



CEO activism: Reshaping social responsibility

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These days, CEOs need to do more than just lead companies. More and more they are also expected to lead the charge and weigh in on broader issues in society. To explore this topic, we'll be joined by Nick Aster. Nick is a founder of TriplePundit, an online publication focused on sustainability in business. Afterward we'll hear from my

colleagues Art Mazor and Amy Silverstein on how CEOs and their leadership teams are navigating the challenges in combining purpose and profit, both personally and for their business.

Arthur Mazor (Art): Hi everyone, welcome to Capital H and thanks for joining. My name is Art Mazor, and I'm a partner in our Consulting practice at Deloitte, looking after a variety of work we do in our Human Capital space, from digital to HR strategy

and employee experience around the world, and I am delighted to be joined today by Nick Aster. We'll let Nick introduce himself because he's got a really exciting background. Nick, I know you have just joined us here for the first time on this program, so welcome.

Nick Aster: Thanks very much.

Art: I know, some folks may know you well as having founded TriplePundit and done some amazing work out there around generating news and ideas around how business can make the world a better



place, but you've been up to some new and exciting things lately. Maybe share a little bit about what you're doing.

Nick: Thanks for that, Art. So in a nutshell, I've been running TriplePundit for the better part of 13 years, building that conversation, and I like to call it a conversation into one of the leading resources on CSR and the intersection of sustainability and media among many other topics that we've covered. That company was acquired a little over a year ago by 3BL Media, and in the last four or five months I've been working on a couple of new things. Getting a little bit more involved in the impact investing space, which is a little bit different from CSR. We're talking more about funding new companies and new startups and new organizations to address some of our sustainability challenges, but still very much involved in the CSR space as well. Doing a little bit of consulting for a variety of different companies, and particularly when it comes to communicating CSR, and also working with the founders of SOCAP, the Social Capital Markets Conference that's been around for a little over 10 years, on a new conference that we're going to launch next year. It's called the transform series, and it will be about bringing together investors, folks with ideas, to address ideas and we're calling it at the intersection of climate, community, and capital. We can talk all kinds of talk about that another time, but if you're interested in learning more you can check out the transformseries.net and learn all about it.

Art: Very cool. Well, you've got no shortage of activities going on, that's exciting. Well, you may have seen, Nick, this past year we published our latest Human Capital trends report and the cover trend and story, the heart of it all, is really around this idea and the rise of the social enterprise, which business is expected to really perform and do the right thing in the communities where they work and live in a way that perhaps we've not seen as prominently in the past. So maybe you can step back a bit with us and start first with your view on the role of the CEO as it relates to taking on overall corporate social responsibility.

Nick: Well, first of all, you know, I think we want to step back a bit to define what we

mean by corporate social responsibility. And, you know, to echo some of the trends that you just mentioned, there is an increasing amount of pressure on companies to at least express that they care about some of the major issues that the world is facing, but at the end of the day the reason a CEO needs to be a part of this conversation is that you can only do so much at the employee level; you can only do so much at the grass roots level. If you don't have a CEO saying that this is something that the company needs to address, that this is something that the company needs to stand for to help articulate what the mission is of the company, you know, whatever that happens to be, whatever is most material and important to that company, if you don't have a certain amount of top-down leadership on that subject, it really can only go so far.

Art: Yeah, for sure. We recently also were struck by the imperative that's happening for organizations' C-suite to collaborate, right? We call it the symphonic C-suite—this idea that each of the members of that C-suite tends to work on issues or challenges within their own spaces and then come together as leadership team, and yet increasingly we're finding that the C-suite needs to work together on certain initiatives. Do you have a take on that as it relates to social responsibility?

Nick: Yeah, that's actually a really good observation. It's funny and it's sort of ironic but at the same time we've had the rise of positions like CSO or director of sustainability or people that are directors of CSR and so on, which is great, but one of the fundamental things about, and I use the words "sustainability" and "CSR" a little bit interchangeably, but neither of them are perfect terms. But one of the fundamental truths about those terms in this issue is that it's about connectivity and it's about the fact that in a holistic sense everything is connected, and it matters for your marketing department, it matters for your financial reporting, it matters for your PR, it matters for your product. It matters and it connects every part of the company. So at the end of the day another siloed role that is sort of the head of sustainability and who goes off and does the sustainability thing, sort of ironically doesn't really make much

sense, because fundamentally it's about collaboration and it's about making a case for why this stuff matters to literally all levels of an organization.

Well, a few things have changed. For one thing you have a certain generational shift and a consciousness shift. I think that there are lot of people clamoring for corporate action on issues since there were corporations, but in the last 10 to 15 years this has really started to become a much more mainstream issue. You also have on the downside a lot of challenges out there in the world. Folks are starting to recognize that we have a lot of pressures socially, we have a tremendous amount of pressures environmentally, and people are starting to realize that something needs to be done about these problems. So, increasingly you have started the CCOs making statements, in some cases being quite proactive about leading their companies' sustainability initiatives, and that's a relatively new thing.

Art: Yeah. As a result of that it seems like we've got more commercial organizations who are taking public stands on issues, with certainly risks and rewards to both of that. I'm seeing some of that play out in the press. What do you see though as some of the risks and rewards when CEO or other C-suite members perhaps make a public stand on a particular issue?

Nick: Sure, you know, I think that the reward is always that somehow this is going to pay off in a business sense and often that's a long-term payoff. So, perhaps that's part of the risk, is that taking a stand may not pay off for quite some time. Then of course there's also a risk that there's going to be a backlash. We've had companies and CEOs take stands on certain topics that are more controversial than others, and I don't have the list in front of me, but I think HBR put out sort of a list of various different issues that people are touched by, and on the less controversial, certain environmental issues, and so on, and then it goes all the way down to issues like abortion, which you still sort of don't touch, and for a lot of different reasons. But somewhere in that spectrum of potential controversy, you know, you'll find a higher or lower risk toward taking a stand. At the end of the day, though, it shouldn't be just about sort of looking at that risk list, but

it really ought to be about a company or a CEO taking a stand on something that I think is material to what the company is all about, and to what the mission of that company is all about.

Art: Yeah. And you described that there's so much risk that can be not only to the organization, but also to the individual leader. I mean there's consequences to those choices that individuals may make. As you have explored these, do you see certain instances of CEO sort of taking stand or maybe activism, some might call it, being most effective?

Nick: A couple of good examples that come to mind. First of all, it can be particularly effective if there's been some kind of a crisis. You may recall there were a couple of cops that hassled a guy in a Starbucks in Philadelphia, and the CEO of Starbucks, Howard Schultz, immediately proclaimed that all Starbucks were going to be closed on a particular day for a big employee training session on understanding diversity and race issues and so on. That was a pretty bold thing to do even if, you know, at the very least, if it did nothing but get people talking about issues and get employees sitting around and talking about the issues. I feel like it was something first of all, it probably took a hit to the bottom line for that day off, but at the end of the day I thought it was a very, very effective way of addressing the issue and to solve the issue, but it shows a good deal of consciousness on his part and a good deal of proactive action on his part as well. Salesforce is a pretty good example. There are a lot of challenges in San Francisco with homelessness and housing issues and other urban issues that take place in the city. Salesforce is one of the few big tech companies that is actually headquartered in San Francisco as opposed to Silicon Valley. I think Marc Benioff is very conscious of that and since the beginning he has made, you know, ultimately culminating with this one percent, I forget what he calls this, the one-to-one-to-one program, where they're putting away one percent of their time, one percent of their profits or chunk of money and chunk of other efforts toward addressing some of those urban issues, particularly homelessness and some of the other issues affecting poverty in the city and by extension therefore other cities. I think

that's earned him a lot of respect and it's ultimately earned that brand a great deal of respect.

Art: Those are awesome examples and great stories too as we think about the way in which organizations can take stands, be part of society, and yet produce on behalf of their shareholders. There are probably, you know, a CEO or maybe organizations that you think are getting it right around social responsibility.

Nick: Yeah, I think that's happening more and more. I think right now the kind of hero *de jour* is Paul Polman of Unilever, who recently retired, very recently I think, just about a month ago. He made headlines about 10 years ago, not only by standing up and starting to talk about climate change in particular, but also the basic incentive structure that in his mind is one of the reasons why companies have problems and why companies have bad reputations and why we wind up with ethical problems, Wall Street issues, and so on. And his solution was to eliminate quarterly reporting at his company. The mind-set being that we have a perverse incentive structure that rewards short-term thinking. When your bonus and your whole sort of purpose at a company revolves around next quarter's numbers, that is an incentive to juice the numbers and not think about what happens in a year or five years or 10 years and so on. So, by flipping those incentives to reward longer-term thinking, he believed that he was not only doing something right for the world, but also right for the company.

Art: You mentioned earlier some topics and types of social responsibility areas that CEOs and their respected teams may need to kind of steer clear of versus those they go after and feel confident in. Have you kind of found any particular ruleset or guardrails that work for you that you think are valuable for others in what to speak up on or what to stay silent about?

Nick: You know, I think that that's kind of a personal question depending on who you are and the nature of the company. There is that list that I mentioned that kind of scores issues from more to less controversial. Again I think that was a *Harvard Business Review* article, which you can find a link later.

So I suppose that might be a guiding tool if companies were sitting around worrying what things they should care about or not, but I think at the end of the day a company ought to start by caring about basic transparency and ethics of their own doing. Beyond that they should start to care about what is immediately material to the nature of the company. I mean if it's a manufacturer, we want to know what the environmental footprint of that manufacturing and the labor practices of that company and then beyond that we can get into more heady social issues that, you know, transcend what the company is all about and so on. So, I think there's sort of a focus on the core, what the company touches first, and make sure you're running a clean house there and making positive impact there and then we can talk about taking bigger, wider stands on issues.

Art: Now, I imagine that folks may be curious and since I've already managed to ask you what could be a personal question. What do you do when you're not thinking about social responsibility? Maybe that's what you think about all the time, but you must have some other things that interest you and connect well with your passions around this topic, so I'm sure folks would be interested in other areas of interest that you have.

Nick: Of me, personally?

Art: Yeah, what do you like to do?

Nick: Well, I like to go skiing. Enjoy hanging out with my family. We're living up here in Tahoe right now, which is a real gift and treat, but you know on the more abstract side I mean, yeah, you can't sit around and fret about social and environment issues at all times, but I'd like to think that, you know, I purport to have a reasonably high level of intellectual curiosity and consciousness about what's going on around me in general, and so I suppose that's something I'd like to do as well in day-to-day conversation. And, you know, just eager to build out a couple of the new businesses that I'm involved with, which have been very exciting, fundamentally to sort of grow this greater conversation that we're having right now, which is really about what is the role of business in terms of addressing the

challenges of the world, and by extension what are all of our roles in terms of how we interact with those businesses, how we spend our money, and how we build an economy that is ultimately not just just, and you know, more equal all around, but which is hopefully having a constructive and not extractive effect on the global ecosystem.

Art: That's awesome. Well Nick, thanks for taking the time with us here today on CapitalH.

Nick: My pleasure.

Burt: We just heard from Nick Aster about rising expectations for CEOs and companies to be proactive in addressing social issues. Next, Art Mazor and I will be joined by our Deloitte colleague, Amy Silverstein, to look more closely at how CEOs are taking a stand.

I'd like to welcome Amy Silverstein and Art Mazor to this portion of the program. We're going to have a quick roundtable conversation on the role of the CEO as activist and what we're seeing in the market, how different organizations are taking a stance or not taking a stance on this topic. Art, if you could say a few words by way of introduction and Amy, you as well. Art?

Art: Hey Burt, thanks, yeah, happy to continue on in the dialogue on this topic. It's certainly an important one and I'm delighted to be here. I'm one of our partners in Consulting and look after a variety of work that we do in the Human Capital space and particularly around the way that the world of digital intersects with the people of an organization and the way that the workforce experience and HR strategies can align to that, so delighted to be on here with you both.

Burt: Welcome, Art. And Amy, you are joining us from our Monitor Strategy practice. Please give us a little bit on your background.

Amy: Thank you, it's a pleasure to be here today. So, I colead our corporate social impact practice within the Monitor Institute by Deloitte, and the Monitor Institute is an impact-first practice that operates within Monitor Deloitte strategy. We advise in corporate practice, advise Fortune 500

companies and investment firms on how to find the "and" between profit and purpose, and CEO activism is certainly becoming a larger part of that conversation.

Burt: Wonderful. Thank you, Amy. We look forward to your perspective. So, today's topic is the rise of social enterprise looking through the lens of C-suite activism. We see many CEOs today taking a public stand, not just for their shareholders, but also for their employees, their customers, the environment, and the communities that they serve. This is a broad agenda and something new that we're seeing in the last couple of years. The C-suite executives are motivated by diverse interests, either external, internal, or even deeply personal, to raise awareness for social causes and leverage their influence to create social impact. So in a world that's hyper-charged with social and political issues, there is no shortage of topic. How are the C-suite executives that we're seeing effectively navigating this blurry line between speaking up and saying too much? What are the risks and rewards for C-suites to take a stand on social issues? Amy, let's start with you. I'd love to hear a little bit more about the work that you're doing. And how does this idea of social activism apply to a C-suite, whose traditional role has really just been increase shareholder value?

Amy: As you summarized, CEOs today are facing demands from all stakeholders, including shareholders, to lead with a higher purpose, but in the last 12 months especially these expectations have quickly escalated from purpose to a clear call for activism, and I'll give you a couple of examples. You know, in the last month Larry Fink's 2019 CEO letter came out in the *New York Times* reminding CEOs that the world needs your leadership and emphasized that there are certain issues like retirement that can't be solved without it. We're seeing mainstream investors and private equity investors back this up with ESG funds and Impact Investing Funds that are really putting these expectations into practice. Another example, in the last week the Edelman Trust Barometer highlights that society's expectations of business have now shifted closer to home, to their employers. Something like just over 70 percent of employees want their CEOs to take the lead on change, ahead of government imposing regulations. These are pretty significant pressures, which is a significant part of

what's driving our client activity.

Burt: That's very interesting, and I love that perspective. I wonder, Art, if we could bring you into the conversation. As our Human Capital global leader for HR strategy and employee experience, I know you are talking to a lot of senior executives. Earlier in the program you had the opportunity to speak with Nick Aster about the growing expectations of CEO. What does that bring to the discussion?

Art: You know I think, Burt, building on Amy's points, there is a real challenge that enterprises are facing now, it seems, not only about when and how to take a stand, but also how to engage the workforce that is part of their enterprise to make that happen, and what role do they play, and we're finding that in a number instances organizations are really grappling with which topics make most sense to take a stand on and then facing either support, backlash, or a combination of both from their workers, who also have important opinions about some of these topics. Some of these topics are sensitive in nature, some might perceive them to be political, others might believe that they're really social choices or personal beliefs, and when the workers of an enterprise discover that the company that they work for is taking a stand publicly they either cheer or they jeer, and I think that's weighing heavily on the minds of many of the C-suite executives we work with and certainly on the minds of those who have in some way shape or form accountability for stewarding and creating that positive workforce experience.

Burt: You talk about selecting the topics that they want to take a stand on. Is there a worry that choosing one but not another implicitly leaves the door open to that criticism, to say, you know, if you're talking about this one, you're talking about that, or is that prerogative being afforded these CEOs?

Art: Yeah, I mean I think you're hitting the heart of the challenge. You know, we have one large client we're working with today, for example, who is really struggling with trying to determine, you know, is there a framework or a set of guidelines, guardrails? You know, we're humans and we naturally look for ways to put things in boxes or to create rules that help us to logically

determine what is right versus wrong, what is good versus bad, what is a space we want to enter into or maybe not touch with a 10-foot pole. So I think we're really finding that this organization as an example among many others is looking for that, and I thought it was really interesting to hear the chief talent officer's perspective of this organization indicating that there is not yet a clear framework, and in fact each one of these types of topics requires thoughtful discussion and entertaining of ideas and maybe inputs that come from a wider array of stakeholders, whether it be focus groups of employees or senior leaders and even customers that may have a voice or need to have a voice in the organization's view.

Burt: Yeah, I think it sounds like a real possible dilemma for an organization, for a leader, and Amy, maybe your thoughts on this. As you look at this from the CEO perspective, from the organizational perspective, how are you seeing the balance of a CEO's personal principles and agenda conflicting with or driving or precipitating the broader leadership team discussion that they probably need to have before they take their organization down a particular path?

Amy: Well, it's an interesting question, and I think one point I would call out is that whether the passion is driven from the CEO or whether he or she is speaking on behalf of the organization, it's important that they recognize that in the public eye they are often seen as one and the same. I would present sort of a contrast to this sort of risk-management theme that we're talking about now to say that the social enterprise CEO recognizes this inextricable link between profit and purpose and that while there is risk to standing out in front, when done thoughtfully with careful analysis and clear consultation there can also be a real incentive. There could be real returns to the business for being seen as a leader and a purpose-driven leader. You know, there's examples of, it should work often there, with lots of data on increased consumer engagement, increased likelihood to purchase, increased employee engagement, and now more stronger investor confidence among CEOs who are willing to stand out in front on critical issues.

Burt: I really do see the confluence of multiple influences and multiple drivers and motivators here, customers, markets, talent, personal principles, and maybe this is a question to both of you or in turn. Art, let's start with you. How are you seeing organizations navigate the sort of changing landscape of what is viable and not viable as a position to take? In other words, have you seen any situation where an organization or a CEO has taken a position and then had to walk that back and kind of reformulate or recast their position? Because that's a risk, if we as an organization take a stand and then down the road we have to kind of back off from that. Have you seen that occur?

Art: Yeah, for sure. You know, and I'll sort of not comment on specific names of organizations, but rather I'd be just talking in general overview of what we've seen. I mean, I think there's multiple examples where organizations have come out, made a clear stand, and then had backlash from customers. To Amy's point, you know, customers have a view, and in some cases they vote with their wallets. You know, we've seen a variety of consumer products companies that have made a big stand on a particular topic and, you know, they've been prepared though for the potential that customers may decide that they're not aligned with that particular point of view and I think that's instructive in and of itself, right? You know, as C-suite executives and their teams collaborate to decide where they choose to take a stand, that they do so in full preparation for the possibility that their customers may have a view, and equally the workers will have a view. We've got a number of organizations where they took a stand. They thought it was the right thing to do, and they were shocked when their workforce had a reaction that was maybe not as positive as they felt in the C-suite it would be, or didn't even anticipate that the workers would have a view, and we've seen that in organizations where, you know, some have been out there working closely with, say, top secret government projects and in doing so working on initiatives that some people would view as negative and hearing the workforce kind of come out with a very strong point of view and in some cases caused those organizations to pull back even on contracts or agreements that they've had with customers because of their

view of the workforce saying we don't want to be a part of a company that is coming to the marketplace with those kinds of services. So I think we're kind of seeing it in both sides, with potential to either pull back to your point, or you know, be prepared to stand firm that they've made a choice and they want to stand up for it.

Burt: Yeah, that's a tough road. Amy, your thoughts on this idea of staying agile but also staying true to your principles.

Amy: It is interesting, as I was listening to Art, I'm thinking my most recent experience is with a CEO of a large, multibillion dollar enterprise who is dealing with a different flavor of this issue. Actually not having taken a stand and being silent on issues when their competitors were out and front, and are now trying to quickly pedal to catch up. But what we've advised and we advise across the board is that, you know, there are things CEOs can do to optimize the rewards out of the equation, and I would suggest the most fundamental is to proactively define a higher social purpose for the organization that's connected to their core business, that's connected to their values, brand identity, one that takes into account stakeholder interests from the outset. This becomes a North Star to help CEOs determine when to engage and how, and it also becomes a foundation of credibility behind them when they do stand out in front.

Art: Yeah, it certainly makes sense to not just blow in the wind with this trend or that trend but rather to have a position and stay to it. I think that reaction to that is one of, we see you're standing by your principles and that's respected.

Burt: Art, talk a little bit more. I know you focus on this area of employee experience, which is getting so much more attention and traction. How specifically do CEOs listen to their organization to understand what may or may not be a viable position to pursue or not pursue?

Art: I think it's a great call out and it's a becoming a bigger factor in these discussions from what we're seeing, you know, and I think what we're also finding is that the viewpoint is broadening beyond the full-time employee. We used to talk,

you know, to your point Burt, employee experience, and we're finding more and more organizations are recognizing that their workforce is actually broader than only people who are truly employed in a traditional sense. So we start to think about the broader workforce experience and we say, well, if there are enterprises who have very large populations emerging that are not just on-balance-sheet workers, but also off-balance-sheet, that it requires an even more thoughtful care around how taking a stand may impact the view of those who that organization is working to attract to in some way be part of the cause, part of working in the organization. And so I think if we broaden that lens, then it becomes an even more complex challenge, and so we're finding enterprises are spending much more energy today with a combination of sensing their populations that work within, to understand whether they've got particular points of view on topics. They're interacting with and engaging with certain employee or worker resource groups that exist among a variety of different groups of people that work inside of an enterprise who have like interests or like background, and bringing topics to those forums to understand points of view, not necessarily to get a polling by consensus, but rather to at least be prepared and understand the sentiment of the workforce and the way in which any stands that an organization might take could be received by that workforce. And I think this is becoming an increasingly interesting and more challenging space just given how in today's world, you know, we read the news in many instances on Twitter and we're learning things at a pace that is unprecedented. It's requiring enterprises to get sort of a litmus test or a measuring stick on the way in which their workforce may

believe particular issues could be impacted into their lives and as a result whether or how a company should take a stand. And I think we're finding, interestingly enough, the CHRO is in the kind of catbird seat, he or she is really being looked toward to help facilitate that. You know, we talk a lot about the future of HR, and the future of HR in large part, it needs to consider the way in which an enterprise plays inside of this new world of society, and it puts a new pressure on CHROs and their teams among the whole C-suite like we've never seen before.

Burt: Yeah, I can see a real role there for being a sounding board, being a catalyst.

Amy: I was just going to build on Art's point to say, you know, it's interesting that same approach to sensing, we are seeing—again going back to this idea of integrated purpose and profit—we're seeing companies apply this to their consumer base at a, you know, a very nuanced level, not to wholly influence a position but to help them determine where taking a stand will likely have a positive impact, on, frankly, on their consumer engagement and bottom line, and where there's some risk to be managed.




Burt: Absolutely. Well, Art and Amy, this has been a fascinating conversation, I think it's a topic that we would love to revisit and continue our discussions on, but we do need to wrap here. I really appreciate your thoughts and joining us for this continued discussion of how organizations are navigating this space. Thank you both for being here with us today.

We appreciate the insights of Nick Aster, along with my Deloitte colleagues Art Mazor

and Amy Silverstein into the role of CEOs in today's increasingly social enterprises. Join us for our next episode, from "Interesting to Irresistible," where we will explore the whys and hows of creating and sustaining an engaging employee experience. We'll be joined by Craig Mundy, vice president of human resources, strategic business units, for Ingersoll Rand, who will discuss how Ingersoll Rand has transformed their employee experience by introducing career progress and integrated career management and reward system.



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