Global CEO Study 2013 – Children's Rights and Business

Commissioned by the World Child and Youth Forum

March 22, 2013
Agenda

Executive summary

About BCG's WCYF Global CEO Study 2013

Key findings

• Starting point
• Explaining CEO action
• Looking forward

Strategic imperatives
CEOs rank children's rights the least prioritized among six major sustainability areas

Still, 9 out of 10 CEOs claim to address children's rights in at least one way – but few take actions related to the core business
  - While 66% report that children's rights are addressed through general CSR policy, only 16% claim to have in-house resources dedicated to the question

Limited action on children's rights explained by limited development on areas driving action; awareness/knowledge and anticipated business case
  - Maturity of topic among CEOs inversely correlated to the extent it drives action:
    - Level of responsibility is good, but with low correlation to action
    - Pressure to act is moderate, but with moderate correlation to action
    - Awareness and knowledge is moderate, but with high correlation to action
    - Share of CEOs seeing the economic rationale of action is low, but is correlated strongly to action
Four main strategies identified among those taking action:
  • *Ad hoc*: often small companies, abiding the law but without clear strategy
  • *Defensive*: risk-minimizing, reactive – see potential downsides from passivity
  • *Offensive*: see efforts to address children's rights as a source of competitive advantage
  • *Visionary*: have incorporated addressing of children's rights into their raison d'être

Focus going forward should be on motivating businesses to act and thus move along the maturity curve of strategies
  • Given action-driving areas, focus should be on
    – Increasing general awareness about children's rights and business
    – Increasing specific contextual knowledge, i.e., how to apply the topic to each company
    – Increasing implication insights, i.e., what the economic implication is for each company

CEOs claim to be ready to act – 60% claim they will increase efforts going forward
  • Calling for best-practice examples, forums, and more extensive legislation – also at increased costs
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Children and business – more than just child labor

10 guidelines on actionable areas developed by Save the Children, UNICEF and Global Compact

Overall: To meet one's responsibility to respect and commit to supporting the human rights of children

"The workplace"
- To contribute to the elimination of child labor
- To provide decent work for young workers, parents, and caregivers
- To ensure the protection of children in all business activities and facilities

"The marketplace"
- To ensure that products and services are safe
- To use marketing and advertising that respects and supports children's rights

"The community and the environment"
- To respect and support children's rights in security arrangements
- To help protect children affected by emergencies
- To reinforce community and government efforts to protect and fulfil children's rights

Source: The UN Children's Rights and Business Principles, developed by UNICEF, Save the Children, and the UN Global Compact
### Purpose

Study aims to understand the CEO perspective on children's rights and business

- Current status of topic awareness/knowledge
- Importance/relevance of children's rights compared to other major sustainability areas
- Level of responsibility assumed by the CEO community
- Action taken to address children's rights and drivers of behavior
- Best practices on how to increase action taken by the corporate sector
- Focus going forward

### Scope of respondents

Survey and interviews with ~400 CEOs

- Random sample for survey and part of interviews

**Comprehensive scope**

- CEO or business executives
- Global regions and countries
- All industries
- All sizes of companies (both regarding revenue and no. of employees)
- All companies regardless of market focus (global, regional, local)
- All types of companies (manufacturing, service, etc.)

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Voluntary participation in study indicates positive bias throughout the study
Survey has been answered by CEOs of different types of companies across geographies and industries

<table>
<thead>
<tr>
<th>Economic development of primary market&lt;sup&gt;1&lt;/sup&gt;</th>
<th>Geographic scope of business</th>
<th>Type of business</th>
<th>Size of business&lt;sup&gt;2&lt;/sup&gt;</th>
</tr>
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<tbody>
<tr>
<td>% of respondents</td>
<td>% of respondents</td>
<td>% of respondents</td>
<td>% of respondents</td>
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<tr>
<td>Developing</td>
<td>Local</td>
<td>Other&lt;sup&gt;3&lt;/sup&gt;</td>
<td>S</td>
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<tr>
<td>Developed</td>
<td>Regional</td>
<td>Manufacturing company</td>
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<td></td>
<td>Global</td>
<td>Service company</td>
<td>L</td>
</tr>
</tbody>
</table>

63 countries represented

21+ industries represented

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1. Split according to IMF "Advanced economies"
2. "S" <10 M USD, "M" 10 M USD to 1 B USD, "L" >1 B USD
3. Incl. financial/investment companies, trade companies and other

Source: BCG's WCYF Global CEO Study 2013
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Strategic imperatives
Children least prioritized among sustainability issues

How would you prioritize the following sustainability issues in terms of importance for your organization?

Note: The six subjects are chosen as a result of the children’s rights focus of this study + the four major CSR topics (environment, human rights, corruption and labour standards) + community engagement (due to its significant importance to companies in many countries).
Source: BCG’s WCYF Global CEO Study 2013

Children’s rights the least prioritized area

When forced to rank six different sustainability issues in terms of importance for organization, CEOs rank children’s rights the least important:

- Only 13% of respondents ranking children’s rights as most important, compared to 22% for environment.

Although children’s rights can be argued to constitute part of all the other initiatives, it still reveals that the focus is not primarily on children but on other issues.
Most CEOs, however, take action to address children's rights

93% of CEOs report to take some action regarding children's rights

Several CEOs have projects that lie close to their hearts

"We are running a home, for children with disabilities, fully financed by our company."
CEO of manufacturing company, Portugal

"We support educational initiatives where our products can be of use, and also several charity programs."
CEO of telecom company, Kenya

"We have a central function ensuring that children of expat families can go to good schools and continue a good life."
CEO of manufacturing company, Austria

Note: "Do not know / N/A" alternative excluded
Source: BCG's WCYF Global CEO Study 2013
Limited action related to core business operations

Most CEOs claim that children’s rights are part of their company’s CSR, but few report that this affects their core business processes.
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Strategic imperatives
Different maturity phases diagnosed and assessed in relation to action

Development of insights/attitude towards children’s rights

1. Sense of responsibility for children’s rights
   - High responsibility for children's rights identified among CEOs

2. Pressure to act on children’s rights
   - Pressure to act mostly coming from government and owners/board

3. Awareness/knowledge about children’s rights
   - Moderate awareness identified; especially in unprompted in-depth interviews

4. Economic rationale of children’s rights
   - Few CEOs seeing the business case of addressing children's rights

Current status
- Overall view of CEO status quo on topic
  - High responsibility for children’s rights identified among CEOs
  - Pressure to act mostly coming from government and owners/board
  - Moderate awareness identified; especially in unprompted in-depth interviews
  - Few CEOs seeing the business case of addressing children's rights

Correlation to action
- Testing whether action depends on answers in Q1 – Q4
  - Low: Level of responsibility not found to correlate with action
  - Medium: Pressure to act found to slightly correlate with action
  - High: Awareness found to correlate with action
  - High: Seeing a business case found to correlate with action

Main areas of improvement
Sense of responsibility is high among CEOs

CEOs stress corporate responsibility

<table>
<thead>
<tr>
<th>% of respondents</th>
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<tbody>
<tr>
<td>Other</td>
</tr>
<tr>
<td>Government is exclusively responsible</td>
</tr>
<tr>
<td>Government is mostly responsible</td>
</tr>
<tr>
<td>Government and corporations are equally responsible</td>
</tr>
<tr>
<td>Corporations are mostly responsible</td>
</tr>
</tbody>
</table>

Also for activities outside the core operations

<table>
<thead>
<tr>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do not know / N/A</td>
</tr>
<tr>
<td>Do not feel responsible</td>
</tr>
<tr>
<td>Feel responsible, but less than for my own organization</td>
</tr>
<tr>
<td>Feel as responsible as I do for my own organization</td>
</tr>
</tbody>
</table>

Who do you think is responsible for protecting children’s rights?

To what extent do you feel that your organization is responsible for children's rights outside of your core business?

Note: "Don't know / N/A" alternative excluded
Source: BCG's WCYF Global CEO Study 2013
No clear correlation between responsibility and action

Responsibility no guarantee for action

Companies act independently of assumed responsibility for the corporate sector
- Very similar levels of action taken by those who see government as exclusively/mostly responsible and those who report to see equal responsibility

Suggests sense of responsibility, as already high, does not need to be an area of focus in order to increase corporate action

Who do you think is responsible for protecting children’s rights?

Note: other groups than "Government mostly responsible" and "Government and corporations equally responsible" excluded due to insufficient number of answers
Source: BCG’s WCYF Global CEO Study 2013
Authoritative power: owners and board most important influencers after government

Who do you see as most influential for your knowledge and work on children's rights?

Source: BCG's WCYF Global CEO Study 2013
Several stakeholders with similar influence of action

Influencing powers

Similar action identified largely independent on main influencing stakeholder
- Those with media as main influence report slightly lower level of action – could be originated to lack of real commitment (just trying to avoid getting bad publicity)
- Those reporting most influence from children also reporting most action – probably group of mature companies that think of actions this way

Strengthens idea that many players have the ability to influence the agendas of action – all

Who do you see as most influential for your knowledge and work on children’s rights?

1. Employees, media, customers, and NGOs
2. Government and Owners/Board
Source: BCG’s WCYF Global CEO Study 2013

The Boston Consulting Group
Interviews suggest few influential stakeholders – strong emphasis on importance of owners/board

Main identified patterns

Most interviewed CEOs who report to act on children's rights stress that management or owners are the most important drivers of efforts
- This is especially clear in family-owned companies

Few other stakeholders mentioned or believed to have an impact on level of efforts
- Government mentioned as influential through setting the "outer frame" for what a company must do
- Children never mentioned as driver of efforts

Heard in interviews

"The initiatives have come very top-down so far, although we're trying to establish structures to change that."
CEO of healthcare company, Dubai

"The push has to come from the owners."
CEO of manufacturing company, Portugal

"The government influences as they must set the frameworks, that means the "no-tolerance level" and establish a no-mistake-culture."
CEO of manufacturing company, Austria

Source: BCG interviews
Knowledge about children's rights fairly low among CEOs

How familiar are you with the Children's Rights and Business Principles?

<table>
<thead>
<tr>
<th>Knowledge Level</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>No/limited knowledge</td>
<td>27</td>
</tr>
<tr>
<td>Some knowledge on purpose, less about content</td>
<td>47</td>
</tr>
<tr>
<td>Good knowledge about purpose and content</td>
<td>26</td>
</tr>
</tbody>
</table>

Which of the following issues do you find most important in order to protect and respect children’s rights?

- Decrease child labor: 38%
- Increase support to local community and government effort: 14%
- Improve labor conditions for young workers and caregivers: 11%
- Improve environment with an impact on children: 9%
- Use responsible marketing towards children: 7%
- Improve security arrangements with an impact on children: 7%
- Improve product safety: 6%
- Improve emergency support: 4%
- Improve workplace safety standards: 4%

Note: "Do not know / N/A" alternative excluded
Source: 2013 WCYF Global CEO Survey by BCG
Better knowledge correlated with more action

More awareness

The more awareness expressed by the CEO, the higher the average number of actions taken.

Supports idea that triggering awareness and knowledge will increase children’s rights efforts in the corporate sector.

How familiar are you with the Children’s Rights and Business Principles?

Source: 2013 WCYF Global CEO Survey by BCG
General awareness probably even lower than survey suggests

Main identified patterns

In-depth interviews with a random selection of companies suggests even lower awareness both of the existence of key documents and the scope of its content

- Especially service companies in developed countries do not see what role they can play to address children's rights (apart from charity)

Developed countries tend to focus even more on child labor than developing, even though the problem is inversely present among the two

- Illustrates limited corporate insight in what children's rights are and how this is relevant to the respective sector

Heard in interviews

"Children's rights...? Oh, you mean like child labor? Of course we don't use that!"
CSR executive of service company, South Africa

"You know that you have called a large service company, right?"
CEO of service company, Sweden

"We are a company by adults, for adults, so clearly this is not relevant to our business."
CSR executive of service company, Sweden

Source: BCG's WCYF Global CEO Study 2013
What is your view on the primary economic impact of efforts to respect and promote children’s rights in your organization?

- Many CEOs struggle to see how to estimate the economic impact of efforts
- "Our engagement is often a value add to our customers in negotiations."

% of respondents

- Do not know / N/A: 16%
- Decreasing profits: 2%
- There is no impact, or break-even: 47%
- Increasing profits primarily by avoiding a loss, e.g., by avoiding brand damage: 15%
- Increasing profits primarily by, e.g., gaining new customs: 19%
The more value seen, the more actions taken

Economic value seen

CEOs who see their children’s rights efforts having a positive impact on profits are to a larger extent also taking action to address children’s rights

- Action especially present among those seeing new opportunities or gains originating from efforts

Reveals need to be able to communicate business-related benefits, also regarding children’s rights efforts, in order to increase actions taken by corporations

What is your view on the primary economic impact of efforts to respect and promote children’s rights in your organization?

Source: BCG’s WCYF Global CEO Study 2013
Interviews suggest few CEOs see positive impact of children's rights efforts

**Main identified patterns**

Few interviewed CEOs see a clear positive profit impact of children's rights efforts

However, those who do tend to be more mature in their thinking – generally more knowledgeable and also more active in children's rights efforts

Interviews also suggest limited role models and examples of possible business cases
  • Few could mention possible ways of how efforts on children's rights could impact profit

**Heard in interviews**

"I don't believe our efforts impacts our profits either way. Perhaps very marginally, if we decide to go for a slightly more expensive supplier if someone else uses child labor."
CEO of manufacturing company, Sweden

"I don't believe a lot of money can be made here ... Perhaps through the strengthening of our brand or reputation."
CEO of manufacturing company, Germany

"Of course our efforts to enable will serve us in the war for talent."
CEO of manufacturing company, Austria

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Going forward – CEOs claim to be ready to act

Over the next five years, how do you believe your organization’s efforts regarding children’s rights will evolve?

<table>
<thead>
<tr>
<th>Efforts</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decreasing efforts</td>
<td>2</td>
</tr>
<tr>
<td>No change</td>
<td>38</td>
</tr>
<tr>
<td>Increasing efforts</td>
<td>60</td>
</tr>
</tbody>
</table>

Source: BCG’s WCYF Global CEO Study 2013
In order to act, CEOs call for guidance and dialogue...

70% of CEOs, across countries and industries, ask for best-practice examples and guidelines.

Over the next five years, what would help your organization addressing (supporting and respecting) children’s rights?

Source: BCG’s WCYF Global CEO Study 2013
...they also encourage more extensive legislation

What is your view regarding more extensive children’s rights legislation for the corporate sector?

% of respondents

- I do not encourage it / Current legislation is sufficient: 12%
- I encourage more extensive legislation as long as my costs remain the same: 15%
- I encourage more extensive legislation even if it increases costs for my organization: 73%

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Strategic imperatives
Most companies with immature strategies on children's rights

Source: BCG analysis
Strategies with different characteristics

<table>
<thead>
<tr>
<th>No action</th>
<th>Ad hoc</th>
<th>Defensive</th>
<th>Offensive</th>
<th>Visionary</th>
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</thead>
<tbody>
<tr>
<td>A small group of companies report not to take any actions to address children's rights, primarily because they see no relevance of topic to their company.</td>
<td>No clear strategy, possible actions when prompted by internal or external factors. Most small and medium-sized companies belong here, and a few larger ones. Level of efforts heavily depend on one or a few employees. This group is large and very heterogeneous in terms of the actions they take.</td>
<td>Risk-minimizing, reactive strategy – companies do what they must to avoid downsides. Consequences of passivity believed to be, e.g., brand damage or loss of customers. Tend to focus on child labor, and thus have limited insights of potential efforts on other areas. This group is large, containing many professional multinational companies that think of themselves as being rather aware on the area of children's rights and business.</td>
<td>See efforts on children's rights as an opportunity to gain a competitive advantage, bringing an upside in terms of impact on profit. This is generally anticipated through the gain of new customers, new business opportunities, or through attracting and retaining the best employees.</td>
<td>Driven by company vision/culture or even incorporated to raison d'être for the whole company. Not depending on a small group of people staying. Not driven by economic incentives. Small group of companies.</td>
</tr>
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</table>
### Flavored picture of strategy characteristics

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>No action</td>
<td>&quot;It’s not relevant – children do not work in our organization nor in our industry.&quot;</td>
</tr>
<tr>
<td>Ad hoc</td>
<td>&quot;We do act if we see that something is wrong, and of course we would never break the law in any way. But with the limited resources we have, this is nothing we can really prioritize.&quot;</td>
</tr>
<tr>
<td>Defensive</td>
<td>&quot;From a reputational standpoint, we cannot afford to be the poster child in media.&quot;</td>
</tr>
<tr>
<td>Offensive</td>
<td>&quot;The efforts we take regarding children's rights are crucial to recruit and retain our employees and to win the war for talent ...&quot;</td>
</tr>
<tr>
<td>Visionary</td>
<td>&quot;The vision of our company is to improve the life of people. In our view, children are the most important group in society. This goes through the whole company in everything we do, in our supply chain, in our products, in our facilities and beyond the borders of our own company.&quot;</td>
</tr>
</tbody>
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"We are a company for adults, by adults – children are not relevant to our business in any way." |
"Of course we would act if we discovered something, but we are a small company and this is nothing we prioritize." |
"Any time there is a crisis, it costs a lot of money through a damaged brand." |
"Our image has boosted and the contact number of business partners has increased" |
"Sometimes we give money to charity, and from time to time children are the recipients." |
"Customers are the most important driver of our actions – they would never accept us if we were found to use child labor." |
"If we are known for having child-safe products, of course our sales will increase."
Remembering drivers of behavior, actions need to be differentiated according to maturity of company and market

Step 1
General topic awareness about children's rights and business

- Increase basic awareness about children's rights and business – reading documents, informing employees
- Intended for companies with very low current maturity – e.g., certain geographies or industries or companies which have never discussed this before
- Enable companies to pursue an ad hoc strategy

Step 2
Specific contextual knowledge

- Understand how the topic is relevant to your company
- Assess the context of the issue in your specific case, for instance, to use a professional assessment of the situation, or find examples of how the peer group deals with the issue
- Enable companies to pursue a defensive strategy

Step 3
Implication insights

- Understand the business rationale of action – how your company can start to see the competitive advantage generated by activities
- Discuss and estimate economic impact of action/non-action, study business cases in peer group
- Enable companies to pursue an offensive strategy

Proposed actions

The Boston Consulting Group