

POSITION PAPER

Corporate Citizenship

GSL™ requires firms to build their brand equity as standard-setters

by Nicholas Dungan

- Major business firms need to prepare now for a sea-change in the way they fit in global society.
- A broad-based, holistic concept of corporate citizenship, already developing considerable momentum, will soon disrupt and displace the mere exercise of corporate social responsibility (CSR).
- Global firms—multinational enterprises, financial institutions, professional services firms—will henceforth be compelled to prove, convincingly and continuously, their commitment and their conduct as exemplary global citizens.
- Global firms cannot eschew their responsibility to play their part as non-state actors in the management of world affairs. States are no longer the only or even the principal decision-makers on global societal issues.
- The 2030 Sustainable Development Agenda has become the world's collective global roadmap, a rallying point and plan of action for global actors including the actual and potential customers, investors and employees of global firms. All these increasingly look hard at corporate citizenship when assessing a firm.
- As an essential component of their corporate citizenship, global firms in the top tier of their industries and professions will therefore need to exercise a new, consistent and dynamic form of thought leadership: Global Strategic Leadership (GSL™).
- In exercising Global Strategic Leadership (GSL™), global firms will be expected to demonstrate the quality of their strategic thinking, not only the quality of their business performance. Global audiences will evaluate the quality of that strategic thinking as an indicator of the firm's corporate citizenship. Financial markets will incorporate the quality of that strategic thinking into their valuation models.
- Global Strategic Leadership (GSL™) requires a firm to build its brand equity as a top-tier global standard-setter. Firms will need to produce consistent content as reliable and authoritative as any think-tank, consultancy or university. That content needs to be delivered in a variety of forms, on a variety of platforms, to a variety of audiences. The firm's representatives must be sought out and respected as experts, to participate in shaping the global conversation, not just to convey corporate messages.

- Major firms which fail to exercise Global Strategic Leadership (GSL™) will run the risk of losing trust, reputation and value. Those who do it well will gain trust, reputation and value.
- CogitoPraxis gives equal importance to high-quality thinking and effective practical action. The ultimate goal of CogitoPraxis is to advise and assist each client firm to achieve its own best form of Global Strategic Leadership (GSL™).

Corporate citizenship has a history

The origins of corporate citizenship can be traced to the publication in 1953 of Howard R. Bowen's book, *The Social Responsibilities of the Businessman*. In parlance that now appears dated, but which imparts ideas well ahead of their time, he wrote: 'The decisions and actions of the businessman have a direct bearing on the quality of our lives and personalities. His decisions affect not only himself, his stockholders, his immediate workers, or his customers—they affect the lives and fortunes of us all.'¹

The 1973 'Davos Manifesto' issued by the organization that was to become the World Economic Forum opens with these words: 'The purpose of professional management is to serve clients, shareholders, workers and employees, as well as societies, and to harmonize the different interests of the stakeholders.'²

In 1994, N. Craig Smith wrote in the *Harvard Business Review*: 'Like citizens in the classical sense, corporate citizens cultivate a broad view of their own self-interest while instinctively searching for ways to align self-interest with the larger good.'³

In 2008, Klaus Schwab, the founder of the World Economic Forum, wrote in *Foreign Affairs*: '[A] new imperative for business, best described as "global corporate citizenship," must be recognized. It expresses the conviction that companies not only must be engaged with their stakeholders but are themselves stakeholders alongside governments and civil society.'⁴

Corporate citizenship has gathered momentum

In May 2019, the French Loi Pacte changed the definition of corporate purpose in the French Civil Code to include environmental and societal issues and to permit companies to include their mission (*raison d'être*) in their bye-laws.⁵

¹ Howard R. Bowen. *The Social Responsibilities of the Businessman*. Iowa City: University of Iowa Press. 2013 revised edition, p3.

² World Economic Forum. 'Davos Manifesto 1973: A Code of Ethics for Business Leaders' <https://www.weforum.org/agenda/2019/12/davos-manifesto-1973-a-code-of-ethics-for-business-leaders/>

³ N. Craig Smith. 'The New Corporate Philanthropy'. *Harvard Business Review*. May-June 1994. <https://hbr.org/1994/05/the-new-corporate-philanthropy>

⁴ Klaus Schwab. 'Global Corporate Citizenship: Working With Governments and Civil Society'. *Foreign Affairs*. January/February 2008. <https://www.foreignaffairs.com/articles/2008-01-01/global-corporate-citizenship>

⁵ <https://www.economie.gouv.fr/loi-pacte-redefinir-raison-etre-entreprises#>

In August 2019, the Business Roundtable in Washington DC released a new ‘Statement on the Purpose of a Corporation’ signed by more than 180 CEOs who committed to lead their companies for the benefit of all stakeholders: customers, employees, suppliers, communities and shareholders.⁶

In November 2019, the theme of the annual Entretiens de Royaumont in France was ‘Can Capitalism be Responsible?’⁷ and in December 2019 the topic of the 6th Sommet de l’économie in Paris was ‘Resetting Capitalism’⁸.

Also in November 2019, the British Academy released a lengthy and detailed study, ‘Principles for Purposeful Business’⁹ which was launched at the Guildhall in London with a speech by Lionel Barber, editor of the *Financial Times*, who said: ‘Reforming the corporation is not about tacking on a laundry list of nice-to-have initiatives. The prescription is a fundamental shift in how companies think about their objectives.’¹⁰

At the end of November 2019, Rolf Nonnenmacher, Chairman of the Regierungskommission Deutscher Corporate Governance Kodex (German Corporate Governance Code Commission), opened the Commission’s annual conference saying, ‘It is quite clear that enterprises that do not live up to their social responsibility will find it increasingly difficult to operate successfully in the market.’¹¹

In December 2019, Klaus Schwab published ‘Why we need the “Davos Manifesto” for a better kind of capitalism’¹² in which he called once again for stakeholder capitalism as opposed to state capitalism or narrow shareholder capitalism.

In January 2020, the theme of the World Economic Forum Annual Meeting at Davos is ‘Stakeholders for a Cohesive and Sustainable World’.¹³

⁶ <https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans>

⁷ <https://www.entretiensroyaumont.org/en/eng-accueil/>

⁸ https://www.challenges.fr/sommet-de-l-economie/comment-reinitialiser-le-capitalisme_687300

⁹ <https://www.thebritishacademy.ac.uk/publications/future-of-the-corporation-principles-for-purposeful-business>

¹⁰ <https://aboutus.ft.com/en-gb/announcements/lionel-barber-s-speech-at-the-british-academy/>

¹¹ <https://www.dcgk.de/files/dcgk/usercontent/en/download/Conference/191128%20Press%20release.pdf>

¹² https://www.weforum.org/agenda/2019/12/why-we-need-davos-manifesto-for-better-kind-of-capitalism/?utm_source=sfmc&utm_medium=email&utm_campaign=2707520_Agenda_weekly-6December2019-20191204_094335&utm_term=&emailType=Newsletter

¹³ <https://www.weforum.org/agenda/2019/10/davos-2020-wef-world-economic-forum-theme/>

Global pressure is building

Citizens across the world are intent that institutions of all kinds should demonstrate responsible societal behaviour. This determination will only be amplified as global society faces the combined challenges of:

- responding to and managing the impacts of climate change, which entail far more than improving businesses' environmental performance or adopting sustainable development processes and techniques;
- the need to regulate artificial intelligence and ensure that technology works for humans, not the reverse; and
- the pressure to address inequalities, an issue where business firms have a critical role to play by promoting better opportunities, upskilling their human capital and providing support for lifelong learning.

In its feature entitled 'The Defining Ideas of 2019', *Time* magazine included an article 'Values Added: In the era of "woke capitalism," apolitical is not an option', which states: 'For decades, most companies went to great lengths to avoid opining on social issues. No longer. ... Nine in 10 members of Generation Z, who account for as much as \$150 billion in spending power globally, believe that companies have a responsibility to social and environmental issues, according to McKinsey. ... [C]ompanies are learning that it may be riskier to pretend it's all business as usual.'¹⁴

HM Queen Elizabeth II, in her 2019 Christmas broadcast, acknowledged this phenomenon: 'The challenges many people face today may be different to those once faced by my generation, but I have been struck by how new generations have brought a similar sense of purpose to issues such as protecting our environment and our climate.'¹⁵

The 2030 Sustainable Development Agenda¹⁶ is today seen, and acted on, as the world's collective global roadmap. In its integrated, relatively simple narrative, it has become a rallying point and a plan of action for an exceptionally diverse set of actors, many of whom are either actually or potentially the clients, investors or employees of global firms. All these actors are increasingly taking a hard look at corporate citizenship when assessing a firm.

Global firms must recognize their role as non-state actors in international affairs and take a much more active place at the world's decision-making tables. Current governance structures are changing fast. States are no longer the sole, or often even the primary, decision-makers on societal issues. Global firms will be compelled to be responsible stakeholders in the management of the affairs of the world.

The move to certification as a B Corporation is on the rise. B Corporations are 'businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose'. B Corporation certification is 'a rigorous

¹⁴ Alana Semuels. 'Values Added'. *Time*. December 2-9, 2019. p. 38. <https://time.com/5735415/woke-culture-political-companies/>

¹⁵ <https://www.royal.uk/queen%E2%80%99s-christmas-broadcast-2019>

¹⁶ <https://www.un.org/sustainabledevelopment/development-agenda/>

process that includes comprehensive third-party assessment of social and environmental performance on a range of metrics' and '[o]nly a fraction of applicant companies receive B Corp status on their first try'.¹⁷

Benefit corporations, distinct from B Corps, 'lock in positive social, environmental and community impact (in addition to profit) in their constitutional and governance documents' and those commitments 'cannot be changed by a new owner or a CEO deciding to change course.'¹⁸

It is not fanciful to imagine that, soon, all major global business firms will be held to the same standards as B Corporations and, indeed, may increasingly be judged by the criteria of benefit corporations.

Firms are unprepared

Despite heightened awareness, global firms—industrial, financial, services—have yet to come fully to terms with the imperative for broad-based, holistic corporate citizenship.

Corporate citizenship is stakeholder capitalism focused at the level of the individual enterprise. Most firms have not examined, much less integrated, the many practical effects of corporate citizenship. Implementing a fully-fledged form of corporate citizenship carries a multitude of implications for the management and governance of global firms.

Until now, senior managements have often adopted sustainable development and corporate social responsibility more from a spirit of compliance or fashion than from a conviction that corporate citizenship is good business, and is here to stay. Boards of directors have largely accepted the chief executive's assurances that the firm they govern is doing what it should in pursuit of worthy environmental and societal goals.

Industrial companies have generally attempted to improve existing processes and practices rather than fundamentally altering their business models—for example by truly practising the principles of the circular economy rather than merely attempting to reduce waste. As part of the re-examination of their business models, industrial companies will have to re-think their relationships with suppliers and customers, assess the integrity of their supply chains and distribution methods, adapt their offerings from disposable products to 'as a service' in the sharing economy and reposition their governance towards a stakeholder, 'purpose before profit'¹⁹ model.

Financial institutions and professional services firms will face the need to provide humanist-driven offers and outcomes rather than relying on technical forms of services that will be supplanted by digitalization.

¹⁷ April Rinne. '4 ways to build businesses that work for good, right now'. World Economic Forum. 22 November 2019. <https://www.weforum.org/agenda/2019/11/from-b-corps-to-zebras-4-ways-to-build-businesses-that-work-for-good/>

¹⁸ Ibid.

¹⁹ <https://www.edie.net/news/7/Business-must-place-purpose-before-profits--top-CEOs-urge/>

The reality is that all leading global business firms need to reconsider their business models. And they need to prove to society their ability to think globally and strategically, in order to remain leaders.

Corporate citizenship requires Global Strategic Leadership (GSL™)

Global firms will henceforth be expected to demonstrate the quality of their strategic thinking, not just the quality of their business performance. This is a paramount implication of corporate citizenship.

Global audiences will evaluate that strategic thinking as a critical indicator of the firm's corporate citizenship.

Financial markets will incorporate the quality of that strategic thinking in their valuation models.

The new kind of thinking that will be demanded of major firms as part of their corporate citizenship requires them to exercise Global Strategic Leadership (GSL™).

- GSL™ is *global*: the breadth and depth of thinking must be all-encompassing, address multi-stakeholder relationships from a pluri-disciplinary platform and extend beyond comfortable close-to-home geographies.
- GSL™ is *strategic*: the thinking within GSL™ must focus on major long-term issues facing the firm, its industry or profession and all societal stakeholders.
- GSL™ produces *leadership*: the firm achieves—and then must maintain—its status as a multi-stakeholder standard-setter for the best quality thinking about the fundamental strategic issues of its business, industry or professional sector within the widest definition of global society.

How a firm distinguishes itself through GSL™

GSL™ places the firm, in its areas of expertise, at the same level, and achieves the same quality of output, as the world's best think tanks, professional consultancies and research universities.

GSL™ deliverables make the firm the standard-setter in its industry or profession and reinforce the firm's brand equity.

To achieve GSL™, the firm will need to produce consistent GSL™ content that manifests its collective corporate intelligence. That content must be delivered in a variety of forms, on a variety of platforms, to a variety of audiences. The firm's representatives must be sought out as experts, to participate in shaping the global conversation, not just to convey corporate messages.

GSL™ requires cross-sector, multi-stakeholder leadership and impact from the firm. The firm's critical strategic intelligence on priority issues must be a model both within and beyond its industry. Building the firm's GSL™ requires inclusive change management within and around the firm,

across all its ecosystems—and, especially, buy-in and ownership at all levels throughout the entirety of the firm itself.

Benefits of GSL™

Senior managements of global firms should view GSL™ not as a luxury or an optional add-on but as an essential survival kit for the future health, welfare and even existence of their firm.

The discipline, rigour and professional process of achieving GSL™ will produce a positive impact on the firm's own strategic planning for itself.

GSL™ can make an important difference to an organisation's ability to attract and retain talent.

GSL™ provides a competitive advantage to a firm in bidding for client contracts—indeed, may serve as a tie-breaker in winning customers.

GSL™ should produce a positive impact on the firm's share price. Faced with two otherwise identical companies, one demonstrating GSL™ and the other not, financial analysts and financial markets will almost certainly assign a privileged valuation multiple to the think-and-do firm over the do-only firm.

GSL™ should thus improve the quality of the firm's thinking, its positioning vis-à-vis all its stakeholders and its reputation. In so doing, GSL™ allows the firm to gain trust and value.

CogitoPraxis drives GSL™

The CogitoPraxis GSL™ model gives equal importance to high-quality thinking and effective practical action.

CogitoPraxis cultivates a spirit of coordinated interaction with appropriate client firm leaders.

CogitoPraxis's networks of partners and experts provide the client firm access to worldwide GSL™ intelligence.

CogitoPraxis designs, executes and re-evaluates its GSL™ assignment jointly with the client firm, consistently seeking collaborative solutions and positive outcomes.

The ultimate goal of CogitoPraxis is to advise and assist each client firm to achieve its own best form of GSL™.

Achieving GSL™ typically involves five stages: assessment, objectives, strategy, implementation, impact.

1 Assessment

In the assessment phase, CogitoPraxis and the client firm's GSL™ team review the client firm's thought leadership today, compare it to industry peers and global best practice, and map its ecosystems.

- Assemble a multi-disciplinary team from within the client firm with clear top-level commitment.
- Review all appropriate and available sources of existing GSL™ expertise within the client firm.
- Professionally score the client firm vis-à-vis the full landscape of stakeholders in its ecosystem.
- Examine the client firm's outreach today, field test it against competitors, benchmark versus best practices.
- Deliverable: appraisal and analysis together with a set of concrete, detailed, practical recommendations.

2 Objectives

In order to achieve clear, consistent, concrete objectives, CogitoPraxis and the client firm's GSL™ team match the client firm's GSL™ ambitions to its purpose, its audiences, ecosystems and their variants.

- Achieve clarity and consistency on the alignment of the client firm's GSL™ and its corporate purpose.
- Enumerate and prioritize with the client firm team the target audiences / networks for its GSL™.
- Construct transformation maps of the cross-cutting thematics, disciplines, types of expertise to project.
- Examine sub-set strands of GSL™ concerning distinct business lines, geographies, GSL™ variations.
- Deliverable: clear road map with the client firm's leadership of desired outcomes and their timing.

3 Strategy

Building on a realistic assessment and realistic objectives, CogitoPraxis and the client firm GSL™ team construct a plan of action, each step coordinated with all the others, and a timeline for implementation.

- Compose a playbook to apply to all client firm GSL™ experts, spokespersons, practitioners.
- Determine desired sequencing / scheduling with the client firm's GSL™ team of GSL™ action items.
- Plan with the client firm's GSL™ team all GSL™ priority actions, eg content, format, outreach.
- Design GSL™ implementation scenarios by all client firm representatives with CRM-type follow-up.
- Deliverable: written / oral CogitoPraxis GSL™ presentations to client firm management and governance.

4 Implementation

CogitoPraxis stays with the client firm GSL™ team to manage initiatives and processes as the strategy is put into practice. This includes assistance with all forms of outreach and all networks of influence.

- Designate an in-house client firm expertise task force to centralize and manage the client firm's GSL™.
- Execute a phased multi-stakeholder GSL™ implementation plan together with client firm representatives.
- Capitalize on existing relationships to elaborate a series of multi-stakeholder networks of influence.
- Produce multi-platform GSL™ content, output, outreach; monitor roll-out based on CRM methodology.
- Deliverable: multi-year strategic plan translated into focused action steps that achieve GSL™.

5 Impact

CogitoPraxis and the client firm GSL™ team agree in advance on how to gauge the impact of the client firm's GSL™ once it is implemented; rigorously measure success against those criteria; identify improvements.

- Establish clear, timed GSL™ results and measurement criteria across the range of GSL™ initiatives.
- Set specific guidelines to determine desired quantitative and qualitative impact of GSL™ goals.
- Employ professional external evaluation methods (eg surveys) for objective impact assessment.
- Utilize the impact evaluation exercise to critique assessment, objectives, strategy, implementation.
- Deliverable: analysis of performance, recommendations on course corrections, strategy adjustments.

CogitoPraxis differs from other consultancies

CogitoPraxis assists leaders in optimizing their firm's strategic positioning as a corporate citizen.

We are not a traditional management consulting firm that advises on business processes.

We are not a conventional communications firm that advises on corporate messages.

We are focused on high-quality strategic thinking translated into effective practical action.

Our goals are:

- to support clients in achieving the highest-quality thinking in their areas of speciality and expertise;
- to collaborate in conveying that thinking to audiences across the client firm's ecosystems; and
- to create in the client firm the lasting stewardship to sustain, renew and perpetuate the client firm's GSL™.