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The rise of the socially responsible business
Deloitte Global societal impact survey

January 2019

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"Over the last few years, we have seen the rise of socially responsible business initiatives become a priority of the C-suite. To continue the momentum, we need to better understand the drivers and how to measure programs that make an impact beyond financial metrics."

David Cruickshank,
Deloitte Global Chairman

Introduction

As we approach the third decade of the 21st century, the collective corporate mindset is undergoing a dynamic shift. While profit remains a priority, the idea that business should be doing more to positively impact society has started to resonate across C-suites and boardrooms.

During 2018, a growing number of organizations took visible public stances on societal issues. Many CEOs actively encouraged fellow business leaders to define their organizations' purposes and seek to make positive impacts on society. And organizations joined together to address topics such as diversity and inclusion, climate change, education and the importance of voting.

These and many other examples suggest socially responsible initiatives—borne of a new, purpose-driven mindset—have moved to the forefront of C-suite agendas and become an almost mandatory aspect of integrated business strategies.

The question is "can long-term views on social impact coexist with short-term demands for financial performance?" And how does this impact the societal impact strategies of businesses?

A new global survey of 350 business leaders conducted by Deloitte and Forbes Insights is helping us understand how the actions of the past few years are influencing companies' social responsibility initiatives, and what that could mean for the immediate future.

The survey reveals that business leaders wholeheartedly believe companies are more than mere employers (93 percent), they're also stewards of society. It's a role surveyed leaders embrace. They're planning to take bigger stances on societal-impact issues (95 percent) in the coming year and are devoting substantial resources to socially responsible initiatives. Currently, a majority (59 percent) devote between one percent and five percent of their revenues to programs with a purpose, with two-thirds recording increases in budgets devoted to these programs over the last two years.

This evolution is happening because the leaders of the companies, the CEOs, believe it's necessary. Our survey finds that 46 percent of executives believe the CEO is the main driver for corporate social responsibility programs, and the views of the CEO and top executives play the largest roles in driving societal impact.

Societal-impact initiatives appear to be measured largely by how those efforts influence companies' performance and sustainability. Asked how they view the success of their societal impact initiatives, the number of executives who said "positive impact on the bottom line" (58 percent) and "positive impact on beneficiaries' lives" (55 percent) was roughly equal.

"I find it empowering to hear business leaders discussing societal impact and inclusive growth alongside more traditional business priorities," says **David Cruickshank, Deloitte Global Chairman**. "This exemplifies a shift in the relationship between purpose and profit. They no longer have to be adversarial priorities—purpose and profit can coexist within the same business strategy."

What are the main drivers for your company's corporate social responsibility program?

When evaluating which societal issues to prioritize, talent-related challenges—such as computer literacy and access to technology—emerged as the focus of companies' social-impact strategies (47 percent) and the top issues on which to take a public stance (49 percent) in the coming year. These replies suggest executives may be gravitating toward issues and results they believe are achievable versus more aspirational challenges that require global scale. They also suggest that leaders are prioritizing issues that are critical to the success of their organizations.

Which of the following should businesses focus their societal impact strategies on most urgently?

47%

Ranked talent-related challenges such as computer literacy and access to technology as focus for companies' social impact strategies

49%

Noted talent challenges were the top issues on which to take a public stance in the coming year

Deloitte's research suggests C-suites in 2019 will likely become even more vocal and action-oriented as the rise of socially responsible businesses advances purpose along with profit.

Drivers of societal impact: Inspiration from the top

According to the 2018 Deloitte *Global Human Capital Trends* report, "Corporate citizenship … is now a CEO-level business strategy—defining the organization's very identity." Executives in this survey agree, saying societal-impact initiatives need to be tackled at the highest levels. Forty-six percent of respondents said CEOs and top executives play the most prominent roles in driving societal impact, and the same percentage said CEOs are the main drivers for corporate social responsibility (CSR) programs in their organizations.

CEOs often use their positions as pulpits for change, as did several CEOs in 2018[1], setting the stage for the importance of business-led societal impact.

However, recognizing the CEO as the main driver of social strategy is not the same as having a CEO-level business and social strategy in place. Deloitte Global's inclusive growth survey, *Creating a measurable impact*, found that only 24 percent of CEOs and executive-level leaders drive their businesses' inclusive growth efforts. Instead, the research found that corporate social responsibility leaders (70 percent) or human resources professionals (56 percent) continue to implement and run most programs.

It's also worth noting that our research reveals many executives believe businesses are investing more in social impact because they have the financial resources to do so (45 percent). That creates an interesting dynamic for CEOs who invest in (long-term) societal-impact programs, and who also are charged with delivering short-term returns for shareholders. (Short-termism, as Deloitte Global's inclusive growth surveys have shown, is the primary obstacle to pursuing inclusive-growth initiatives.) These CEOs must find a balance that allows for meaningful investment in societal-impact programs while keeping shareholders satisfied.

Interestingly, executives from Asia Pacific were more likely to say having financial resources is influencing business' greater emphasis on society (54 percent) than were North American executives (35 percent). At the same time, positive impact to the bottom line is a stronger measure of success of social impact in North America (63 percent) than globally (58 percent).

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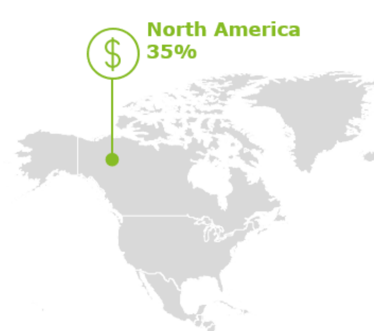
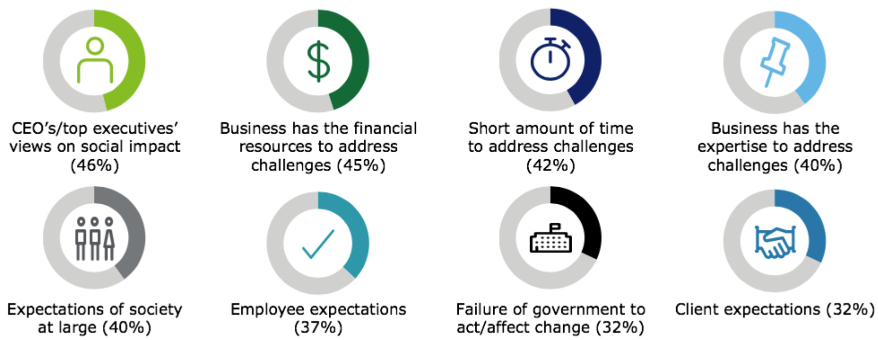
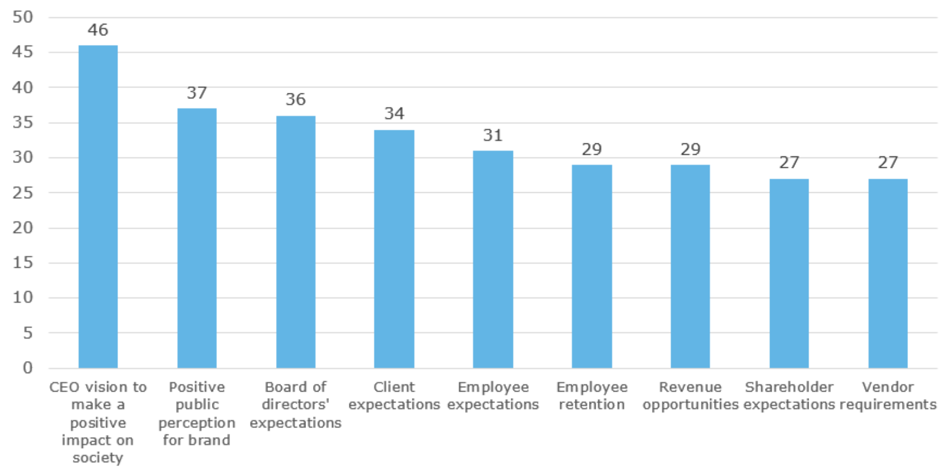


[1] Chatterji, Aaron K. and Michael W. Toffel, "The New CEO Activists," Harvard Business Review, January–February 2018 issue https://hbr.org/2018/01/the-new-ceo-activists

What are the factors that you believe influence business to play a larger role in driving societal impact?



What are the main drivers for your company's corporate social responsibility (CSR) program?



More and more CEOs are evaluating their organizations' purposes and considering the impact their companies can make on society. But their long-term visions can materialize only if organizations have strong foundations to implement strategies. And many don't. Deloitte's 2018 Global Human Capital Trends report, based on a global survey of more than 11,000 business and HR leaders, revealed that only 18 percent of executives believe "citizenship[2]" was a top priority reflected in corporate strategy. This illustrates the need for companies to make citizenship a core part of their strategies and pursue initiatives that go beyond the tenure their CEOs to include governance, policies and culture.

[2] Deloitte defines citizenship as a company's ability to do social good and account for its actions—both externally, among customers, communities, and society, and internally, among employees and corporate stakeholders. (from Deloitte's 2018 Global Human Capital Trends report)

Measuring success: Not just about the bottom line

Companies take a broad view when measuring the success of societal-impact initiatives, weighing the initiatives' effect on their businesses almost to the same degree as impact on the beneficiaries. While profitability came out on top, the other factors such as employee retention, number of lives impacted, and number of geographies helped all play a similarly important role in motivating a company's societal impact.

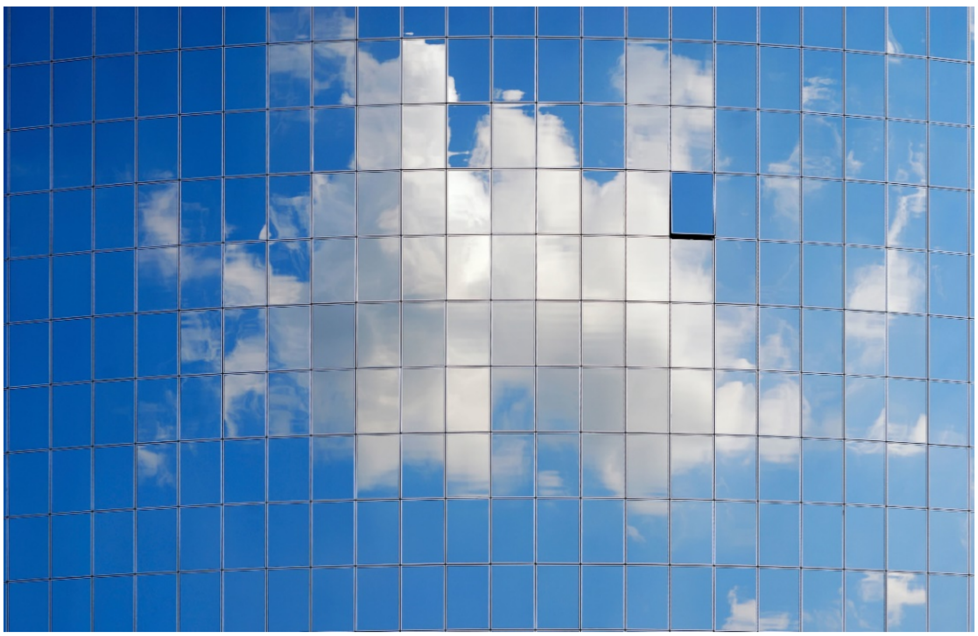
How do you measure success in terms of your company's societal impact?	
Positive impact to our bottom line	58%
Impact to employee retention	55%
Number of lives/communities positively impacted	55%
Number of geographic locations where we are making an impact	54%
Impact on client acquisition/retention	52%
Amount of money donated	50%

An analysis of how companies measure the success of their social-impact initiatives and where they direct their efforts yields two interesting observations:

- Talent cares about a company's societal impact--Employee retention tied for second in terms of how leaders assess their societal-impact programs. Further, previous Deloitte research showed employee engagement ranked first among factors used to value the return on investment among inclusive-growth initiatives.

- Local markets drive societal impact focus--Many of the beneficiaries (64 percent) of social impact initiatives are local, residing in areas where companies have their operations. Understandably, companies want to have a positive impact on the areas they operate in, as local populations, organizations and legislators have a direct effect on them. However, that local focus may be fanning out, as more than half (51 percent) say they use their expertise to help all of those who can benefit.

Builders of talent: Creating the workforce of the future



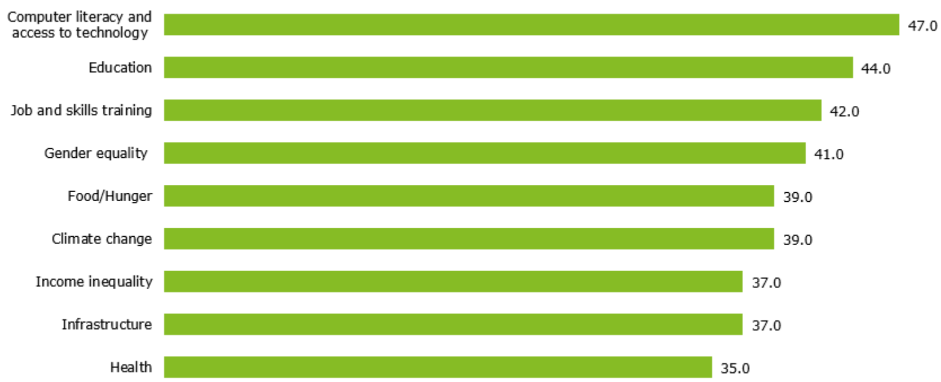
Today, companies see talent-related issues as the most urgent challenge among their societal-impact strategies. It's those same talent issues on which they are most likely—and expect to continue—to take a public stance.

For example, computer literacy and access to technology were rated as the areas companies should focus on most urgently. Tackling computer literacy and access to technology has the potential to create a level playing field, affording people an equal opportunity to benefit from the Fourth Industrial Revolution—and, thus, alleviate broader societal issues such as income and gender inequality and social mobility. Talent-related issues emerged among the top challenges across all regions, with education coming in second and job and skills training third, ranking higher than issues such as gender equality, food/hunger and climate change.

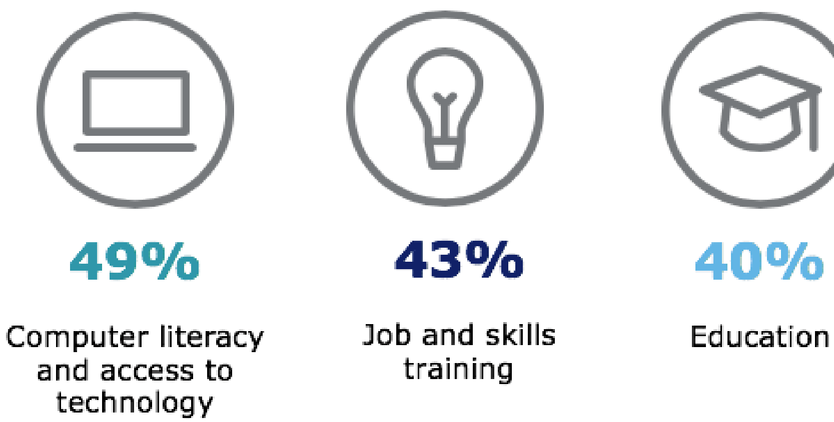
This may be because companies are familiar with talent challenges and may feel more capable of tackling them than tougher topics, such as climate change or hunger. It also may be executives fear a future talent gap and, therefore, prioritize improving the pipeline of potential employees.

Additionally, traditional CSR programs often have focused on education and job creation, making it easier for companies to shift their focus to the challenges posed by the future of work. The survey found that nine in 10 organizations have formal programs that directly address creating job opportunities and mentoring for people in underserved communities.

In which of the following areas should businesses focus their societal impact strategies most urgently? (in percentage points)



On which issue(s) do you expect your company to take a bigger stance in the coming year?



"As tech transforms jobs faster than people can adapt, organizations have an obligation to help ensure that today's workers and those of the future aren't left behind," **says Michele Parmelee, Deloitte's global chief talent officer.**

Collaboration: Companies still failing to work together

By 2030, Deloitte and the Global Business Coalition for Education (GBC-Ed) predict that more than half of the almost 2 billion youth worldwide will not have the skills or qualifications needed to participate in the workforce. According to the report, "Preparing tomorrow's workforce for the Fourth Industrial Revolution, For businesses: A framework for action," the business community must take a more proactive role in preparing today's youth to ensure that they are ready to succeed as the workforce of tomorrow, and it provides recommendations for them to follow. To do so successfully, the report says, the business community must work together to act now in preparing future generations for tomorrow's workplace.

Collaborations are nothing new in the world of business. The rapidly changing nature of technology, markets and business have led many leaders to realize their companies can't go it alone. As a result, joint collaborations and entire ecosystems of participants have emerged. In some cases, companies even share data, expertise or technologies with others who once were considered rivals. "Business-led inclusive-growth efforts require collective action and a sharing of knowledge to understand and implement best practices moving forward," says Deloitte Global Chairman David Cruickshank. "As with other high-priority business initiatives, driving inclusive growth efforts requires both internal and external relationships, along with a well-defined strategy embedded within organizational priorities."

When it comes to societal impact, though, these kinds of collaborations are much rarer. Generally speaking, leaders prefer collaborating with not-for-profit and non-governmental organizations versus working with other companies. It's not clear why, although leaders' desire to differentiate their organizations among job seekers through societal-impact initiatives could be one reason some companies aren't anxious to join forces with others.

Furthermore, companies don't seem to be taking societal impact into account when vetting potential partners or vendor. Our research reveals that while more than two-thirds of survey respondents factor a company's values or societal-impact programs into their buying or partnership decisions, less than a third see societal policies as an impetus for deciding to work with one vendor over another.

Creating societal impact is no less complex than succeeding in business. So if companies want to tackle significant societal issues, working with others—perhaps through creating educational systems that provide new and necessary skills; passing regulations that will promote fair use of technology; or updating labor laws in light of emerging economic models--is critical to achieving results.

Which of the following types of organizations do you collaborate with in order to advance your societal-impact goals?

57% **Not-for-profits/charities**

53% **Non-governmental organizations (NGOs)**

46% **Schools and universities**

33% **Governments (national or local)**

32% **Other businesses**

Conclusion

As our research shows, companies are becoming more steadfast about their dedication to societal issues, but may still struggle to fine the balance between initiatives that combine long-term societal visions with shorter-term self-interests.

During a time when all CEOs should consider how their businesses are affecting and could potentially impact broader society, some CEOs are more successful than others at balancing the short and long terms, defining their organizations' purposes, and inspiring action. It is critical that they understand their long-term visions can materialize only if organizations have in place long-term foundations for impact strategies. This approach makes it possible for initiatives to extend beyond the tenures of individual CEOs and include governance, policies and culture. It also creates incentives to keep corporate citizenship on top of the agenda.

Making societal-impact agendas part of companies' core strategies will help organizations tackle broader social issues. Currently, the focus is on talent-related issues, an area that companies are familiar with and have a direct stake in solving. However, business can and should play an ever-bigger role in society and become a more active stakeholder in tackling the most-difficult global issues—which may, at first, not seem directly tied to business operations. Business cannot succeed if society doesn't succeed. While it's daunting to take on issues such as climate change, hunger or income inequality, business cannot sit these threats out if real change is to occur.

To succeed at this elevated level, executives need to think more broadly, not just about positioning societal agendas within their own enterprises, but also about how they interact with society at large. They need to start collaborating with all invested stakeholders—especially other businesses—to achieve maximum impact. Without the efforts and diverse perspectives of others, initiatives to positively impact society will remain sluggish at best.

In 2018, we saw businesses around the world commit to delivering greater societal impact. In 2019, leaders need to take steps to ensure their companies are delivering this impact and are able to do so for the long term.

About the survey

Methodology

This report is based on a survey conducted by Forbes Insights and Deloitte of 350 executives globally, representing all functions within the C-suite, including CEOs (6 percent), chief human resources officers (10 percent), chief sustainability officers (10 percent), chief operating officers (7 percent) and chief financial officers (7 percent). Survey respondents represented all major industries, with the biggest groups coming from financial services (13 percent), and 10 percent each from life sciences, energy and resources, and telecommunications. Fifty-seven percent of respondents came from organizations with revenue between US$500 million and US$5 billion; the remaining 43 percent represented companies with revenue greater than US$5 billion.

About Forbes Insights

Forbes Insights is the strategic research and thought leadership practice of Forbes Media. By leveraging proprietary databases of senior-level executives in the Forbes community, Forbes Insights conducts research on a wide range of topics to position brands as thought leaders and drive stakeholder engagement.

About the Deloitte Societal Impact Commitment

Addressing the complex challenges society faces today has become a mandate for business, and one that requires a new mindset for action.

Deloitte is taking action through WorldClass, a societal-impact initiative to empower 50 million futures by 2030. Our ambition is to create pathways for people to fulfil their aspirations and find meaningful work in the new economy. The Deloitte network is also empowering women around the globe, promoting environmental sustainability, investing in new insights and methodologies, and serving clients to fulfil their purpose.

Deloitte is committed to responsible business practices, serving the public interest, and making an impact on society. Learn more about our commitments here.