



What's a  
**CEO** to do?

T O O L K I T

**Rotman**

Michael Lee-Chin Family  
Institute for Corporate Citizenship

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**CEO** to do?

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Rod Lohin and Alison Kemper



To the extraordinary team at RBC Financial Group, who proved that a prudent company can also be bold.



Rotman School of Management  
UNIVERSITY OF TORONTO



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*What's new in this toolkit is a decision-making model that will help you make a coherent set of choices and build a dynamic portfolio of relevant issues and initiatives – the “Virtue Matrix.”*



## Foreword

It's clear that executives are under increasing pressure to ensure that the companies they lead are “good” – variously meaning ethical, responsible, sustainable, environmentally friendly, and respectful of laws, regulations and international codes of conduct. In short, that they are good corporate citizens.

In the face of this pressure, what's a CEO to do? How do you and your leadership team learn about, and make decisions about, the ever-broader range of societal issues, stakeholders and interests that you face?

The purpose of this toolkit is to help you do just that – understand and make choices about what your company should do to ensure that you're managing risks, as well as appropriately exploring and leveraging opportunities.

What's new in this toolkit is a decision-making model that will help you make a coherent set of choices and build a dynamic portfolio of relevant issues and initiatives – the “Virtue Matrix.”

The goal is to produce a set of decisions and commitments that are achievable, tenable, defensible, affordable and even profitable. Done well, it can result in your company being stronger and generating more value – for investors, employees, communities and society – than it was before. What could be more responsible than that?

**Roger Martin**

*Academic Director, Michael Lee-Chin Family  
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## Introduction

Corporate citizenship is getting more and more attention from the C-suite. Governance, ethics, supply-chain management, responsible investing and many other issues are being discussed at the most senior levels.

There is even a burgeoning supply of resources that can help you understand the rationale for corporate citizenship and that exhort you to “be responsible” (see Appendix 1). What’s largely missing is the “how to.” How to understand the issues most relevant to you. How to prioritize them and how to identify emerging issues that may have an enormous effect in the near future.





Most existing resources deal with the “case” for corporate citizenship – why it’s good not only for society, but also for the business. In qualitative terms, the case is increasingly obvious. Clearly, companies must understand and interact optimally with their operating environments in order to generate the greatest value – this is the essence of strategy.

However, in quantitative terms, the case for corporate citizenship can be slightly misleading. Broadly, research suggests that social or environmental responsibility is generally positive for financial results and reputation in aggregate (probably true).<sup>1</sup> But this conclusion is based on many good examples as well as many poor examples. The question is, how do you make choices that are most likely to add value to your company in your own competitive environment?

As well, there are a few familiar, much-lauded examples of best practices. Think The Body Shop (against animal testing) or Anglo American (HIV/AIDS treatment for local communities). Again, it should be understood that best practices were best at a particular time for particular companies and possibly for those industries, but they may not be best for yours. A best practice-based corporate

citizenship strategy for one company or industry might be an appalling failure for another.<sup>2</sup>

As you know, there are countless ways for companies to create value. You need a tool that will allow you to develop and choose the options which are best for your own company.

In this toolkit, you’ll use a tool to help you understand what to do and how to do it. It will take time and effort but, although it may be unfamiliar territory, it is very likely that you already have many of the systems, tools and resources necessary to understand your operating environment, make appropriate decisions, and implement and manage them. You don’t need to toss out everything that you know and understand in order to make corporate citizenship decisions.

What you need to do is recognize the validity of these new inputs to your company’s strategy and operations and to start allocating time and resources to a set of – very largely familiar – planning activities geared towards developing your corporate citizenship strategy.

Here’s how.

*The Virtue Matrix provides you and your team with a consistent framework for evaluating societal issues and demands relevant to your company.*



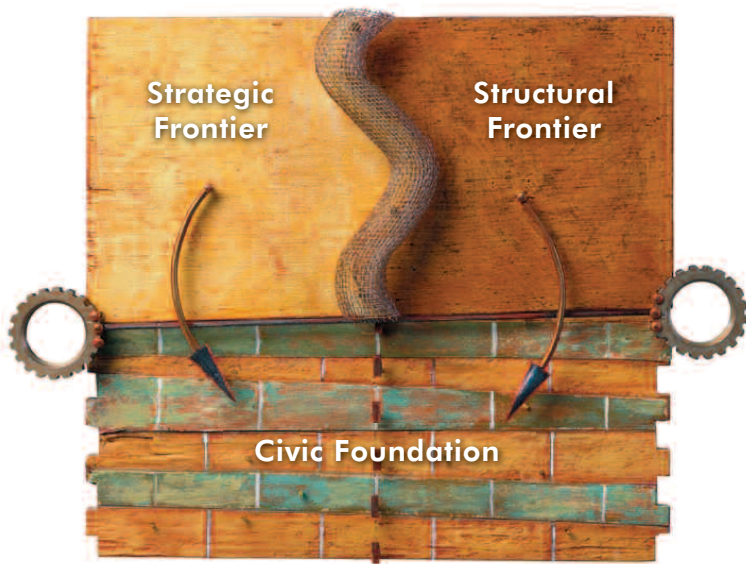


## The Virtue Matrix

In this toolkit, the primary tool is the Virtue Matrix, a model for strategic decision-making (see Figure 1). It was created to help you understand and make decisions about your company's approach to corporate citizenship.<sup>3</sup> It was developed by a strategy expert (rather than a philosopher of ethics) and tested in the field to help you and your team collect the appropriate information and make real-life, real-time decisions.

The Virtue Matrix provides you and your team with a consistent framework for evaluating societal issues and demands relevant to your company. It helps you choose what to do to ensure that you're keeping pace with ever-increasing regulations and compliance standards, as well as with industry norms and practices, and that you're keeping an eye open for emerging issues that may offer significant threats or opportunities to your company in the future.

**Figure 1 - The Virtue Matrix**



The Virtue Matrix is divided into two major domains.

The bottom half of the matrix is the “civil foundation,” which represents the current cultural norms, laws and regulations of an industry. These laws and regulations tend

to build up over time, as the economy advances (or “ratchets up” like the gears in the diagram). In developed economies, the civil foundation tends to be deep and robust, while it is often fragile in less-developed nations. A good example is child labour – clear norms and laws exist in developed countries, but are lacking elsewhere. However, companies are often held to the expectations and norms of their home countries, even if they choose to meet the potentially lower standards in their host communities abroad.

The top half is the “frontier,” which represents issues and activities that have yet to be part of the norms, laws and regulations of a society. They may present risks – and opportunities – to companies who track and understand them. Think climate change: in many countries there are still limited laws and regulations, but some companies have already started moving ahead with new initiatives in anticipation of regulation yet to come.

Now to the detail – the Virtue Matrix is organized into four quadrants:

*First, the compliance quadrant.* You already need to



know if your company is in full compliance with pertinent laws and regulations. Being in compliance is table stakes for companies operating today. If you're not in compliance with the key laws and regulations that cover your organization and its industry, you're going to find it difficult, if not impossible, to realize any returns on your investments in other corporate citizenship initiatives. Clearly, this is a complex area involving many aspects of an organization's operations. As an example, The Gap (like many others in the retail sector) has learned the price to be paid by having its supply chain out of compliance with labour standards at home and has taken many positive steps to improve. A more dramatic example is the demise of Arthur Andersen following criminal charges brought against it for its auditing of Enron.

***Second, the choice quadrant.*** Beyond laws and regulations, companies generally participate in a number of voluntary citizenship activities related to both community (such as community engagement, employee volunteerism, and philanthropy) and business practices (adherence to voluntary industry standards, responsible product development and sourcing, environmental footprint reduction, and corporate citizenship commitments and reporting).

Does your company adhere to, or exceed, industry and cultural norms and conventions? Are you a leader or a laggard within your industry with regard to community relations, encouraging volunteerism, and philanthropy? Do you voluntarily engage in, and keep up to, the standards required by industry associations? Do you seek to get your company listed on "responsible company" indices locally or internationally, such as the Dow Jones Sustainability Index or the FTSE4Good? Do you commit to voluntary initiatives such as the UN Global Compact, or comply with reporting standards such as the Global Reporting Initiative?

If you operate internationally, do you apply a single, global set of cultural standards in your work around the world? Or do you work within local mores and conventions? Are your standards different depending on the location of your operations? How do you ensure that your customers, employees and other key stakeholders maintain a consistent experience with your company, no matter where they are? The differences between global and multinational strategies apply to corporate citizenship, too.

One of the challenges of globalization is that it allows companies to choose to operate in environments without a strong “civil foundation.” This can mean lowering costs, but also lowering your compliance standards. Some companies find that it is a competitive advantage to maintain a high standard wherever they operate. For instance, Novartis has committed to “competitive and fair wages, which clearly exceed what is needed to cover basic living needs” wherever they operate – even when that goes beyond local labour standards.<sup>4</sup> Lack of adherence to the customs and norms in an industry or economy can result in a corporation being characterized as a laggard, which can have an impact on customer loyalty or in attracting and retaining employees.

***Third, and with the greatest potential for generating unique value for your company, is the strategic frontier.***

This quadrant represents the key opportunities for differentiation, branding and product innovation. The strategic frontier is in many ways the “sweet spot” of corporate citizenship, the category in which great reputations are made and innovative products change industries. Activities within the strategic frontier are in some ways analogous

to new products or product extensions – and require the same kind of business planning and resources to ensure appropriate alignment and resourcing.

In fact, like products, successful initiatives are often copied. Toyota’s commitment to hybrid engines and other fuel efficiencies provides them with a strategic advantage. Toyota’s products and their brand have gained value because of their long-standing commitment to efficiency and early-to-market solutions, but other auto companies are catching up fast. In this way, the leadership of one company in the strategic frontier can have the effect of moving an entire industry.

To identify these strategic issues and initiatives, you’ll need to understand what fits your organization’s unique capabilities, contributes to your key relationships and benefits your communities best. Ericsson – one of the world’s leading telecommunications equipment companies – leverages its greatest strengths, enhances customer and employee relationships and builds on a long history of helping in times of disaster, through its global citizenship strategy and program called Ericsson Response.<sup>5</sup> Through this initiative,

Ericsson seeks to improve the world's response to disasters by utilizing its global reach and telecommunications expertise – which makes their customers stand up and take notice. Other good examples include the leadership shown on social and environmental issues by Novo Nordisk (diabetes),<sup>6</sup> and Interface Flooring (environment).<sup>7</sup>

***Fourth, the structural frontier*** in which collective action is necessary. This quadrant comprises the citizenship issues that no one company could solve without costing more than the value it creates itself. Some of these issues can be solved only by regulation or other non-market solutions. When toy manufacturers and importers demand better product-testing regulations and enforcement, they are trying to solve a problem in the structural frontier. When large emitters of CO<sub>2</sub> demand that states and provinces create a cap and trade system for carbon, they too are trying to solve a structural problem. But other problems can be solved by firms working jointly on solutions. For example, the world's largest cement companies recognized the common challenge presented by the fact that they produce a disproportionately high share of the world's CO<sub>2</sub> emissions annually. Under the leadership

of Switzerland-based Holcim, the cement industry is collaborating to develop an alternative to mineral-based cement with far lower emissions.<sup>8</sup> In this way, Holcim used an initiative in the structural frontier to contribute to its corporate citizenship strategy.

Overall, the goal is to get your company to a place in which you are fully compliant, where you track or lead other companies in terms of choice and you have identified and taken on key strategic and structural frontier initiatives.

This is just a quick introduction to the Virtue Matrix; as you and your team work through it, you will be given further guidance and will become more familiar with how to use it. But, as with most strategy questions, there are no simple answers.

And now on to the process: using the Virtue Matrix.





## Using the Virtue Matrix

The following is an overview of a fairly intensive corporate citizenship strategic planning process. If possible, you may be able to connect this to your company's ongoing strategic, corporate or even divisional planning processes. You may have an executive whose role it is to co-ordinate these functions, in which case you can ask him or her to lead this process on your behalf and report to you at key junctures to hear recommendations and make choices. Or, you may also be able to link together current resources and expertise within your company – depending on your company's key issues – from your community relations, operations, health and safety, and environmental management teams.

### Getting Started

Your **first** step is to create a team to generate the appropriate information to help you understand the current situation and make recommendations about the future. Our experience suggests that the team needs a leader who reports directly



to the CEO or COO and is supported by a cross-disciplinary work group. A senior and trusted leader is required because corporate citizenship issues are an important aspect of a firm's overall corporate strategy and the CEO or COO needs to be confident that the work will be linked productively to that strategy. A senior leader is also important to show that it's the business of the senior team to consider these issues and that their involvement and ongoing reporting will help communicate the need for, and results of, the emerging strategy. A cross-disciplinary team is necessary because corporate citizenship issues tend to lie across the boundaries of a firm and need responsible managers from across the firm to assess them intelligently. You may be surprised to find that there are people throughout your company who are passionate about, and skilled in, navigating these issues – and you'll need them.

The **second** step is setting a goal for the team's work. We believe that the goal of the corporate citizenship planning process should be to create a set of priorities and actions among relevant societal issues that supports the firm's business strategy. Note that it is difficult to create a compelling citizenship strategy in the absence of a coherent business

strategy, in part because a citizenship strategy draws on much of the data and understanding of the industry, competitors and competitive dynamics facing the firm in question. Early links to the business strategy, a clear discussion of goals and agreement regarding what's on the table (what is a citizenship issue and what is not) will also help to keep your team on track as new issues, ideas and influences emerge.

The **third** step in getting started is to assess the state of play in the industry across the four quadrants of the Virtue Matrix:

- a. Compliance: The key regulatory compliance requirements in the industry/sector
- b. Choice: The prevailing industry norms in corporate citizenship
- c. Strategic Frontier: Key distinctive initiatives among competitors
- d. Structural Frontier: Initiatives on which the industry already works collaboratively

With these three steps in mind, the team is ready to begin identifying and prioritizing potential corporate citizenship priorities and initiatives.



## Case Study: RBC Financial Group

In December 2005, Barbara Stymiest, COO of RBC Financial Group (Canada's leading financial institution and one of North America's top banks by market capitalization) asked David Moorcroft, executive vice-president of corporate communications, to develop a corporate responsibility strategy for RBC. The strategy was expected to guide the bank's decisions about corporate responsibility priorities and implementation plans. David brought together a team of senior staff from various functions and business units, and shepherded the process. The corporate team's first step was to meet, review the expected project outcomes and discuss the framework to be used in the development of priorities and implementation plans. The team was guided by external experts, in this case, members of the Michael Lee-Chin Family Institute for Corporate Citizenship.

The RBC team prepared an overview of the competitive environment, including a scan of the priorities and practices of the major Canadian banks. Some priorities and practices were easily generated from public sources; others were neither public nor apparent. The conclusion of the competitive scan was that RBC could explore corporate responsibility leadership opportunities with few limitations, but that other banks were increasingly aligning corporate responsibility with strategy.



## Lessons learned:

1. Scope is tricky: It's easy to make the scope too narrow or too broad. In the case of RBC, the group was asked to be comprehensive in understanding the implications of corporate responsibility across the company, primarily at a corporate (rather than divisional) level.
2. Allies are everything: Ensuring that the senior executive team is well briefed about the objectives of the process and is consulted at key moments can help smooth uncertainty and drift. As well, you may find that some senior executives want to step up as unexpected champions.
3. Members are critical: Team members must have authority, represent a broad range of functions and have passion for the issues. Many RBC divisions were well represented, but some might have been more closely involved. A few team members changed during the process, which created challenges in keeping people connected to the original scope and framework. As well, passion made a difference – team members who were the most passionate often contributed the most.
4. Finding common ground isn't easy: The RBC team started strong and understood the advantages of a common framework. However, during the process, questions were raised about definitions and the applicability of the framework to RBC's particular case. While the tools used may have been generally applicable, the key was to find the strategy that fit RBC uniquely.
5. Research is time-consuming and challenging: In this qualitative universe, leveraging existing internal resources (market analysts, strategic planning units) and involving third-party research organizations (such as MSCI or Sustainalytics) can help to move things forward.
6. Analysis is crucial: although there may be hundreds of pages of information collected, the key is to develop insights. What's required? What's typical? What's distinctive? The team doesn't need to show all of its work, but it should be prepared to defend its analysis.

*The end result of sorting is to create a portfolio – like an investment portfolio – which reflects your best sense of balance among the various issues.*

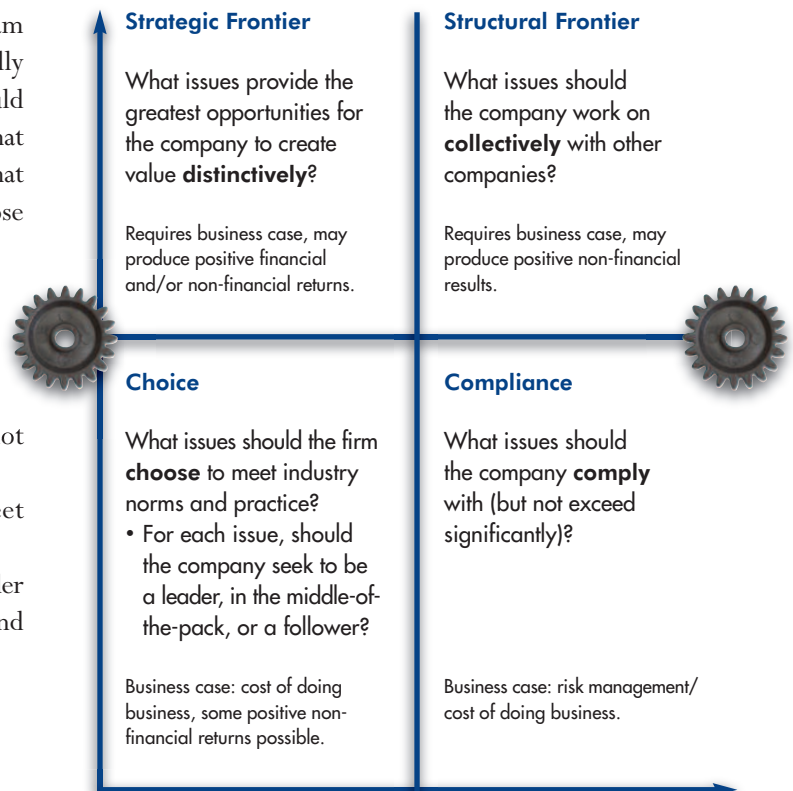


## Identifying and Prioritizing Potential Virtue Matrix Initiatives

Based on all of this information and analysis, the team should be in a position to generate a long list of potentially valuable social and environmental initiatives. These should take into account both industry-wide issues and issues that may be unique to the company, as well as those issues that are related to the company's international profile and those of key stakeholder interests.

Then, the long list of issues should be sorted into the four quadrants of the Virtue Matrix:

- What issues should the firm **comply** with (but not exceed significantly)?
- What issues should the firm **choose** only to meet industry norms and practice?
- What (very, very few) key issues should the firm consider engaging in beyond compliance requirements and industry norms?
  - Individually – **strategic frontier**
  - With other companies – **structural frontier**



The process of sorting encompasses many variables and many issues that involve many players, often in many different places around the world. There is no right answer, but there are good guesses. The sorting process is also dynamic; as one issue gets sorted, it can have an effect on others. The end result of sorting is to create a portfolio – like an investment portfolio – which reflects your best sense of balance among the various issues and can guide you regarding what’s most important and where to make investments.

The outcome of this first part of the planning process is to help the team, and you, gain *insight* into the major compliance issues that must be managed; the positioning options for your firm in this industry with respect to industry norms (leader, middle of the pack, follower); opportunities for your company to add significant and distinctive value on societal issues; and opportunities for collaborative action among industry players.



## Case Study

As a first step, the RBC team generated a long list of issues related to corporate responsibility, and discussed them.

Among many others, here are some examples of the issues considered:

- Access to financial services
- Consumer education
- Diversity (promoting diversity both in society and in the workplace)
- Employee engagement
- Environmental sustainability
- Corporate philanthropy
- Reporting, including non-financial reporting
- Supply chain management/responsible purchasing

The team then sorted the list of issues into the quadrants of the Virtue Matrix, as follows:

### *Compliance*

RBC listed many business and banking laws and regulations with which they are required to comply, such as the Bank Act (2001) and securities legislation and regulations, and anti-money-laundering legislation.

### *Choice*

- Reporting, including non-financial reporting
- Corporate philanthropy
- Supply chain management/responsible purchasing

### *Strategic frontier*

- Diversity
- Employee engagement
- Environmental sustainability

### *Structural frontier*

- Access to financial services
- Consumer education

### **Lessons learned:**

1. **Ambiguity:** The team was immediately confronted with the question, “what is considered a corporate responsibility issue and what is not?” The group decided to remain as inclusive as possible before prioritization.
2. **Specificity:** Many issues relevant to banks would not be relevant to companies in other industries. As well, RBC had to keep thinking about what might be uniquely relevant to them – where they might have a particular strategic strength or advantage.
3. **Alternative interpretations:** Some issues could be placed in either of two quadrants. For example, philanthropy within normal levels could be in the choice quadrant or it could be in the strategic frontier, if at a unique and extraordinary level.

## Deciding on Actions

At this point, it's time to get down to the specifics of what to do.

You may need to engage a broader group of people from inside (and potentially outside) your company to work out the details for issues in each quadrant.

## Compliance

For each issue in the compliance quadrant, you need to understand whether your company is demonstrably compliant. In most cases you will be, but you want assurable, reportable data. The key is to understand what systems and procedures your company uses to ensure and measure compliance. You may already be expected to report on compliance, or you may be considering providing more data to your stakeholders. Ultimately, you'll want to be in a position to declare that your compliance is assured by third parties. As noted previously, if you are unable to

satisfy yourself, your regulators or other watchful stakeholders of simple compliance, then your action regarding other corporate citizenship issues may well have very little value.

At the present time, being out of compliance carries much larger risks – financial and reputational – than ever before. Compliance is a cost of doing business, but it's also a risk management issue. Nevertheless, a prudent company will not only ensure compliance, it will also seek out opportunities to add value through improved data and the increased potential to manage costs and processes. Over time, your company can derive value in terms of cost efficiencies through simplified procedures, improved information collection and management.

Being in compliance is the domain of accountants, lawyers, consultants, engineers and other experts. If you have any doubts about your company's compliance, bring in the professionals.





## Case Study

### *Compliance*

The RBC team recognized that there were many, many legal and regulatory compliance issues, as a business, a bank, and for many of its individual divisions in all of the jurisdictions in which they operate. These included:

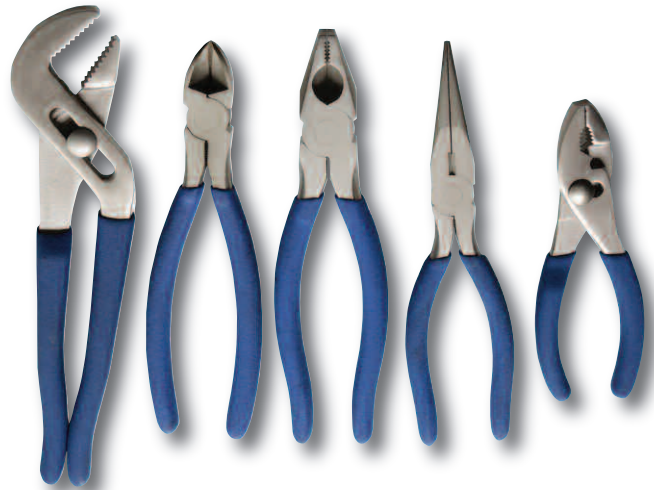
- The Bank Act (2001)
- Securities legislation and regulations
- Anti-money-laundering legislation

RBC already had processes in place to ensure that they were in compliance, so started a discussion of how to enhance compliance, including measurement and reporting, and improve over time.



## *Choice*

For each issue in the choice quadrant, the team should recommend a desired position among competitors – leader, middle of the pack, or follower – and a rationale for that position. Then the team should identify what part of your company, such as a unit or executive, should hold primary accountability for the issue and work with them to develop an action plan. Depending on the issue, the recommended position, and your company’s current level of involvement, this could mean business as usual or a significant upgrade in resources required. In some few cases, it might mean doing less about a particular issue that’s deemed to have limited value.



## Case Study

### *Choice*

From many possibilities in the choice quadrant, the RBC team highlighted the following issues and outlined the intended position of the bank (leader, middle of the pack, or follower):

- Philanthropy (leader)
- Reporting, including non-financial reporting (leader)
- Supply chain management/responsible purchasing (middle of the pack; explore opportunities for leadership)

These plans were referred to staff within RBC already working on these issues in order to test assumptions, clarify desired position, and understand if resource levels were appropriate for success.



## *Strategic frontier*

For each issue in the strategic frontier, your team will need to dig deeper by developing a quick business plan to clarify the issue as it relates to your company, outline possible approaches and assess the potential value (returns, risks and costs).

A suggested process is below, but your company may already have an established business, unit, product or project-planning capability that can be adapted to this purpose. One way to think about it is, “how do we make a decision of this magnitude (e.g. \$X million)?” On the basis of each plan, you can decide whether or not to proceed or how to adjust your approach to that issue to improve returns (whether bottom line, or in terms of goodwill or other intangibles).

For each strategic frontier option identified, your team should develop a “mini-business plan” which answers the questions below. The result will be used to understand the potential of each option and make decisions about which ones to pursue and resource.

### **Social issue**

- What is the issue? (a definition of the issue and its scope)

### **Desired outcome**

- Who is helped? (specify and quantify who will be helped)

- In what way? (identify how they will be helped specifically – if there are several targets or outcomes, prioritize them)

### **Tactics**

- What specifically will you do to approach/achieve the desired outcome? (if there are several outcomes, describe the mechanism for each)
- What’s distinctive?
- What can your company uniquely offer?

### **Rewards**

- Who will reward your company? How? (if there are several possible groups and rewards, prioritize and quantify each separately)

### **Resources required**

- What’s needed to achieve this? (develop a budget – depending on the option, may require a phased or even multi-year plan; could include proxies – comparisons to costs assumed by competitors or other companies)

### **Analysis and decision**

- Select the leading initiatives (perhaps only one, but no more than three) to be developed as the company’s strategic initiatives
- “Demote” remainders to choice or compliance quadrants

*On the basis of each plan, you can decide whether or not to proceed or how to adjust your approach to that issue to improve returns (whether bottom line, or in terms of goodwill or other intangibles).*



An important consideration in the strategic frontier is that the issues to pursue aren't always obvious. There may well be obvious issues that impact all companies within your industry or operating environment. Think environmental sustainability for natural resources industries. Or supply chain management for retail. Some ranking organizations, such as Sustainalytics, even cite what they believe to be the most "intensive" issues in each industry, such as emissions for airlines. For most companies, it's critical not only to ensure compliance with these intensive issues, but to maintain a position comparable to, or even slightly better than, your competitors'. Achieving a clear leadership position, distinctive from your competitors, can be a big proposition. Even if you can achieve an indisputable leadership position among your competitors in one of these key issues, you run the risk of being compared to companies in other industries who may well be doing more on that issue and whom you could never surpass.

So, the leadership opportunities might just be found among the less obvious issues – where you can do something distinctive within your industry or perhaps even among a range of industries, and which won't bankrupt you to do so.

For example, while mining companies such as Anglo American are working hard to minimize their environmental impact, it would be difficult to find one that is considered an indisputable corporate leader in environmental protection. However, Anglo American was a pioneer in providing anti-retroviral HIV/AIDS drugs and community health programs to their employees and the communities in which they operate. This practice has been widely cited as an example of leading corporate citizenship initiatives, but it also has a clear business benefit – healthy employees and communities mean more productive mines and lower human resources costs.

On the other hand, a few years ago BP took the bold step of rebranding and repositioning itself based on one of its industry's core issues by aspiring to be "Beyond Petroleum." This profound shift was met with a mixture of applause and skepticism, but ultimately proved to be unsustainable. BP has since reversed this fundamental move.



## Case Study

### *Strategic frontier*

The RBC team identified three issues that they felt had the potential to both demonstrate RBC's clear leadership among Canadian businesses and provide a clear return on investment:

- Diversity (promoting diversity in society and in the workplace)
- Employee engagement
- Environmental sustainability

RBC had long been committed to promoting diversity and chose to continue its leadership. However, it recognized that issues have life cycles and that the diversity was a maturing issue for the bank, for its competitors and for the public. RBC therefore looked for another issue, earlier in its life cycle, upon which to build a future leadership position.

RBC also conducted a deep review of becoming a de facto leader in "employee engagement," competing not only with other banks, but with other employers at large. Would it be worth the investment to compete with some of the most progressive firms in the world, such as Google or Ideo, when it comes to employment practices? The review concluded that RBC's employee programs were already strong and

appropriately resourced, and additional investments would not significantly increase employee engagement. On this basis, the "employee engagement" option was transferred to the choice quadrant, where RBC decided to maintain its strong position within the industry.

During the period of the review, public discourse about environmental sustainability grew to an astonishing degree. This supported the RBC team's interest in the environment as an inescapably important issue early in its life cycle. As well, champions within the bank found ways to connect RBC to the environment that were focused, consistent with the brand and with a long-term view, through what became RBC's Environmental Blueprint and its particular focus on the RBC Blue Water Project, an innovative 10-year, \$50 million grant program to support projects dedicated to watershed conservation and access to clean drinking water in Canada and around the world.

As well, other issues emerged from within RBC during the period of the project, including the bank's potential roles in health and wellness, and in mental health. These issues were reviewed using the planning tools developed, but proved more compelling for particular divisions of the bank than for the bank overall.

## *Structural frontier*

For each issue in the structural frontier, your team needs to outline where to place the project (who should have the accountability), the steps to be taken to engage other companies or other interests such as government or NGOs and the resources required.

Initiatives in this quadrant are, by their nature, complicated because they involve the co-ordination of multiple parties with different interests and time horizons. Left to develop their own momentum or to be drawn into complex regulatory development processes, they can become sinkholes of time and effort. However, it is likely that you have talent and capacity already – your company may already be involved in issues common to your industry or operating environment through industry associations, government relations and industry-government task forces.

The key is to identify issues that have yet to be widely accepted, but in which joint action is necessary or in which

regulation may well be inevitable. The recent cases of large U.S. companies advocating for (rather than against) a universal health-care system, given rising costs, is one notable example. The Cement Sustainability Initiative to reduce CO2 emissions is another.

Such joint action might also be undertaken by emerging companies within maturing industries. For example, alternative energy providers are now banding together to seek appropriate pricing for energy, in particular, to include the cost of carbon. The advantage of this will be to create energy pricing levels that would sustain newer forms of energy generation (wind, solar, water, etc.), which are currently more expensive, and potentially to add costs to their more mature competitors. Similar things are happening within alternative food production and retailing companies, who are seeking regulatory support for non-genetically modified foods or organic products. These up-and-comers seek to position themselves as being not only the ethical companies, but the more sustainable businesses as well.





## Case Study

### *Structural frontier*

Among many issues discussed, the RBC team noted two issues common to banks that they were willing to consider in greater depth.

- Access to financial services
- Consumer education

Upon review, RBC reaffirmed their support for ongoing industry association activities regarding these issues, and referred them to the retail bank, government relations and compliance teams to explore further.



## Making it happen

To this point, your team will have researched, discussed and identified a set of corporate citizenship priorities. Getting to this point isn't as simple as following a checklist or filling in the blanks. There are clearly many variables in any planning process – strategies, divisional priorities, personalities, external pressures, time and resources. There's also the question of how your corporate citizenship priorities might fit into the company's overall priorities and the governance processes that choose them. Every company is so different that it's difficult to speculate here or to give much guidance, other than to say that you know your company, its priorities, approval processes and culture best and your team needs your sense of what fits and what doesn't.

It's critical to fit the suggested process into your company's way of doing things, rather than bolting on something that doesn't work for you. Your leadership, experience and judgment are critical here. Without bringing these to bear at key points and visibly showing your support, this process won't give you what you need – a clear sense of what's likely to affect your company and what to do about it.

Then, act on it. By embarking on this process, you'll have raised expectations both internally and externally. You might not like everything that you see, but you need to decide what to do, do it and be seen doing it. It won't be easy, but it's harder to be caught by surprise, be reactive and be pushed to do something which you wouldn't have done, given the choice. This is your chance to choose, act and, quite possibly, succeed.



## Case Study

The RBC team met with Barbara Stymiest, COO, to share their recommended corporate responsibility strategy, a “portfolio” of activities and estimates of the initial implementation steps and resources. Based on her approval, the plan was presented to the RBC Global Functions Operating Committee (OC) and finally, to RBC Group Executive (GE).

The proposed strategy was for RBC to take a clear leadership position on two key issues (environmental sustainability and diversity), ensure that it remained a strong player among Canadian banks across several other issues, and ensure compliance in all of its responsibility requirements.

Using the Virtue Matrix, RBC developed the following portfolio of priorities:



Approvals were by no means automatic. The strategy faced tough questions and some concerns that RBC was venturing into uncharted territory, particularly with respect to environmental sustainability. However, the project was eventually approved as a result of the energy of the project team and the thoughtfulness of their strategy, the involvement of key leaders (including new champions who emerged during the process and recognized the potential to complement the overall brand strategy), and the rising tide of public interest and debate regarding the environment.

Ultimately, RBC approved the bold plan that emerged from this process. They moved quickly to create a new corporate citizenship team that encompassed philanthropy, environmental affairs and corporate responsibility communications and reporting, and ensured that they were closely aligned with the brand, sponsorship, advertising and communications teams.

In 2008, the Interbrand survey of the world's most valuable brands said: "RBC wins on market penetration and supports it with local community involvement and corporate social responsibility successes. It recently announced the Blue Water Project that will secure water resources into the future, was cited as Canada's top corporate citizen in 2007 and has been recognized as one of the top 100 sustainable companies in the world."

But RBC is not resting on its laurels. It will continue to monitor emerging issues, support key activities and manage its responsibility commitments to maintain and grow its lead.



## Conclusion

Mapping out your company's future and guiding it there are difficult-enough challenges. But the range of issues that you need to consider, be ready for and act on becomes bigger and more complex every day. This is true not only for your company, but for all companies.

This toolkit provides you with conceptual tools and a step-by-step set of actions to take to better understand your company's key issues and what to do about them. Rather than responding defensively, as many corporations do, you will be able to answer thoroughly and confidently any questions about what you are doing and why.

As Michael Porter says about the challenge of corporate citizenship, "I think we do ourselves a disservice when we

don't really have the pride in our potential and the impact that we can have. And I think the more we can be clear about what we're doing and why we're doing it, the more we can be strategic about it in terms of which issues we're taking on and which ones are important issues that we just can't take on. The more we can be clear about that, I think, the more respected business will ultimately be."<sup>9</sup>

Clearly this is an evolving field. That you are taking on this challenge suggests that you are hopeful about the potential and the impact that you can have.

As you move forward, we invite you to ask questions, give us your feedback and share your results. Contact us at [citizenship@rotman.utoronto.ca](mailto:citizenship@rotman.utoronto.ca)



## Appendix 1: Resources

Business for Social Responsibility  
[www.bsr.org](http://www.bsr.org)

Canadian Centre for Social Entrepreneurship  
[www.bus.ualberta.ca/ccse](http://www.bus.ualberta.ca/ccse)

Carbon Disclosure Project  
[www.cdproject.net](http://www.cdproject.net)

CasePlace.org  
[www.caseplace.org](http://www.caseplace.org)

Caux Round Table  
[www.cauxroundtable.org](http://www.cauxroundtable.org)

Canadian Business for Social Responsibility  
[www.cbsr.ca](http://www.cbsr.ca)

Conference Board of Canada - Governance and  
Corporate Social Responsibility  
[www.conferenceboard.ca/gcsr](http://www.conferenceboard.ca/gcsr)

CSR Europe  
[www.csreurope.org](http://www.csreurope.org)

CSRwire – CSR reports  
[www.csrwire.com](http://www.csrwire.com)

Dow Jones Sustainability Indexes  
[www.sustainability-index.com](http://www.sustainability-index.com)

Global Reporting Initiative  
[www.globalreporting.org](http://www.globalreporting.org)

IISD International Institute for Sustainable Development  
[www.iisd.org](http://www.iisd.org)

Organisation for Economic Co-operation and Development  
[www.oecd.org](http://www.oecd.org)

Prince of Wales International Business Leaders Forum  
[www.iblf.org](http://www.iblf.org)

UK Business in the Community  
[www.bitc.org.uk](http://www.bitc.org.uk)

UN Global Compact  
[www.unglobalcompact.org](http://www.unglobalcompact.org)

UN Research in Social Development  
[www.unrisd.org](http://www.unrisd.org)

World Business Council for Sustainable Development  
[www.wbcasd.org](http://www.wbcasd.org)

World Economic Forum – Corporate Citizenship  
[www.weforum.org/en/initiatives/corporatecitizenship/index.htm](http://www.weforum.org/en/initiatives/corporatecitizenship/index.htm)

## Appendix 2: References

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- <sup>2</sup> Michael E. Porter and Mark R. Kramer, “The competitive advantage of corporate philanthropy,” *Harvard Business Review* 80, no. 12 (December 2002): 56-68.
- <sup>3</sup> Roger L. Martin, “The virtue matrix: calculating the return on corporate responsibility,” *Harvard Business Review* 80, no. 3 (March 2002): 68-75.
- <sup>4</sup> According to BSR, <http://www.bsr.org/consulting/impact/impact-details.cfm?DocumentID=13>.
- <sup>5</sup> Ericsson Response Program, [http://www.ericsson.com/ericsson/corporate\\_responsibility/ericssonresponse/index.shtml](http://www.ericsson.com/ericsson/corporate_responsibility/ericssonresponse/index.shtml).
- <sup>6</sup> Lars Christian Lassen and Mads Krogsgaard Thomsen, “Global health: the ethical responsibility of the pharmaceutical industry,” *Danish medical bulletin* 54, no. 1 (February 2007): 35-6.
- <sup>7</sup> Five Winds International, “Green Procurement at Interface,” [http://www.fivewinds.com/uploadedfiles\\_shared/Interface/GP040127.pdf](http://www.fivewinds.com/uploadedfiles_shared/Interface/GP040127.pdf).
- <sup>8</sup> “Cement Sustainability Initiative (CSI),” <http://www.wbcdcement.org/>.
- <sup>9</sup> Michael Porter, presentation on “Corporate Citizenship: Towards a Strategic Framework,” Rotman School of Management (April 8, 2005).

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