



***A VIEW FROM THE TOP:
U.S. FORTUNE 1000 CEOs AND C-SUITE EXECUTIVES
ON SOCIAL PURPOSE AND ITS IMPACT ON BUSINESS***

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Introduction

This is the first Covestro i³ Index, an opinion research project commissioned by Covestro LLC as part of its i³ (ignite, imagine, innovate) corporate social responsibility (CSR) program in the United States. This inaugural research conducted by the independent research firm, SSRS, examines the recent trend of “corporate social purpose” from the perspective of Chief Executive Officers (CEOs) and other C-suite executives at U.S.-based Fortune 1000 companies.

Earlier this year, as the fieldwork for this survey was wrapping up, Blackrock CEO, Larry Fink, made international headlines when he called on CEOs of public companies “to make a positive contribution to society” in his annual letter.

“Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.

Without a sense of purpose, no company, either public or private, can achieve its full potential. It will ultimately lose the license to operate from key stakeholders.”

In fact, over the past few years, the terms “corporate social purpose” and “purpose-driven brands and companies” have begun permeating the nomenclature of corporate America, with the concept of corporate social purpose gaining prominence among management thought leaders. For example, since 2015, the EY Beacon Institute has published annual reports on corporate purpose, including “The Business Case for Purpose” (2015, with Harvard Business Review Analytic Service), “The State of the Debate on Purpose in Business” (2016) and “How can purpose reveal a path through disruption? Mapping the journey from rhetoric to reality.” (2017).

The 2016 PwC Global CEO survey also touched on the trend. In it, some 44 percent of CEOs leading global companies predicted that their customers will continue seeking relationships with organizations that address wider stakeholder needs. They also believed the trend of top talent wanting to work for companies whose social values align with their own is one that will continue through 2020.¹

Other experts on the issue also have emerged. One is Aaron Hurst. Hurst is the founder of Imperative, an organization that helps public companies and others find their social purpose, and also the author of *The Purpose Economy*. He contends we are now in the process of moving from the Information Economy to the Purpose Economy, where value lies in establishing purpose for employees and customers by serving needs greater than their own, thereby enabling personal growth and building community.²

Covestro experienced these trendlines firsthand at its outset. When Covestro officially became its own, independent company in the fall of 2015, it faced mounting concern from its own employees who sought assurances that they would be allowed to continue their own purpose work in the community.

That was one part of the impetus for this survey’s focus on corporate social purpose. The other was that the previous research noted above centered primarily on executives of global

¹ PwC 19th Annual CEO Survey (January 2016)

² *The Purpose Economy*, 2nd Edition (Elevate, October 2016)

companies. With the i³ Index, Covestro was interested in ascertaining whether the opinions of the global CEOs were in line with those of their U.S.-based counterparts. In other words, we wanted to uncover what is going on at companies across this country.

This research, then, looks at corporate social purpose in two distinct ways. First, the senior executives are asked about company or organizational purpose. For example, has the purpose trend taken hold at U.S. companies? Do they find different stakeholders are demanding their company have a stated social purpose today? If so, which stakeholders are making such demands? Has being purpose-driven impacted talent recruitment? Do they see a conflict between being profit driven and purpose driven? Is social purpose impacting different business functions? If so, which ones and how?

The second part of the survey delves into another aspect of purpose – employees' personal sense of purpose. Last May, Facebook CEO Mark Zuckerberg made purpose the central theme of his commencement address at Harvard University, emphasizing the need to create a sense of purpose among all people in order to solve society's problems.³ Do the senior executives believe that empowering their employees' purpose is beneficial to both the individual and the company? Exactly how important is it today for employees and how important do they think it will be in the future? Is employee desire for purpose impacting the way companies handle talent recruitment and development? Are there approaches to purpose companies could be utilizing that could effectively benefit both their employees and their businesses?

This survey explores these and other questions.

³ Mark Zuckerberg's Commencement at Harvard, Harvard Gazette (May 2017)

Methodology and Respondent Profile

The survey was conducted by SSRS of Glen Mills, Pa. At the outset, a letter from Covestro LLC's president was mailed to 5,092 executives, inviting them to participate in the survey. Two methodologies were offered including an online survey and a telephone interview. In addition, executive interviewers from SSRS attempted to contact each executive from the Fortune 1000 list in an effort either to have the complete the survey via telephone at that time or to encourage each to complete it online.

In total, 100 surveys were completed with these executives. Data collection was completed between October 26, 2017 and January 16, 2018. The average interview length was 12 minutes.

The overall margin of error at the 95% confidence level is +/- 9.8%.

The following summarizes the profile of all CEOs/C-suite executives (n=100) interviewed.

- CEOs and COOs comprised 20 percent of the respondents; HR executives 26 percent; C-suite Giving/Sustainability executives 24 percent; Chief Communications Officers 9 percent; Chief Marketing Officers 6 percent; and, Other Executives 15 percent.
- The average age of the executives is 46 years old.
- 62 percent are male; 35 percent are female

The following summarizes the company firmographics.

- Industries across the board are represented in the survey, ranging from retail, manufacturing, wholesale trade, agriculture, forestry and mining, transportation, communications or utilities, to business and personal services, finance, insurance and real estate.
- Average number of employees is roughly 69,000.
- Average years in business is 59.

KEY FINDINGS

I. Corporate Social Purpose is on the Rise

Most CEOs/C-suite executives of U.S.-based Fortune 1000 companies say the age of the “purpose-driven” company has taken root – and will continue to grow in the coming decade – with a range of stakeholders driving the expectation that the country’s largest public companies move beyond the sole purpose of making money and embrace their responsibility to help improve society.

- At least half of those polled say that multiple stakeholders are demanding their companies be more purpose-driven; that is, that their companies have a stated purpose –beyond that of purely making a profit – that is aspirational, inspirational, serves multiple stakeholders and defines how its products and services help improve society.
- Employees – both new hires and current employees – are the primary drivers of demand for purpose-driven companies; followed by demand from customers and other stakeholders.

STAKEHOLDERS DEMANDING CORPORATIONS BE MORE PURPOSE-DRIVEN			
	Yes	No	Don’t Know
New Hires	77%	19%	4%
Current employees	76%	23%	1%
Customers	68%	30%	2%
Other stakeholders	61%	27%	12%
Regulators and policymakers	53%	40%	7%
Investors and shareholders	52%	40%	8%
Suppliers and vendors	44%	50%	6%

Not only do most CEOs/C-suite executives believe the trend for purpose-driven companies will continue, most also believe that a company’s success will hinge on its social purpose.

- Within the next decade, almost three-quarters (73 percent) of respondents predict the demand for purpose-driven companies among stakeholders will increase, compared to 9 percent who say it will decrease and 16 percent who believe it will stay the same.
- Four in five (80 percent) agree that for a business to be successful and grow in the future, it will be important (33 percent “strongly agree,” 47 percent “agree”) for them to clearly articulate and demonstrate a values-driven mission that balances profit and

purpose, with three-quarters (75 percent) believing these companies will have a competitive advantage over those that do not.

While a substantial number of the CEOs/C-suite executives believe there is a conflict between being profit- and purpose-driven, most also recognize the positive, transformational impact of having a social purpose and acknowledge this impact on the various business functions where they have integrated purpose.

- Half (51 percent) agree that there is an inherent tension between a company’s “traditional” purpose of being solely profit-driven and now having a broader focus on society and being purpose-driven.
- However, most (69 percent) also believe the act of balancing profit and purpose is having a positive transformational impact on businesses.
- Half or more report that integrating a purpose-driven approach has transformed different aspects of their business. Areas most impacted are Environment, Safety and Governance; Corporate Social Responsibility/Philanthropy; Communication and Reputation Management; and Human Resources/Talent Management.

IMPACT OF INTEGRATING PURPOSE INTO DIFFERENT BUSINESS FUNCTIONS				
	Yes	No	Don't Know	My company has not integrated a purpose-driven approach
Environment, Safety and Governance	71%	16%	4%	9%
Corporate Social Responsibility or Philanthropy	71%	16%	6%	7%
Communication and Reputation Management	71%	14%	5%	10%
Human Resources or Talent Management	60%	19%	6%	15%
Growth and Business Strategy	59%	23%	5%	13%
Sales and Marketing	54%	28%	5%	13%
Shareholder and Investor Relations	53%	27%	6%	14%
Innovation, R&D, and Products and Services	53%	25%	7%	15%

Today, top talent gravitates to purpose-driven companies, perhaps, in part, because of the concept of “Shared Value” they learned in college.

- Overwhelmingly, CEOs/C-suite executives say today, top talent is more inclined to work for companies that have a demonstrated commitment to social, environmental and sustainability issues (86 percent), compared to ones that do not. In fact, very few (8 percent) believe this is not a factor for top talent.

- Almost all senior executives believe the concept of “Shared Value,” which is now taught at an estimated 500 colleges and universities nationwide, has had an impact on today’s talent. More than eight in 10 (85 percent) report that new talent entering the workforce will expect companies to take a more active role in addressing social, environmental and sustainability issues.

* For their part, three in five (61 percent) executives say their companies have embraced the concept of “Shared Value” which links the health of companies and communities to create value for both. Another nearly one-quarter (22 percent) say they plan to embrace the concept. Only one in 10 (12 percent) of these Fortune 1000 executives say they have no plans to embrace this business concept.

II. Enabling Employee’s Personal Purpose is Also Important

In addition to their company’s organizational purpose, most CEOs/C-suite executives also recognize the importance of their employees’ personal sense of purpose for the employees themselves and for their companies, as well as giving their employees more opportunities for purpose work.

- Most of those polled (70 percent) recognize their employees represent a major force for social good; serve as company purpose ambassadors (64 percent); and, have the power to enhance the company’s reputation in the community (84 percent).

- More than two-thirds (68 percent) of those polled say it is important for their companies to empower their employees’ personal sense of purpose.

- Roughly two-thirds (64 percent) predict employee desire for purpose will increase over the next 10 years. According to these Executives, the growing desire for purpose is primarily considered generational and part of the Millennial mindset (33 percent). Other top reasons cited by the Executives include “people wanting to impact the world around them,” “an increased awareness of “purpose” as an evolving trend; and, an “increase in work/life integration”.

- Three-quarters (75 percent) believe that in the next decade, compensation alone will not be enough to successfully recruit and retain top talent. Rather, it will also be important (58 percent) or extremely important (17 percent) for companies – including theirs – to offer employees opportunities for personal purpose work inside and/or outside the company, citing things like volunteerism or community involvement.

Millennials are the group of employees driving the bus on purpose.

- Three-quarters (76 percent) report over the last five years they've seen an increase in the number of *millennials* who want to participate in purpose projects inside and/or outside the company, while nearly seven in 10 (69 percent) report witnessing an increase in GenXers who have wanted these opportunities. *Baby boomers*, they report, were less likely to have wanted them (46 percent).

Employee desire for purpose is impacting corporate culture and having a range of effects on Human Resource's (HR) approaches to talent recruitment and retention.

- Roughly seven in 10 CEOs/C-suite executives report that desire for purpose among their employees is impacting HR's ability to recruit and retain top talent (69 percent); prompting HR to rethink certain work policies (71 percent); and, driving changes in their corporate cultures (70 percent). Two-thirds say HR is being affected by this desire in other ways, too.

EMPLOYEE DESIRE FOR PURPOSE IMPACTS CORPORATE CULTURE AND HR PRACTICES						
	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree	Don't Know
Prompting HR to rethink work policies such as paid time-off for volunteer or community work, flextime; and /or telecommuting	25%	46%	18%	8%	3%	--
Driving changes in corporate culture	22%	48%	20%	7%	3%	--
Impacting HR's ability to recruit and retain top talent	24%	45%	19%	10%	2%	--
Compelling HR to work more closely with CSR to create new policies and programs that give employees the opportunity to be involved in societal projects	17%	50%	17%	10%	5%	1%
Transforming traditional approaches to talent recruitment and development, including compensation packages	14%	51%	17%	12%	3%	3%

Purpose work has a positive effect on employee engagement and performance.

- More than two-thirds (68 percent) of those polled believe their employees would be more engaged in their work and perform at higher levels if they had opportunities to be challenged by working on purpose projects inside and/or outside the company.

III. Skills-Based Volunteerism: A Way to Empower Employee Purpose

Skills-based volunteerism (SBV) is viewed by the C-suite as having the potential to benefit their employees in a number of ways, while also helping companies attract top talent, develop it and make it more productive. (SBV involves small teams of employees working on short-term consulting projects to help nonprofit organizations solve specific business challenges in areas like IT, accounting, finance, marketing and the like.)

- The vast majority agree this volunteer approach could help satisfy their employees' desire for purpose and hone their teamwork and/or leadership abilities (83 percent, respectively).
- More than three-quarters (77 percent) agree it could help employees develop new skills and/or strengthen existing ones, such as dealing with ambiguity.
- Two-thirds (67 percent) agree working on these SBV projects for nonprofits could actually help employees become more engaged and productive in their own work.

Senior executives also recognize a number of benefits SBV could have on their companies, especially when it comes to talent recruitment and development. It is seen as particularly effective for leadership development.

- SBV is seen by more than six in 10 (62 percent) CEOs/C-suite executives as a way to attract top talent; seven in 10 (70 percent) as a way to increase employee engagement; and, some eight in 10 (79 percent) as a way to develop future leaders at their companies.

BENEFITS OF SKILLS-BASED VOLUNTEERISM FOR EMPLOYEES TO CORPORATIONS			
	Yes	No	Don't Know
Develop future leaders	79%	17%	4%
Build reputational capital and enhance its corporate brand	75%	16%	9%
Transform its approach to traditional philanthropy	72%	24%	4%
Increase employee engagement	70%	23%	7%
Attract top talent	62%	30%	8%

- Most (70 percent) agree that SBV could provide their companies an effective talent and leadership development tool.
- Three-quarters (75 percent) believe a far more effective leadership development method is having employees participate in immersive, real-world business-oriented problem-solving with a diverse team of professionals, rather than having them attend classroom-style training sessions that involve lectures (only 19 percent).

Despite recognizing the potential benefits of SBV for their companies and their employees, few have utilized the approach at their companies.

- Only one-quarter (26 percent) of the CEOs/C-suite executives polled say that their companies have utilized skills-based volunteerism.
- Some 30 percent say they have considered utilizing the approach, while another 30 percent say they have not considered utilizing it.
- One in 10 (11 percent) say they have never heard of SBV.
