

McKinsey Global Survey results:

Tackling sociopolitical issues in hard times

The financial crisis has increased the public's expectations of business's role in society. Most companies have maintained or increased their efforts to address sociopolitical issues, and many have already derived better-than-expected benefits from doing so.

Despite the global economic downturn, a greater proportion of executives than last year say large corporations make a positive contribution to the public good, according to the fourth annual McKinsey survey on the role of business in society.¹ Although a smaller share of executives than in 2007 say large corporations make a positive contribution to the public good (59 percent this year versus 67 percent in 2007), executives think the crisis has increased the public's expectations of business's role in society. In response, companies are maintaining or increasing their engagement in social and political issues. As a result, most are already reaping business benefits that far exceed a reputational boost.

For the fourth consecutive year, executives answered questions on which social and political issues will gain public prominence and which will have the greatest impact on shareholder value. This year, the survey also explored the impact of the financial crisis on companies' sociopolitical agendas and the financial benefits companies have gained from addressing a variety of social and political issues. Executives think the environment still commands the most public attention, but, as a result of the crisis, they expect executive compensation and companies' political influence and involvement to gain prominence. Nonetheless, the crisis has not changed their own long-term views on which issues will affect shareholder value the most: the environment (including climate change), companies' political influence, health care and other employee benefits, executive compensation, and privacy and data security.

¹The online survey was in the field in September 2009 and generated responses from 1,179 executives representing all regions, industries, functional specialties, and levels of seniority.



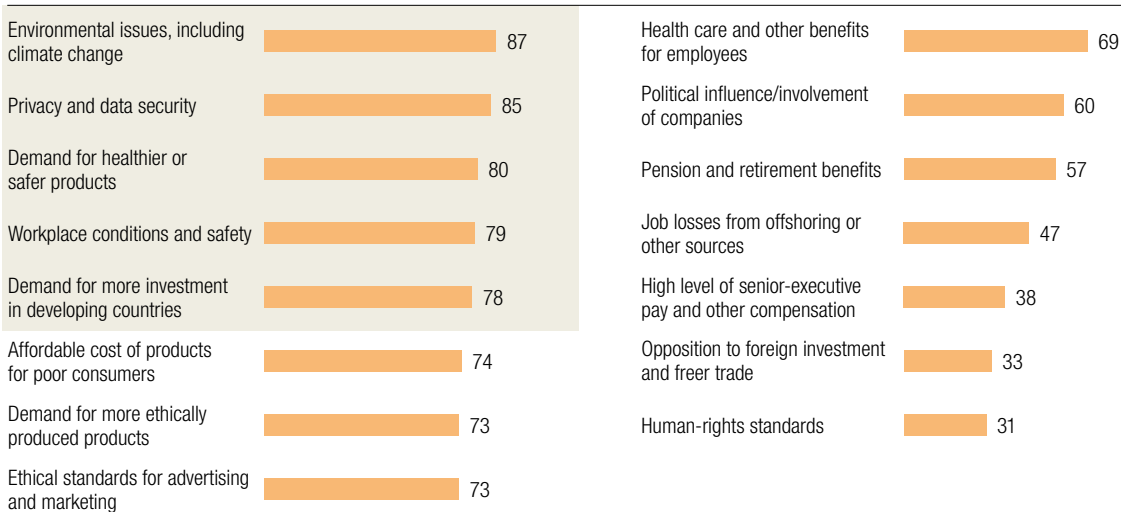
Value from engagement

In last year's survey, executives for the first time were more likely to view addressing social and political issues as an opportunity than as a risk (even though the survey was conducted in mid-September, just as the financial crisis was beginning to hit worldwide). The 2009 survey supports their views: at companies with clear criteria about the business goals of their sociopolitical agendas, executives report a variety of business benefits, including access to new markets and improved operational and workforce efficiency. The specific benefits depend on which issue is being addressed. Among the 87 percent of respondents whose companies are addressing environmental issues (Exhibit 1a), for example, executives report an improvement in operational efficiency (cited by 53 percent), brand loyalty (48 percent), and access to new markets (39 percent; see Exhibit 1b). In contrast, among the 85 percent of executives who say their companies are addressing privacy and data security, the proportions reporting business benefits are much lower.

Exhibit 1a

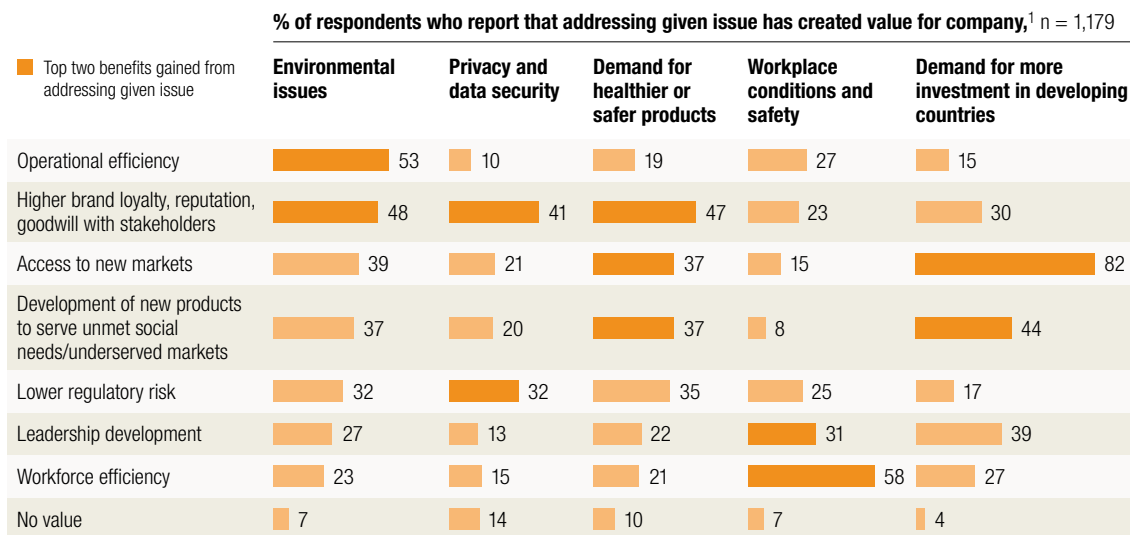
Taking action on sociopolitical issues

% of respondents addressing given issue,¹ n = 456



¹Respondents who answered "other" or "don't know" are not shown.

Exhibit 1b

Business benefits of doing good

¹Respondents who answered “other” or “don’t know” are not shown.

Improving reputation has long been the main business goal of engaging with sociopolitical issues. For the fourth year in a row, executives say the number one most effective action for improving their reputations is increasing transparency of business practices, at 50 percent of respondents this year. However, executives seem increasingly dubious about the effectiveness of most practices. Compared with last year, a smaller proportion of respondents rated every practice—except limiting the growth of executive pay—as effective for improving reputation. Their responses may reflect the public’s overall reduced trust in businesses.²

²See “Economic Conditions Snapshot, March 2009: McKinsey Global Survey Results,” mckinseyquarterly.com, March 2009.



What has—and hasn't—changed this year

Besides the business opportunities that result from addressing social and political issues, the crisis has intensified traditional reasons to engage, such as meeting public expectations. Indeed, 72 percent of executives say the public's expectations of business have increased as a result of the crisis. Most report that their companies have maintained or increased engagement in social and political issues as a result of the financial crisis (Exhibit 2) and the accompanying pressure from government and other stakeholders.

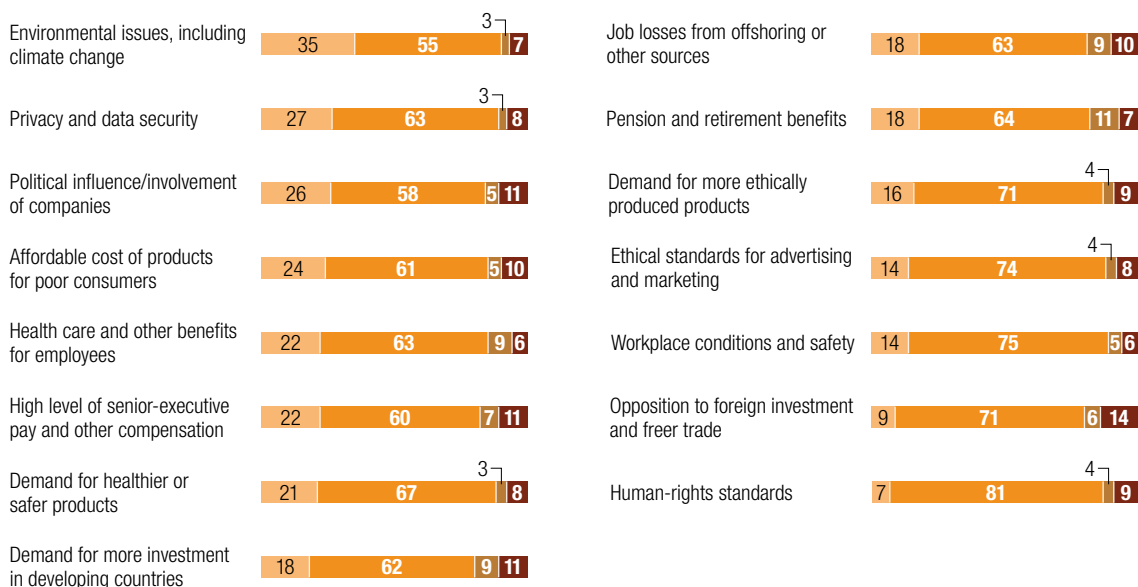
Exhibit 2

Effects of the crisis on engagement

% of respondents, n = 1,179¹

To what extent, if at all, has the financial crisis prompted your company to change its level of engagement in each of the following issues?

Increased engagement Same level of engagement Decreased engagement Don't know



¹Figures may not sum to 100%, because of rounding.



Executives' long-term expectations about the issues most likely to affect shareholder value have not changed much (Exhibit 3). However, executives see the public's concerns as more closely aligned with issues they have long thought affected shareholder value. For example, in the previous surveys, one of the few issues executives saw as likelier to affect shareholder value than to receive public attention was the political influence of companies. This year, many believe the issue will become top-of-mind for the public too.

Oddly, despite the impact on consumer spending, job losses represent the only issue to have dropped from the top five in terms of perceived value creation. Among executives in North America, health care and other employee benefits rank number one in terms of perceived value creation—not surprising, given the public debate on these issues in the United States; 47 percent (compared with 25 percent worldwide) say the issue will have high impact, and 36 percent (versus 22 percent overall) say their companies' engagement in this issue has increased.

Exhibit 3

Impact on shareholder value

% of respondents

2009, n = 456
2008, n = 1,453

Issues expected to have the most impact, positive or negative, on shareholder value over next 5 years



Perceived public concerns

Companies' political influence is far from the only issue where executives see growing public concern (Exhibit 4). The environment is a perennial leader among issues expected to attract the most public attention, and 52 percent of respondents say the public's attention toward the environment has increased because of the crisis. However, even more see growth in concern over other top issues: 94 percent see more concern about executive compensation, and 78 percent see more concern about corporate involvement in politics.

Exhibit 4

What matters most to the public

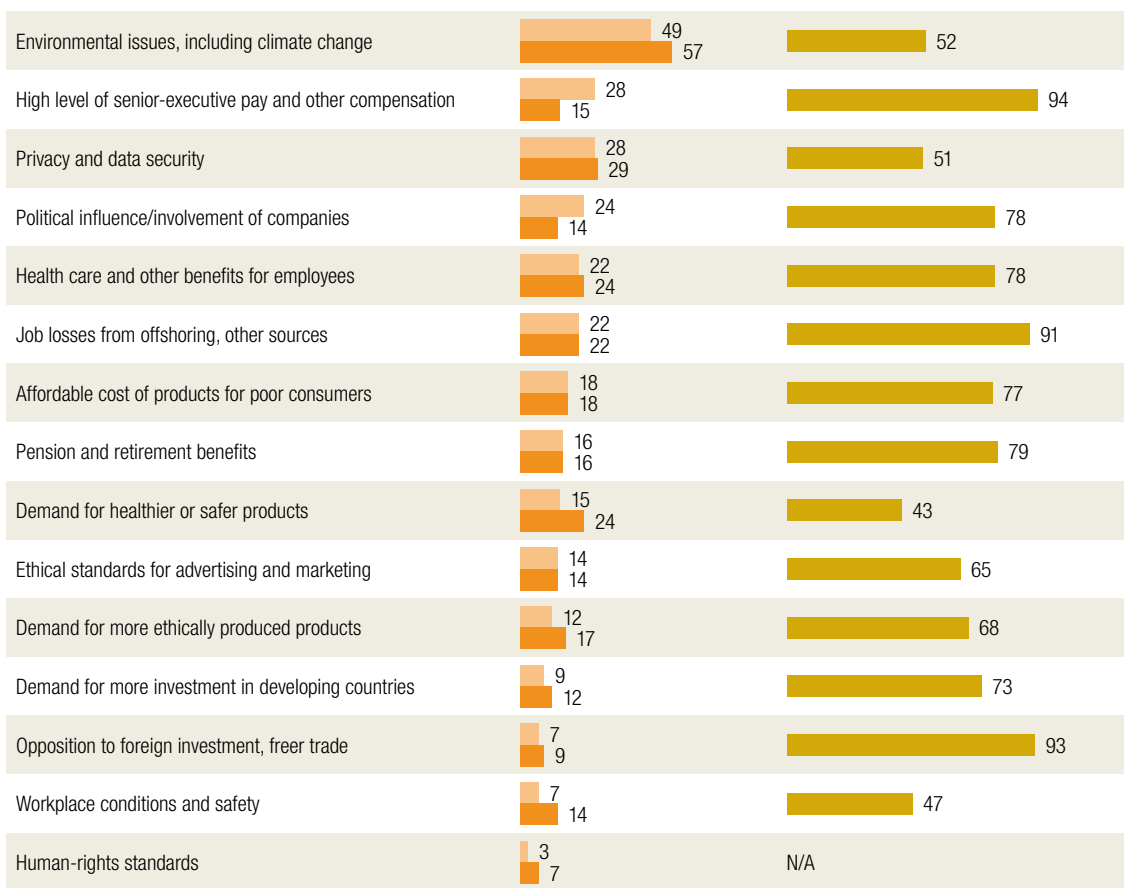
Issues expected to attract the most public and political attention in the next 5 years

% of respondents

2009, n = 456

2008, n = 1,453


% of respondents who say attention to given issue has increased as a result of the crisis



Indeed, among issues expected to attract the most public attention, executive compensation, which has markedly decreased the public's trust in business,³ surged to the number two spot, from number eight in 2007 and 2008. And although the environment continues to hold the top position, of the executives who select this issue, the proportion has fallen to 49 percent, from 57 percent in the 2008 survey.⁴

The relative influence of stakeholder groups on companies' sociopolitical agendas varies by industry. Overall, board members have the most impact on the way companies think about their role in society. However, executives in the financial and energy industries are much more likely to say that government and regulators are likelier to affect their sociopolitical agenda (46 percent and 55 percent, respectively, versus 36 percent overall), while manufacturers consider investors to be more influential than other stakeholders (50 percent versus 39 percent overall).

Looking ahead

- Responding to the public's higher expectations for business's role in society, best-practice companies will address the social and political issues while seeing the potential to create shareholder value.
- Companies already addressing sociopolitical issues have derived better-than-expected business benefits. Expanding companies' sociopolitical agendas and addressing issues that are in line with their business goals could boost potential business benefits further. 

Contributors to the development and analysis of this survey include **Sheila Bonini**, a consultant in McKinsey's Silicon Valley office, and **Elena Miller**, a consultant in the Philadelphia office.
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³See "Economic Conditions Snapshot, March 2009: McKinsey Global Survey results," mckinseyquarterly.com, March 2009.

⁴See "From risk to opportunity—How global executives view sociopolitical issues: McKinsey Global Survey Results," mckinseyquarterly.com, October 2008.

