Employees, customers empower CEOs to embrace sustainability

Businesses that contribute to socioeconomic development can dramatically outperform their competitors which turn a blind eye to sustainability as a driver of business growth.

Mark Tulay, director of Strategic Investor Initiative at New York-based CECP

This 'new normal' business imperative goes hand-in-hand with the core of how businesses interact with their customers, employees and other stakeholders, and it's transforming CEOs' relationships with investors and societal investments.

According to Mark Tulay, director of Strategic Investor Initiative at New York-based CECP, US-based corporations can be harnessed as a force for good in society. CECP was founded by actor Paul Newman and CEOs of companies in 1999 and now represents 200 top US companies representing $7tn in assets. These companies invested $18.6bn in philanthropy in 2015.

Tulay was addressing the Trialogue Business in Society Conference in Johannesburg on Wednesday, 17 May. The two-day annual event aims to strengthen collaborative partnerships between business, civil society and government.

Sustainability not just a tick-box

The notion that "doing well by doing good" is simply a platitude or a tick-box has been soundly debunked by business's financial performance, said Tulay. For example, a survey of more than 1,300 brands in 13 categories and 13 markets found that products made sustainably to some degree had, on average, 4% higher sales than those which weren't, he noted.

Employees and consumers increasingly place the onus on sustainable business and corporate giving firmly on CEOs: 80% of respondents to an Edelman Business and Social Purpose poll agreed that, “A company can take specific actions that both increase profits and improve the economic and social conditions in the community where it operates.”

US consumers are now becoming more aware and mobilised, driven in part by the millennial generation, said Tulay. Young employees care far more about sustainability, seek out safe and healthy products, and want to work for companies that share their values.

“Employees do not want to work for companies with controversial reputations, and are seeking companies that are future-fit."

Looking beyond "short-termism"

One emerging positive development of this is that CEOs are being incentivised to look past the “short-termism” of quarterly financial results and examine the long-term social and environmental impacts.

While this is in harmony with the long-held ethos of many investors that “time in the market outweighs timing the market” it’s at odds with the diminishing tenure of CEOs in recent years.

US CEOs now have an average term of roughly four years, compared to 12 years a generation ago. This short-term approach limits long-term investing consistent with a company’s purpose and values. In effect, such short-termism hamstrings CEOs’ capacity to build purpose-driven brands as they have to deliver on investors’ immediate expectations, said Tulay.

“Our aim is to catalyse a new platform between leading CEOs and $25tn in long-term strategic investment, to leverage sustainable value creation and to facilitate expectations and commitments between companies, stakeholders and investors. We aim to identify, research, and drive adoption of long-term value-generating strategies.”

Accordingly, CECP is mobilising pension fund managers and other long-term investors to become more aware of the integration of corporate responsibility and CSI, and in turn, the organisation has high expectations of CEOs, he said.

Sustainability reporting

American investors are now asking for greater information about a company’s social impact. Measuring outcomes has become a more widespread practice – although the methods used to collect and examine data are generally less evolved in the USA than in South Africa.

Sustainability reporting is extremely important as data needs to get in the hands of investors and they can in turn mobilise CEOs, said Tulay. “A push towards disclosure can have a ripple effect. Information empowers better decision-making by investors and CEOs. Telling stories through data can motivate people.”

Tulay said that many American companies are doing excellent work in CSI, but lag South Africa in how to monitor and measure their interventions. “Companies under-estimate their giving impacts and often overlook intangibles like volunteering, so a key focus of CECP is developing and growing awareness and adoption of a global standard.”

He said he was heartened by many American CEOs who say they will not waver from their CSI commitments despite the change in US government. “I believe they will step up, increase their giving, and take bolder positions on issues.”

“I am humbled by the great work done in South Africa, and CECP will work to grow more awareness of this among American CEOs and investors,” Tulay concluded.