political, economic, and environmental threats and opportunities by establishing "extra-organizational" forms, such as partnerships with other businesses, governments, and civil society.[41] In support of this, we find larger U.S. firms are much more apt than



smaller ones to partner with nonprofits and government. And they are two or three times more likely to invest in poor communities (via targeted hiring, job training, and facility location decisions) and to purchase specifically from minority- or women-owned suppliers.

Factor: Traditions and Culture

Some companies, such as Johnson & Johnson, Herman Miller, and Timberland seem to have citizenship DNA that keeps their values constant in the face of changing economic, social, and ecological pressures. J&J, for instance, doesn't use a plethora of committees or communications to align citizenship efforts throughout the enterprise. According to Owen Rankin, head of brand equity and president of J&J's Pediatric Institute, it relies on its corporate credo to ensure that its businesses and people are motivated to "do the right thing."

Culture can, of course, also exert a drag on citizenship activities. One in 10 business leaders we surveyed reported that a lack of top management support was a significant barrier to citizenship in their companies. Compare, for instance, Exxon's foot-dragging in response to the Valdez tanker spill with Shell's mea culpa in response to its aforementioned twin calamities in Nigeria and the North Sea. Shell's top leaders at the time, Cor Herkströtter and Mark Moody-Stuart, faced

the crisis squarely and pledged to transform what they called an "inward" and "arrogant" corporate giant into a global citizen.[42] Exxon, by comparison, took a defensive posture.

Factor: Leadership Matters

Finally, company leadership is a crucial factor in its citizenship agenda. Our model sees leaders as increasingly more informed and involved at each phase of development, moving from a role as supporter, to steward, to champion, and to visionary at the Transforming Stage. Interestingly, Waddock posits that stage of social, emotional, and moral development of top executives has a lot to do with how far and how fast citizenship progresses in their companies.[43]

However, results from our Executive Forum research project reveal that progress can also be driven from middle management and flow upward and out. In firms such as AMD, Petro-Canada, and Agilent, for example, the leaders of the community affairs department, environmental management, and corporate communication joined forces first, making the case for "connecting the dots" to senior management, and then creating cross-functional coordinating committees. Says AMD's Phil Trowbridge, a Forum member from an environmental, safety, and health function, "I'm not sure if upper, upper management knows about the Sustainability Advisory Group. We don't necessarily need them to know. This is just something we feel is important to keep AMD on track." At Agilent, as another example, staff heads established a "community of practice" among all interested in advancing corporate citizenship in the company.

Furthermore, there are cases where citizenship develops from the bottom up in companies. Interestingly, the World Economic Forum's 2002 CEO survey identified employees as the key stakeholder exerting pressure and providing incentives for socially responsible behavior.[44] Unilever's food business in Asia illustrates how transformative employee involvement can be.[45] Annual gatherings of 250 Unilever employees, from every layer in the business, have opened their eyes to the needs of poor and rural communities for healthier foods. After a series of community service programs, in India and China, pressure came from the bottom up to redefine the company's business mission and address the nutritional needs of the regions. Unilever Asia president Tex Gunning has drawn from this energy to launch a children's nutrition campaign and partner with UNICEF and Indian NGOs for implementation. Said one employee, "With the kind of community involvement and mission driven approach that we have in Unilever Foods Asia, it is possible for us to make a difference to our society and still be in business. And it is important for us to be in business because that that is the only way we will continue to make a difference to society."

Factor: Pull versus Push?

Looking to the field of practice, there are many other forces worth noting that pull citizenship forward in a company. Scandals, crises, and criticism by watchdogs group or NGOs are among the most potent. The various corporate reputation rankings, the Dow Jones sustainability index, and the opinions of socially responsible funds also have a bearing on citizenship activity. Legislation, or the threat of it, also exerts a pull.[46]

Furthermore, new and emerging issues, expectations, and definitions continuously reshape what it means for a company to be engaged, innovative, and integrative when it comes to citizenship. Indeed, many innovative corporate actions in the 1980s, seemingly ahead of their time, seem rather routine today. In addition, past progress is no guarantee of continued success. For instance, several companies once ahead of the curve on citizenship are now on the defensive when it comes to financial transparency and corporate governance.

As much as these external factors pull citizenship forward in a company, we hypothesize that an internal push is more predictive of sustained progress in a firm. On this point, the Center's 2005 survey of U.S. business leaders finds that although external drivers such as laws and political pressures, expectations of customers and the community, and benefits to reputation all exert influence on a company's embrace of citizenship, a more important driver seems to be company traditions and values (see box on page 16).

The future: unbounded or limited?

The foregoing may seem to imply that continuous development of citizenship in an enterprise, albeit scaled and shaped by the firm's national origins, industry, size, strategy, and competitive context, is potentially unbounded. It may also suggest that the chief limiting factors are the imagination of its leaders and progressiveness of its corporate culture. A competing case has been made, however, that the market for virtue has real limits and that citizenship only makes sense for "a subset of companies, under specific circumstances."[47]

There is, of course, a body of literature on the generally positive relationship between social and financial performance.[48] But there are many counter examples of companies with good reputations in citizenship who are being outperformed financially by less progressive competitors. Of particular relevance, given the development frame here, is that there are also firms that have made a conscious decision, in the face of a business downturn, not to aggressively advance their citizenship agenda and even to regress from a more advance stage (Hewlett Packard).

We have posited here that challenges of credibility, capacity, coherence, and commitment move firms to develop progressively more comprehensive and integrated citizenship agendas. Some might argue that these limits to virtue and examples of regression cast doubts on the whole development-of-citizenship logic. On the contrary, we argue, there are countless examples of human and collective development taking a different turn when this proves more adaptive and, in particular, when survival is at stake.

In that context, it is our hope that practitioners make use of the stage model as they calibrate where their companies are today and choose where they ought to go. Some may favor the decisively cautious, even regressive thinking featured in a 2005 cover story in *The Economist* that challenged the case for corporate social responsibility or follow Nestlé's CEO, who in remarks at the Boston College CEO Forum, derided the notion that business ought to "give back to society."[49] Others may adopt the emphasis of McKinsey managing director Ian Davies who, in a rejoinder to *The Economist*, argued that business should build social issues into its strategies, as the higher stage practices cited here prescribe.[50] Our bet is that the latter group of firms will, on the whole, have greater financial success and that its people will derive more meaning from the effort.

Endnotes

[1]Research includes surveys of public opinion and of business leaders (*The State of Corporate Citizenship in the U.S.: A view from inside 2003-2004*. (Boston: Center for Corporate Citizenship at Boston College, 2004)); a multi-year research forum involving Abbott, AMD, Agilent, JP Morgan Chase, Levi Strauss & Co., Petro-Canada, and Verizon (Integration: Critical link for Corporate Citizenship. (Boston: Center for Corporate Citizenship at Boston College, 2005); a measurement forum including IBM, GE, 3M, FedEx, Diageo, Cargill, Manpower, Omron, GM, and Cemex (Putting the Corporate into Corporate Responsibility. London: *Accountability Forum*, 2005); and several case studies (for a description, see http://www.bc.edu/centers/ccc/Pages/kn_ld.html).

[2]Mirvis, P. H. and Googins, B. "The Best of the Good." *Harvard Business Review*. (December, 2004): 20-21. Based on The State of Corporate Citizenship in the U.S., op cit.

[3]See Piaget, J. *The Psychology of the Child*. (New York: John Wiley, 1969); Wheelan, S. A. *Group Processes: A Developmental Perspective*. (Sydney: Allyn & Bacon, 2004).

[4]Greiner, L. "Evolution and Revolution as Organizations Grow." *Harvard Business Review*. (July-August, 1972): 37-46.

[5]On evolution of the concepts, see Frederick, W.C. "Theories of Corporate Social Performance," *Business and Society*, (Lexington, MA: D.C. Heath, 1987: 142-161); Wood, D.J. "Corporate Social Performance Revisited", *Academy of Management Review*, 16/4 (1991): 171-181; Gladwin, T. N., J. J. Kennelly, and T. S. Krause, T.-S. Shifting paradigms for sustainable development: Implications for management theory and research. Academy of Management Review, (20/4, 1995): 874-907; and Hart, S. L. "Beyond Greening: Strategies for a Sustainable World." Harvard Business Review. (January-February, 1997): 66-76

[6]On diffusion into society and industry, see Elkington, J. *Cannibals with Forks: The Triple-Bottom Line of 21st Century Business*. (London: Capstone/John Wiley, 1997); and Shrivastava, P. "Corporate Self-Greenewal: Strategic Responses to Environmentalism", *Business Strategy and the Environment*, 1/3, (1992): 9-21.

[7]Post, J. and Altman, B. "Models of Corporate Greening: How Corporate Social Policy and Organizational Learning Inform Leading Edge Environmental Management," *Research in Corporate Social Performance and Policy*, 13, (1992): 3-29.

[8]Zadek, S. "The Path to Corporate Responsibility." *Harvard Business Review*. (December, 2004): 125-133.

[9]Developmental theories typically involve both natural and logical processes. Natural processes, found in most biological stages-of-growth theories, trace the developmental trajectory to the "potentials" within an organism or entity. Logical process models stress equally the nature of forces impinging on the organism or entity (different problems pose different challenges) and apply more often to the development of ideas, decisions, language and symbols. In both cases, however, development is seen as regulated by an "immanent" or normative program. See Van de Ven, A. H. And Poole, M. S. "Explaining Development and Change in Organizations." *Academy of Management Review*, 20, (1995): 510-540.

[10]Vogel, D. *The Market for Virtue: The Potential and Limits of Corporate Responsibility* (Washington, D.C.: Brookings Institution Press, 2005).

[11]Theories of planned change and organization learning, by comparison, trace organization development more so to a cycle of goal setting, action, and assessment, where problem solving can generate novel and innovative solutions as well as resistance to change. This implies that there can be multiple paths of development and that the choice of a particular path hinges on the nature of the problem posed and characteristics of the problem solving entity. See Van de Ven and Poole, op cit.; Adizes, I. *Managing Corporate Lifecycles*. (Englewood Cliffs, NJ: Prentice-Hall, revised 1999).

[12]Rothman, H and Scott, C. *Companies with a Conscience*, 3rd Edition (San Francisco, Myers Templeton Publishers, 2004).

[13]Friedman, M. The social responsibility of business is to increase its profits. *New York Times*, September, 13, 1970.

[14]Welch, J. Jack: *Straight From the Gut*. (New York: Warner Business Books, 2003).

[15]*Millennium Report*. (Toronto: Environics, 1999; 2003).

[16]*The State of Corporate Citizenship in the U.S.* op. cit.

[17]Putting this promise into practice took time and involved missteps. It took over four years, for example, to fully enlist senior management and for DuPont to form an executive-level Environmental Policy Committee; and then another four, and new CEO, to embrace principles of sustainability.

[18]Zadeck. op. cit.

[19]For a recent review, see Margolis, J. D. and Walsh, J. P. *People and Profits? The Search for a Link between a Company's Social and Financial Performance*. (Mahwah, NJ: Lawrence Erlbaum Associates, 2001)

[20]The World Economic Forum's 2002 Global CEO survey found that over 80 percent agree that corporate citizenship is essential to "managing reputation and brand equity." *Responding to the Leadership Challenge: Findings of a CEO Survey on Global Corporate Citizenship*. (Geneva: World Economic Forum, 2002).

[21]*2003 Sustainability Assessment*. (Zurich: Sustainability Asset Management, 2003).

[22]Early adopters often embrace innovations based on their logic and appeal to values, rather than evidence or demonstrated success. On this trend in human resource innovations, see Mirvis, P. H. "Human resource management: Leaders, followers and laggards." *Academy of Management Executive*, (11/2, 1997): 43-56.

[23]The web site include 130 questions—that range from food safety and human resource policies to the environment and relationships with suppliers—that Group companies are asked to complete to assess their own performance. www.danone.com.

[24]This charter is integrated into the company culture through extensive management and employee training, a monthly newsletter, and an innovative "live the brand" campaign whereby all employees are expected to spend at least one day every year with someone connected to Novo's mission to treat diabetes—either a patient, family member who cares for them, or health care professional. Employees are expected to then prepare a report of observations and suggestions for improving the way the company does business.

[25]Quoted in *Beyond the Numbers*, (KPMG: 2004).

[26]Hollender, J. *What Matters Most*. (New York: Basic Books, 2003).

[27]Cox, K. Leadership for Global Sustainability. (Doctoral Dissertation. Benedictine College, 2005); Also see Hollender, J. "What Matters Most: Corporate Values and Social Responsibility." *California Management Review*. 46/4 (2004): 111-119

[28]Zadek, op cit.

[29]Dunn, D. and K. Yamashita. "Microcapitalism and the Megacorporation." *Harvard Business Review*, (August, 2003).

[30]For one model of intersectoral stages, see *Business and Community Development: Aligning Corporate Performance with Community Economic Development to Achieve Win-Win Impacts*. (Boston: Center for Corporate Citizenship at Boston College, 2002).

[31]For a useful review on the mechanisms of influence, see Van de Ven, A. and Hargrave, T. J. "Social, Technical, and Institutional Change." In Van de Ven, A. and Poole, M. S. H*andbook of Organizational Change and Innovation*. (New York: Oxford University Press, 2004): 259-303.

[32]Institutional theory distinguishes between coercive, normative, and mimetic (imitative) pressures. See Powell, W. A. and DiMaggio, P. J. (eds.). *The New Institutionalism in Organizational Analysis*. (Chicago: University of Chicago Press, 1991). The link to developmental theory is that organizations may be more or less attentive and able to respond to these institutional forces at different stages of development.

[33]Mirvis, P. H. "Environmentalism in Progressive Businesses." *Journal of Organizational Change Management*, 7/4, (1994): 82-100.

[34]See Mirvis, P.H. Ben & Jerry's: "Team development intervention (A and B)." In A. Glassman and T. Cummings (eds.) *Cases in Organization Development*. (Homewood, IL: Irwin, 1991).

[35]Entine, J. "The Stranger than Truth Story of the Body Shop." *In Killed: Great Journalism Too Hot to Print*. (New York: Nation Books, June, 2004).

[36]Some contend that this a function of the distinct stakeholder environment in the U.S. See, for example, Brammer, S. and Pavelin, S. "Corporate Community Contributions in the United Kingdom and United States. *Journal of Business Ethics*. 56/1 (2005): 15-26.

[37]On components of corporate value statements in U.S., European, and Asian companies and relative emphasis given to environmental and social performance, see Kelly, C., P. Kocourek, N. McGaw, and J. Samuelson, *Deriving Value from Corporate Values*, (Washington DC: The Aspen Institute and Booz Allen Hamilton, 2005).

[38]Some 68 percent of large companies in Western Europe versus 41 percent in the U. S. report triple bottom line information. *Social Reporting Fact Sheet*. op. cit.; "Toward Transparency: Progress on Global Sustainability Reporting 2004." www.corporateregister.com.

[39]See Vogel, D. *The Market for Virtue: The Potential and Limits of Corporate Responsibility* (Washington, DC: Brookings Institution Press, 2005).

[40]Jawahar, I. M. and Mclaughlin, Gary L. "Toward A Descriptive Stakeholder Theory: An Organizational Life Cycle Approach." *Academy of Management Review*, 26/3 (2001): 397-415.

[41]Waddock, S. *Leading Corporate Citizens: Visions, values, value added*. New York: McGraw-Hill Irwin, 2002.

[42]See Mirvis, (2000), op. cit.

[43]Waddock, (2002), op. cit.

[44]*Responding to the Leadership Challenge* (2002), op cit.

[45]Ayas, K. and P. H. Mirvis, "Bringing Mission to Life: Corporate Inspiration from Visiting Communities in India." *Reflections*, (5/10, 2004): 1-12.

[46]Companies that are based in or do business in Europe now have to comply with many more laws around employment, environmental protection, and even community welfare than do U.S. domestic corporations. Interestingly, surveys show that U.S. companies, even those most developed in this arena, are near unanimous in their belief that "corporate citizenship should be completely voluntary—no laws should govern it."

[47]Vogel, D. "The Low Value of Virtue." *Harvard Business Review*, (June, 2005).

[48]See Orlitzky, M., Schmidt, F. L. and Rynes, S. L. "Corporate Social and Financial Performance: A Meta-analysis." *Organization Studies*. 24/3 (2003): 403–441; Margolis and Walsh, op. cit.

[49]"Survey: Corporate Social Responsibility." *The Economist*. (January 20, 2005); Brabeck-Letmans, P. from speech to Chief Executives' Club of Boston (March 8, 2005).

[50]Davies, I. "The Biggest Contract." *The Economist*. (May 26, 2005)

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