

CORPORATE ACTIVISM IN AN

AGE OF

UNCERTAINTY

Over the past few years, the corporate world has emphasised the need to shift from a business approach based purely on economic gains to one that recognises and protects the needs and long-term interests of society. Employees, customers, suppliers and local communities are starting to gain importance vis-à-vis shareholders in an interconnected world where every individual is entitled – and somehow expected – to voice his opinions and advocate for the causes he believes in.

By Anthony Gooch



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The idea that businesses should go beyond their corporate purpose and serve the larger community is not a new one. As early as 1904, English philanthropist and businessman Joseph Rowntree took the responsibility of his position to another level by building New Earswick, a village in York, to ensure that the workers of his factory had access to decent homes at affordable rents. Rowntree was a firm believer in the idea that corporate power came with social responsibility.

Today, in an era marked by instability and complexity, who can act as our social compass? The 2020 Edelman Trust Barometer found that 92% of surveyed employees expected their CEO to take a stand on at least one social issue, such as climate change, income inequality and ethical use of technology. Similarly, 74% of respondents expected their CEO to initiate change rather than wait for government to impose it. But who is to decide whether corporate leaders should take a public stand or act on issues outside their core business and areas of expertise? What are the greatest gains – and limitations – of corporate activism?

The value of corporate activism

The OECD's mission is "Better Policies for Better Lives". We work with countries around the world, helping to drive and inform initiatives to improve the well-being of citizens, addressing a full range of multifaceted and complex challenges both at the international and national levels.

Delivering on these ambitions requires the buy-in and active support from a broad range of stakeholders across society, including the private sector, which not only has a role in helping to shape policy, but also in implementing it. Given the complexity of modern economies, it is unrealistic to expect governments to act alone in this respect.

Similarly, brands are coming to the realisation that they cannot carry out their business in a social vacuum. They need to draw in consumers by addressing causes that matter to them personally and earning their trust, all while seeking authenticity.

In May 2019, the CEOs of thirteen large global companies joined forces with four environmental non-profit organisations to launch the CEO Climate Dialogue. In a major push to move government policies towards more effective climate change responses, these CEOs established guiding principles to address a perceived governance gap.

Along the same vein, business leaders endorsed the new stakeholder-centric Davos Manifesto during the 2020 World Economic Forum. This Manifesto argues for "stakeholder capitalism", where private companies act as trustees of society and commit to the implementation of policies and decisions that harmonise various stakeholder interests while strengthening the long-term prosperity of the business.

At the OECD we launched the Business for Inclusive Growth Initiative, a global coalition of private companies committed to better link public policies and business practices to fight against inequality.

These snapshots evidence how CEOs are moving well beyond traditional forms of corporate social responsibility and responsible business conduct.

REFERENCE LIST

- About the 2020 Edelman Trust Barometer: <https://bit.ly/2VMI3bl>
- About the CEO Climate Dialogue between thirteen large global companies: www.ceoclimatedialogue.org
- About the new stakeholder-centric Davos Manifesto: <https://bit.ly/34Fd3Oc>
- About the OECD's Business for Inclusive Growth Initiative: <https://bit.ly/2Vs13ve>

Corporate activism, a generational ask?

Many studies observe that corporate activism is a “generational ask”. A 2018 US study found that overall 65% of the public favour CEO activism, but there are generational differences: 71% of Millennials and 63% of Generation X approve of CEO activism compared to 46% of Baby Boomers. This intergenerational difference can be explained by the growing disillusionment of young people with corporate life. Whereas baby boomers sought out workplaces that offered stability and high pay, Millennials have new priorities. According to a PwC report “Millennials at work – Reshaping the workplace”, “Millennials want their work to have a purpose, to contribute something to the world and they want to be proud of their employer”.

Twenty years ago, it was rare to see businesses taking a public stand on emotionally charged social issues. Benetton were first movers in this respect, launching the Colors of Benetton campaigns of the mid-1980s to embrace multi-ethnicity and reject racism and then moving on to raise awareness on HIV in the early 1990s. Today, this type of “shockvertising” would be less surprising to many of us.

Corporate activism has become more mainstream thanks to the fundamental realignment in the balance of power between corporations, employees and customers.

The risks and limitations of corporate activism

Whereas more socially active CEOs might be music to many people's ears, beauty is always in the eye of the beholder. In a politically polarised environment, CEOs need to think about how each of their statements and actions will be perceived.

Not everyone agrees that businesses should demonstrate greater activism on societal matters. No other than Warren Buffett, American business magnate and philanthropist, stated in a recent interview with the “Financial Times” that it was wrong for companies to impose their views on “good practices”, as they are in no position to play the role of moral arbiters. In his eyes, a business executive should not define the allocation of the shareholder's dollar. This statement resonates well with Milton Friedman's well-known essay from 1970, according to which business' sole social responsibility is to make profits. Under this view, businesses should rather advance shareholders' interests through ex-post measures, such as philanthropy and progressive taxation.

Another important point about the limitations of CEO activism is that it will not play a transformative role, unless it is long-term, sustained and systemic. Andrew Edgecliffe-Johnson warns: “If corporate purpose remains the preserve of a small group of western chief executives on the Davos circuit, it will fall short.”

Finally, the decision to engage in activism needs to be weighed up against the cost of inaction, which can sometimes be higher than the risk of engaging in political or social advocacy. If you decide not to take a stand on an issue, you run the risk of your position being decided for you in the public eye, as silence is often treated as complicity.

CONCLUSION

Corporate activism today: the challenges of COVID-19

Today more than ever, the world needs leadership. As I was writing this article, the World Health Organisation declared the COVID-19 outbreak a global pandemic. This context is a real test for global leaders as it raises unprecedented challenges at all levels: multilateral, national, corporate and individual. “Business as usual” won't be an option. This calls for a reflection on our collective responsibility and individual sense of entitlement, whilst bearing in mind the lack of choice and freedom many are now confronted with. This health crisis will expose and further magnify multiple facets of inequality – whether amongst workers, within healthcare systems, in terms of access to digital communications or quality housing. This is a global challenge which we are yet to address fully.

CEOs face pressure to constantly adapt to ongoing developments while placing increasing emphasis on the needs of “stakeholders” as much as those of “shareholders”. Production delays, heightened demand and economic fallout are coming to the fore for many, when they are not already a daily struggle. As stated in the Edelman Trust Barometer special report on COVID-19, “this is a considerable new responsibility for the corporate sector”.

In this context of foreseeable hardship, some leaders have taken action. Examples vary in scale and reach, from small businesses to multinationals – they are rising to the challenge.

Just to name a few: in Spain, Santander bank announced a 20 billion pre-approved loans facility for SMEs and self-employed workers, to guarantee business continuity and funds for the sectors affected by this crisis. From the US to Japan, restaurants have mobilised their resources to help families that rely on schools for children's meals. Telecom operators like Telefónica are reinforcing the capacity of their networks and providing free access to online training courses focused on digital skills. Retail and transport companies are helping governments weather this storm using their production and logistical infrastructure to provide more medical supplies and ventilators.

In addition, we are witnessing new partnerships blossoming between IOs, governments, private enterprise, philanthropic organisations to support those on the front line of the battle, and to promote the rapid development of antivirals and treatments against the virus (Johnson & Johnson Center for Health Worker Innovation, COVID-19 Therapeutics Accelerator, ...).

Whilst we still struggle to fathom the ramifications of this outbreak, and how different businesses might react, we can safely predict that solidarity, care and strong social bonds will be vital, both during and beyond times of crisis.

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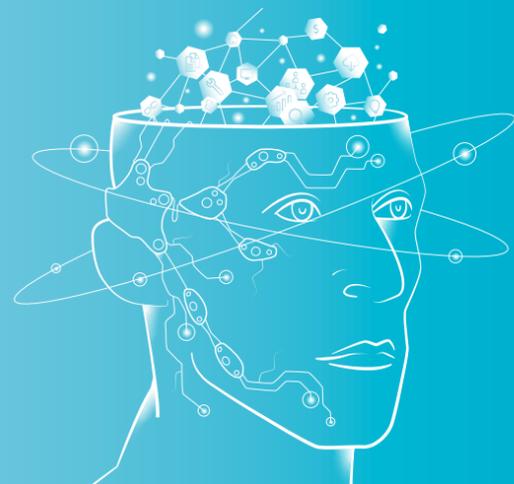
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