Social Polarisation:
a new risk to integrate for business

Opinions and Insights from Corporate Professionals

A GlobeScan Survey

Introduction

Few corporate affairs professionals today would argue that the risk environment in which their organisation operates is well mapped and circumscribed. While most of the risks are well-known, a certain level of unpredictability as to when they may manifest makes it difficult to manage them all effectively, despite having sophisticated tools in place or expertise to do so.

In particular, one emerging risk area has existed below the surface for some time now. Perhaps because it has been relatively misunderstood, social polarisation has never really been on companies' radar. Management has not paid much attention to it, and its consequences for business have been largely ignored. However, there are now signs among corporate professionals that awareness of its disruptive potential for companies is increasing, and that business should start considering appropriate responses.

The ramifications of social risk for companies are manifold, from a persistent political instability and populism that deteriorates the business environment, to weaker economic drivers that impact development and aggravate perceptions of inequality, to a worsening of the trust deficit that triggers disengagement with big business and brands. Social polarisation contains many of the ingredients to create pervasive disruptions that threaten to break the already fragile ties between people and business.

Looking ahead, a persistent and growing social divide can potentially be a hindrance to resolving some of the most pressing global challenges such as poverty reduction, economic inequality and climate change, which many global businesses have committed to address by embracing the sustainable development goals.

Building stronger social capital that brings together diverse groups of people and leads them towards a common set of shared values should be the ultimate objective of corporate engagement with society. In terms of vision, the purpose journey is part of this response. It aims to define and prescribe the new role that business can play to address society's ills at its core.

Introduction

At the same time, the Sustainable Development Goals (SDGs) can help to frame the demonstration of an effective social impact beyond the immediate corporate environment. However, greater synergies need to be found to link purpose and the SDGs. At the moment, many companies still seem ill-equipped to align their social activities with an integrated response to address social risk. We should also perhaps ask whether there is a space for a new specifically defined role for social engagement within corporate organisations to address the current fragmentation across functions and embody the new external social realities that business needs to embrace and respond to.

Through this consultation, our attempt is to draw attention to the role we feel companies need to play going forward in order to address the growing risk of social polarisation. We also think it is important to bring this topic to light for corporate professionals as this is likely a long-term trend that will need to be carefully monitored and addressed. This report presents a snapshot of their views on a series of related questions. It opens points of reflection on the materiality of the effects of social polarisation for business, the imperative to integrate it into the overall risk management system, and offers some potential solutions.

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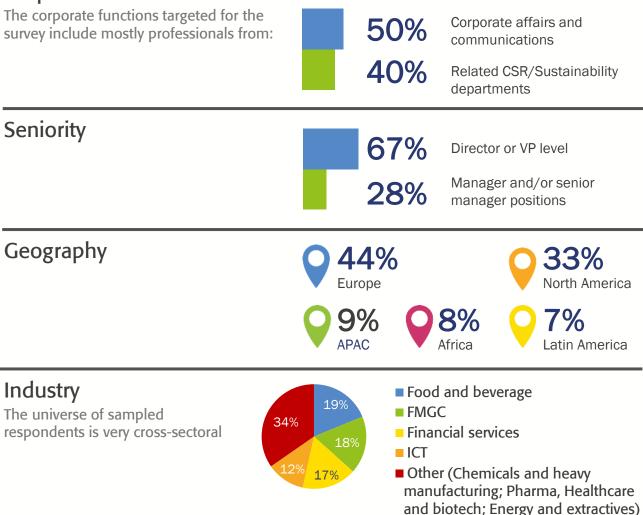
Methodology / Notes to Readers

The findings detailed in this report are based on online surveys with 103 corporate professionals. The study was carried out between late May and beginning of September 2017.

Sample breakdowns

Corporate functions

The corporate functions targeted for the survey include mostly professionals from:

50% Corporate affairs and communications

40% Related CSR/Sustainability departments

Seniority

67% Director or VP level

28% Manager and/or senior manager positions

Geography

44% Europe

33% North America

9% APAC

8% Africa

7% Latin America

Industry

The universe of sampled respondents is very cross-sectoral

- 19% Food and beverage
- 18% FMGC
- 17% Financial services
- 12% ICT
- 34% Other (Chemicals and heavy manufacturing; Pharma, Healthcare and biotech; Energy and extractives)

Figures and charts: All figures in the charts in this report are expressed in percentages unless otherwise noted. Total percentages may not add up to 100 because of rounding. In the case of some bar charts, white space typically represents the portion of respondents who either answer "don't know" or do not answer at all (DK/NA).

Summary of Key Findings

☐ **Impacts of political, economic, and social instability dominate the risk landscape**

In exploring the array of risks facing corporate professionals, four major themes emerge that largely relate to complexities in the external business environment: geopolitics, regulation, growing social polarisation, and macro-economy. These are areas that are largely beyond the control of corporate professionals and therefore difficult to navigate; they are also among those seen as most pressing for business to address in the next two years.

In comparison, traditional topics of corporate responsibility – governance and ethics, environmental and social performance, and supply chain – are areas where corporate professionals feel more ability to manage risks, perhaps reflecting greater confidence in corporate risk management of ESG issues (environment, social, governance). Similarly, while cyber risk has been very material after some high-profile global episodes in recent years, respondents perceive less difficulty to manage it as the tools and skills to do so are in house.

☐ **Social polarisation amplifies the external risk environment and needs to be prioritised as core risk**

Corporate professionals are more likely to feel that social polarisation affects the business community overall rather than their company specifically. When asked to describe the potential risks of a polarised social context for business, however, it becomes apparent that social polarisation is an underlying factor with other risks that are seen as more urgent. In particular, three streams of anxiety emerge as highly associated with polarisation: instability, greater economic inequality, and eroding trust. These negative social outcomes are highly interrelated and aggravate the most challenging external themes on the risk map (geopolitics, macro-economy, regulation). The magnifying effect of social polarisation across other risk areas means it can no longer be considered as tangential to business, but should instead be proactively addressed as a fundamental component of overall risk management strategy. This is the new reality for society, and business needs to find a way to respond to it.

Summary of Key Findings

❑ **A social engagement framework to better understand society's expectations of business before engaging on purpose**

Gaining a more comprehensive and dynamic understanding of society's expectations for business is perceived as the most critical part of companies' response to growing social risk. Ways of measuring risks through big data analysis or ESG metrics, while still valid and critical, remain too issues-based and reactive, and have proven insufficient in helping business understand the impact of social polarisation. Corporate professionals now have to consider other, more proactive methods of engagement with communities and society on corporate purpose as highly relevant tactics to mitigate social risk.

Indeed, engaging inclusively can enhance the value proposition of business to society and individuals, and help to bridge the gaps in polarising societies. The opportunity for business here is to develop a social community engagement strategy, distinct from a more traditional issues management approach, that will help inform society's perspective on future mega-trends, and identify areas where global companies will be expected to contribute to and offer a genuine social response.

❑ **Aligning purpose with future mega-trends to amplify its relevance in addressing society's ills**

The purpose narrative is most likely to help address polarisation by building more relevant and meaningful connections between big business and individuals. While almost all corporate professionals claim their companies have a stated purpose, there are still some challenges in realising its full value: shallow employee ownership of purpose, ability to quantify the reality of impact, and nascent risks of public cynicism are all major barriers for practitioners.

To help realise the value of purpose, its narrative must first respond to social concerns and directly address society's perception of social ills. One step towards better capturing the trust-building role of purpose is by demonstrating alignment with the Sustainable Development Goals (SDGs). Though not yet rated as the top mitigation tactic to address social polarisation, the SDGs platform is likely to emerge as core to social risk mitigation, precisely because it goes beyond the traditional issues-based response. Showing how the company's purpose directly contributes to the Goals will add authenticity to it, and could help address some of the challenges that businesses face in optimising purpose.

Aligning the purpose and SDGs platforms will also strengthen business' credibility in communicating socially focused objectives, such as playing its part in addressing economic inequality. But, here too, some challenges remain that may cause companies to hesitate in linking the two platforms at the moment.

Summary of Key Findings

❑ **Despite strong engagement with SDG strategy, lack of internal collaboration prevents further advancement**

Most companies have now started to take steps to align their business strategy with the SDGs, but they are not necessarily communicating their ventures in this arena yet. Less than half of corporate professionals say their company is thinking of launching a campaign to explain their contribution to the SDGs within the next year.

This trepidation in public engagement is likely linked to a lack of internal preparedness and engagement on the issue. Awareness of the SDGs narrative is currently uneven across business functions and suggests a lack of alignment from employees outside of corporate affairs and executive management. Greater understanding and socialisation of the SDGs internally (through the lens of the company's purpose) will also help clarify the role of functions and individuals in helping to drive progress. At the moment, outside of CSR and sustainability, and corporate affairs and communication, involvement by function appears fragmented and is lacking cohesion.

❑ **There is an apparent gap between companies' willingness to act on the SDGs and their ability to measure contribution**

Greater internal buy-in is crucial for the SDGs strategy to succeed, but external recognition will also depend on the ability to demonstrate performance and impact. Many companies are still challenged in mapping the SDGs with core business activities and, as a result, may struggle to identify the operational steps required to implement an SDGs-backed strategy. This uncertainty around both the design and operationalisation of the strategy makes it difficult to assess performance, particularly as there is no standardised measurement framework to help companies assess their contributions more rigorously.
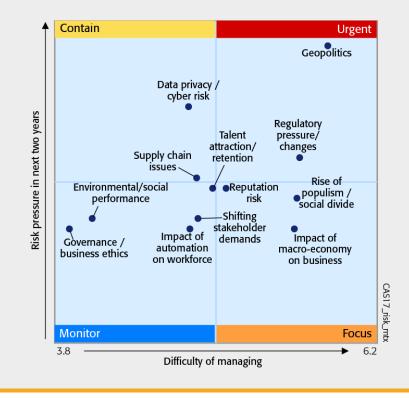
Leaders like Unilever, Nestlé, or Coca-Cola appear as pioneers on the SDGs, but there is a clear lack of visibility on the wider corporate response, suggesting it is likely still in its infancy. In light of pressing societal issues, there is, however, an urgency for business to articulate and demonstrate a credible and operationalised business response to the SDGs, and link it with the corporate purpose narrative. Companies able to do so will be better positioned to pre-empt the risk of social polarisation and factor it into their risk management. Their ability to effectively measure and report on their contribution, however, will be critical.

New External Realities for Business

Corporate practitioners are most concerned with risks beyond their company's control, many of which reflect instability in the changing political, social, and economic order

Geopolitical risk, cyber risk, and regulatory pressure – all external uncertainties – are anticipated to be the most pressing risks for global business over the next two years, ahead of supply chain issues and reputation risk. Along with volatile macro-economic impacts and the rise of social divide, they also tend to be ranked as the greatest challenges to manage in the coming years. Professionals have more confidence in managing governance and ethics, or environmental and social performance, perhaps because these risks are now largely managed internally through sustainability programs.

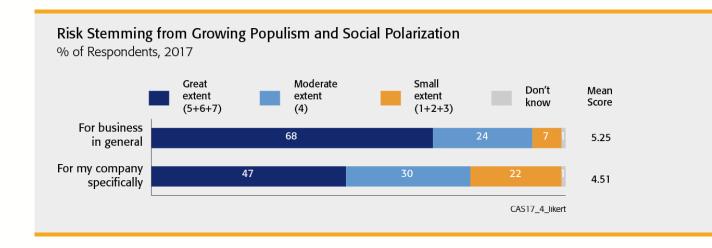### Risks Analysis: Pressure vs Difficulty
2017

Q1. In which areas do you see the most pressing risks to global businesses over the next two years?
Q3. How difficult do you think each of the risks that you have highlighted will be for your company to manage in the coming year or two?

The social element of this instability is evident in the rise of social polarisation, which corporate professionals rate as highly relevant to business

Corporate affairs practitioners view growing social polarisation as a significant risk to business; more than nine in ten respondents say it poses at least a moderate risk. However, less risk is perceived when thinking about their own company.

Risk Stemming from Growing Populism and Social Polarization
% of Respondents, 2017

	Great extent (5+6+7)	Moderate extent (4)	Small extent (1+2+3)	Don't know	Mean Score
For business in general	68	24	7	1	5.25
For my company specifically	47	30	22	1	4.51

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Q4. There has been increasing attention paid to political populism across the world, and to a growing trend towards the polarisation within society. To what extent do you consider this evolution to be a risk for…?

Social polarisation affects business in multiple ways and aggravates external uncertainty

Potential risks of a polarised society are manifold, but can be grouped into three main areas which tend to feed each other and aggravate the complexity and uncertainty of the external environment for business.

A polarised society fuels distrust and perceptions of inequality, with big business an easy scapegoat (and blamed for driving economic inequality). Operating in a low-trust environment magnifies other risks for business (reputation, bottom line, stricter regulation, etc.) that then contributes to ignite further sparks of instability.

Social unrest, fluctuating regulation, growing protectionism, lack of clarity and/or legitimacy in institutional mandates are described as potential outcomes of social polarisation, which all contribute to a sense of unease and instability.

"Discredit just for being big and international"

"Large multinationals could be unfairly maligned as only benefiting the elite"

"Disengagement and distrust of civil society"

"Anti-business sentiment, more demands for business transparency"

"Seeing a growing divide between consumers and business for not meeting expectations"

"Polarisation can lead to instability of society, markets, and financial markets"

"Unpredictable regulation, protectionism, and trade barriers"

"Encourages divide and conflict, greater volatility, and uncertainty in all aspects"

"More ideology and less pragmatism in policy"

ERODING TRUST IN BUSINESS — INSTABILITY — ECONOMIC SLOWDOWN

Social polarisation also contributes to maintaining, if not aggravating, widening gaps in education, skills, and income, and can have widespread effects on consumer confidence and the health of the global economy.

"In general, political polarisation could lead to income inequality"

"Political unrest driven by gap incomes; large gap in skills and education"

"Localism and anti-trade policies could impact supply chains (sourcing + selling)"

"Political instability disrupts supply chains and customers purchase less"

"Increasing boundaries between countries and reduced immigration will slow growth"

Q5. How would you describe the potential risks of a polarised society, and how do you think they could affect business?

Corporate practitioners feel that a better baseline understanding of society's expectations is the most relevant action for business working to mitigate social polarisation

In order to mitigate the risk from social polarisation, it is critical to first understand the social expectations of business and to have increased engagement points with society, to inform the development of the company's corporate purpose. Though not among the top mitigation tactics, business action on SDGs advancement could lend credibility to a purposeful strategy and help rally business, society, and individuals around a common goal.

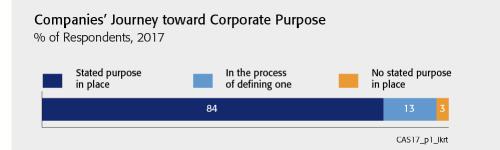### Relevance of Actions from Business to Mitigate Populism and Social Polarization
% of Respondents, Subsample,* 2017

	High relevance (5+6+7)	Moderate relevance (4)	Little relevance (1+2+3)	Don't know	Mean Score
Better understanding of social expectations for business	89	5	4	2	5.95
Engage more proactively/effectively with society on corporate purpose	83	11	4	2	5.89
Foster inclusive engagement with local communities	82	9	7	2	5.75
Strengthen message of inclusiveness in marketing efforts	70	15	13	2	5.15
Be a social actor by sharing clear POV on topical issues/debates	67	20	11	2	5.26
Take business action to promote/advance SDGs	63	18	17	2	4.96
Develop a system to minimize impact of fake news on business	50	26	22	2	4.69

*Subsample: Only asked of those who think populism and social polarization represent a risk for business; *n*=98

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Q6. Thinking about different ways that business could mitigate the potential risks of populism and social polarisation, how relevant do you think each of the following actions could be?

Business needs to find ways to optimise corporate purpose so that it plays a strong trust-building role with society

Corporate purpose appears to be a prominent part of corporate affairs strategy, and can play a trust-building role in a divided society. More than eight in ten respondents say their company has a stated corporate purpose in place; however, there are some challenges in realising its full value. In particular, organisations struggle to engage employees around purpose, and to quantify how purpose can support the bottom line or the reputation capital.
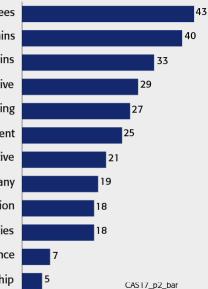
Companies' Journey toward Corporate Purpose
% of Respondents, 2017

■ Stated purpose in place	■ In the process of defining one	■ No stated purpose in place

| 84 | 13 | 3 |

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Most Difficult Challenges in Optimizing Value of Purpose
% of Respondents, Total Mentions,* Subsample,** 2017

Challenge	%
Greater ownership of purpose across all employees	43
Quantification of bottom line gains	40
Quantification of reputation gains	33
Scepticism from general public with purpose narrative	29
Integration of purpose into branding/marketing	27
Quantification of impact on employee engagement	25
Limited capacity of purpose to be transformative	21
Effective communication of purpose across company	19
Biz strategy inoperative to enable purpose realisation	18
Internal collaboration on purpose-related activities	18
External engagement to assess relevance	7
Commitment from executive leadership	5

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*Respondents were asked to select three different challenges.
**Subsample: Asked of those who said they have a stated corporate purpose in place; n=84

QP1. An increasing number of companies and brands, small or global, are going through the process of defining and communicating about their overall purpose. Yet, the "purpose process" can be a challenging journey. Does your company have a stated corporate purpose in place or is in the process of defining one?
QP2. Currently, what do you think are the three most difficult challenges in optimising the value of your company's corporate purpose?

Sustainable Development Goals:
a platform to address social issues

Most companies have taken steps to align their business strategy with the SDGs, but are not necessarily communicating this externally

More than three in four corporate affairs practitioners say their company has taken steps to align its strategy with the Sustainable Development Goals. However, less than half say their company is considering a campaign to communicate this in the next year, suggesting some trepidation in public engagement.

Company's Response to Sustainable Development Goals
% of Respondents, 2017

Legend: ■ Yes (dark blue) ■ No (orange) ■ Don't know (grey)

Taken steps to align business strategy with SDGs: Yes 76 | No 17 | Don't know 7

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Legend: ■ Yes (dark blue) ■ Possibility considered (orange) ■ No (grey)

Thinking of launching campaign in next 12 months to communicate on response/contribution: Yes 46 | Possibility considered 34 | No 20

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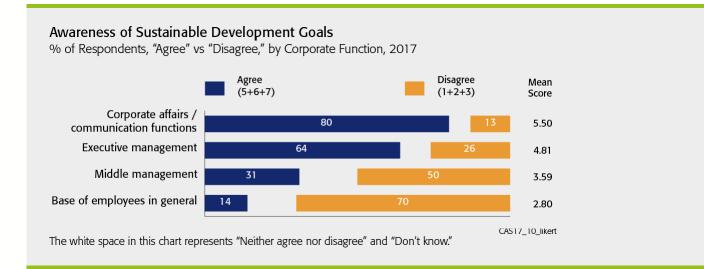Q7. Since the publication of the United Nations Sustainable Development Goals in September 2015, would you say that your company has taken concrete steps to adapt its business strategy to explicitly try to align it with the Goals?

Q8. Are there any campaigns that your company is thinking about launching in the next 12 months to communicate on your response and contribution to the Sustainable Development Goals?

Outside of corporate affairs and executive management, internal awareness of the Sustainable Development Goals (SDGs) appears to be low
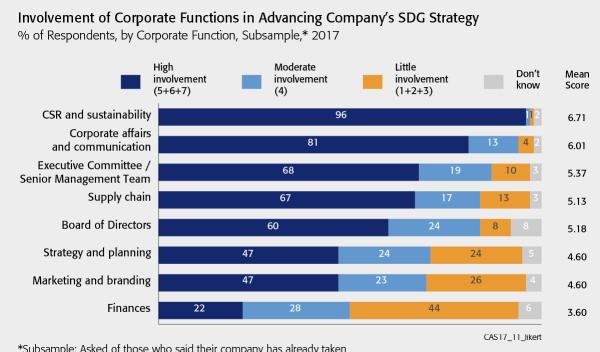
Practitioners see low awareness of the SDGs across their company, especially when considering the full employee base. Greater employee buy-in and engagement is crucial for making progress, and socialising the SDGs internally as part of corporate purpose can help clarify the role of functions and individuals in making the strategy successful.

Awareness of Sustainable Development Goals
% of Respondents, "Agree" vs "Disagree," by Corporate Function, 2017

	Agree (5+6+7)	Disagree (1+2+3)	Mean Score
Corporate affairs / communication functions	80	13	5.50
Executive management	64	26	4.81
Middle management	31	50	3.59
Base of employees in general	14	70	2.80

CAS17_10_likert

The white space in this chart represents "Neither agree nor disagree" and "Don't know."

Q10. To what extent do you agree or disagree with the following statements?
"In my company, there is a good level of awareness of the Sustainable Development Goals among…"

Internally, SDG strategy is limited to CSR and corporate affairs functions, with little alignment across other functions

There is notably less involvement from functions such as Strategy and planning, Marketing and branding, and Finance. Such teams could be instrumental in implementation and external communications around the SDGs.

Involvement of Corporate Functions in Advancing Company's SDG Strategy
% of Respondents, by Corporate Function, Subsample,* 2017

Function	High involvement (5+6+7)	Moderate involvement (4)	Little involvement (1+2+3)	Don't know	Mean Score
CSR and sustainability	96		1	1 2	6.71
Corporate affairs and communication	81	13	4	2	6.01
Executive Committee / Senior Management Team	68	19	10	3	5.37
Supply chain	67	17	13	3	5.13
Board of Directors	60	24	8	8	5.18
Strategy and planning	47	24	24	5	4.60
Marketing and branding	47	23	26	4	4.60
Finances	22	28	44	6	3.60

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*Subsample: Asked of those who said their company has already taken some steps to align the business strategy with the SDGs; n=78

Q11. How involved is each of the following functions in advancing the Sustainable Development Goals strategy in your company?
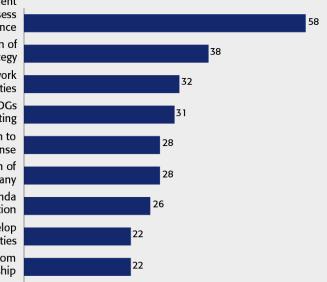
Incorporating the SDGs into operations is still an important challenge, as is the measurement of actual contribution

Businesses want their SDG efforts to have impact, but access to a methodology which they can use to assess their actual performance seems to be lacking. The mapping of the goals with core business activities and subsequent operationalisation are also cited as difficult challenges. This situation leads to a great inconsistency in companies' ability to measure effectiveness of their contribution. More than eight in ten respondents say their company makes an effort to assess its own SDG contributions, however only three in ten say these are measured rigorously.

Most Difficult Challenges to Effective Contribution to the Goals
% of Respondents, Total Mentions,* Subsample,** 2017

Challenge	%
Development of measurement framework to assess performance	58
Operationalization of business strategy	38
Mapping SDGs framework with business activities	32
Integration of SDGs into branding/marketing	31
Internal collaboration to accelerate coordinated response	28
Effective communication of SDGs across company	28
Ownership to lead on agenda by dedicated function	26
External engagement to develop collaboration opportunities	22
Commitment from executive leadership	22

*Respondents were asked to select three different challenges.
**Subsample: Asked of those who said their company has already taken some steps to align the business strategy wit the SDGs; n=78
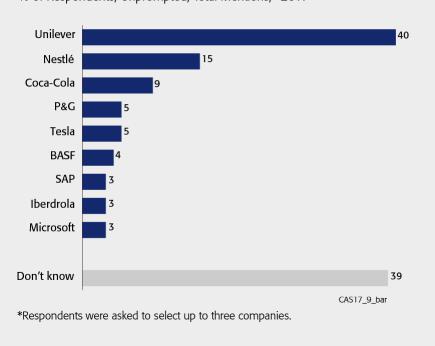
Companies' Measurement of Own Contribution to the Goals
% of Respondents, Subsample,* 2017

Rigorously measure/ track it	Try to measure it, but not very robustly	Do not measure contribution	Don't know / not sure
31	50	13	6

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*Subsample: Asked of those who said their company has already taken some steps to align the business strategy with the SDGs; n=78

Q12. Considering the role your company is trying to play to advance the Sustainable Development Goals, what do you think are the three most difficult challenges to ensuring an effective contribution to the Goals?

Q13. Does your company try to measure its effective contribution to the Sustainable Development Goals?

Despite the pioneer work on the SDGs by leaders like Unilever, Nestlé, or Coca-Cola, almost half of respondents lack visibility on the wider corporate response to the SDGs

Unilever continues to enjoy a very strong reputation. Four in ten corporate affairs practitioners name it as a leader for its approach and response to the SDGs; Nestlé and Coca-Coal also get a good deal of peer recognition. However, a near-equal proportion to those who mention Unilever is unable to name any company as having a leading strategy, suggesting that knowledge of corporate programs on the SDGs may be fairly low.

Top-of-Mind Companies Showing Leadership in Their Response to the Goals
% of Respondents, Unprompted, Total Mentions,* 2017

Company	%
Unilever	40
Nestlé	15
Coca-Cola	9
P&G	5
Tesla	5
BASF	4
SAP	3
Iberdrola	3
Microsoft	3
Don't know	39

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*Respondents were asked to select up to three companies.

Q9. Which companies do you think are showing leadership in their approach and response to the Sustainable Development Goals, and why?

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