

# CEOs as public leaders: **A McKinsey Survey**



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They say a comprehensive understanding of public issues and a strong network of peers with a similar interest make it easier for them to play a leadership role, while time constraints keep them from playing an even larger role.

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## CEOs as public leaders: **A McKinsey Survey**

*US business executives say they should play a much greater role in shaping debate about sociopolitical issues and leading efforts to effect change.*

**Almost half of US executives** believe they and their peers should play a leadership role in publicly shaping debate and in efforts to address sociopolitical issues such as education, health care, and foreign policy, according to the latest *McKinsey Quarterly* survey.<sup>1</sup> Yet only one-seventh of survey respondents consider themselves to be playing that role now.

The few who do play a leading role are likely to be board members or CEOs and often represent privately held companies. Most of them say they are motivated primarily by personal reasons, and they usually act as private citizens. Moreover, they say a comprehensive understanding of public issues and a strong network of peers with a similar interest make it easier for them to play a leadership role. The primary barrier to being even more involved is a lack of time.

These results expand on the findings of an earlier *McKinsey Quarterly* survey in which business leaders around the world recognized the importance of a corporation's contract with society and the imperative for them to engage in discussions of crucial sociopolitical issues.<sup>2</sup> These opinions are not surprising, considering that the social and political forces that today can define and swiftly remake a company's reputation and regulatory environment can dramatically alter an industry's strategic landscape and market opportunities over the long term. That survey (in which three out of four respondents said the CEO or chair should take the lead when companies try to manage sociopolitical issues) suggested a prominent role for top executives in articulating and helping to resolve the complex trade-offs inherent in big public-policy issues such as health care, education, poverty, and climate change.

<sup>1</sup> *The McKinsey Quarterly* conducted the survey in December 2006 and received responses from 721 US executives, of which 400 hold C-level positions. Three out of four of these C-level executives are board members, CEOs, or both.

<sup>2</sup> In that survey, 84 percent of executives embraced the idea that the role of corporations in society goes far beyond simply meeting obligations to shareholders. Moreover, they said traditional tactics, such as lobbying and public relations, are not the most effective ones. See "The McKinsey Global Survey of Business Executives: Business and Society," *The McKinsey Quarterly*, Web exclusive, January 2006.

## A leadership role: Perceptions, practices, and principles

Business executives address public issues in a variety of ways. They may act through their companies' activities or as private citizens. Some participate through membership in a business organization involved with public issues, and others may take on a leadership role. Our survey defined a leadership role as publicly striving to shape the debate about one or more public issues and leading efforts to address those issues. Differences emerged when executives were asked what role, if any, they believe their peers play in addressing public issues; what role they themselves play, and what role they think executives *should* play.

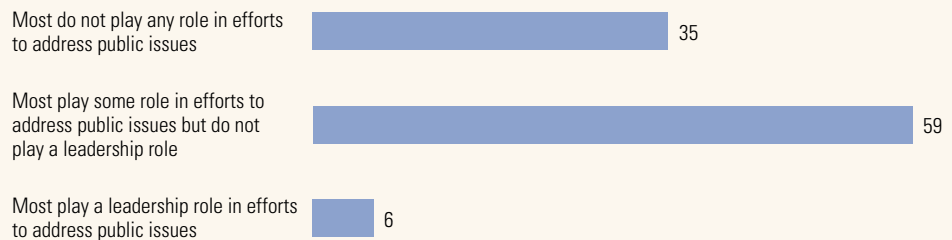
Only 6 percent of respondents say most executives play a leadership role, while 35 percent say most executives play no role at all. The majority, 59 percent, estimate that most executives play "some" role, but not one that matches the criteria for leadership (Exhibit 1). Asked what role they themselves play in addressing public issues, executives sketch a more animated picture: 14 percent (100 respondents) say they assume a leadership role, while 27 percent say they play no role at all. When asked about the role they think most US business executives *should* play, respondents express a wish for

Exhibit 1

### Perceptions of leadership

% of respondents<sup>1</sup>

*Which of the following statements best describes the role that most US business executives play in addressing public issues?*



<sup>1</sup> Excludes respondents who answered 'don't know.'

dramatically greater involvement. Forty-four percent say most executives should take on a leadership role, while only 6 percent say most should play no role (Exhibit 2). Indeed, almost half of those who play some role and one out of five who play no role support the principle that most executives *should* play a leadership role.

Of the 100 respondents who say they are playing a leadership role in addressing public issues, 56 are board members, and 14 of these are also CEOs. An additional 5 are CEOs but not members of a board.

Of the remaining group of leaders, 15 are C-level executives, and 24 hold less-prominent positions. Roughly 1 in 5 of all the CEOs and board members who participated in the survey say they are taking a leadership role. Interestingly, 64 percent of those taking a prominent role work at privately held companies, the overwhelming majority of them with annual revenues below \$1 billion. Thirty-six percent serve at public companies, almost all of them with revenues above \$1 billion.<sup>3</sup>

## Exhibit 2

### The leadership gap

% of respondents<sup>1</sup>



<sup>1</sup>Excludes respondents who answered 'don't know.'

<sup>2</sup>Figures do not sum to 100%, because of rounding.

<sup>3</sup> Respondents from public and privately held companies were equally represented in the survey, but among board members and CEOs, there was a significantly larger share representing privately held companies.

## Personal and business reasons

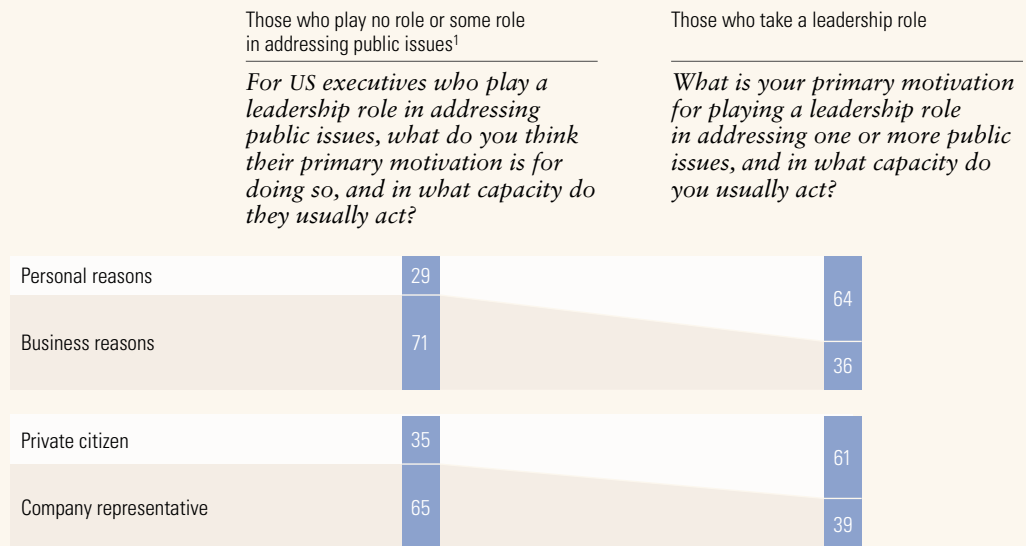
What motivates executives who take a leading role in tackling sociopolitical issues?<sup>4</sup> Again, the survey reveals a disparity between perception and practice. Among executives who say they don't play a leadership role, roughly two out of three perceive that those who do are driven primarily by business reasons and are usually acting as representatives of their companies. However, when we pose the same question to executives who say they are taking a leadership role, their responses are the reverse: almost two out

of three report that they are motivated primarily by personal reasons and are usually acting as private citizens (Exhibit 3). Nevertheless, more than half of those playing a leadership role say it is integral to their company's approach to corporate citizenship.

Exhibit 3

### Motivations for engagement

% of respondents



<sup>1</sup> Excludes respondents who answered 'don't know.'

<sup>4</sup>In an earlier *McKinsey Quarterly* survey, fewer than one respondent out of ten thought the corporate management of sociopolitical issues was motivated by a genuine concern about the issues. More than half of the executives in that survey believed public relations and company profits were the primary motivations, while one out of three cited a mix of genuine concern and business reasons. See "The McKinsey Global Survey of Business Executives: Business and Society," *The McKinsey Quarterly*, Web exclusive, January 2006.

## Enablers and barriers

Executives say that certain factors generally make it easier for them to play a leadership role in addressing public issues and that certain barriers make it harder. These enablers and barriers may partly explain the wide gap between the large share of respondents (44 percent) who would like to see most executives taking a leadership role and the much smaller share (14 percent) who actually do play such a role.

Among executives who say they play a leadership role, the most important enablers of their leadership activities are two factors not directly related to their role as business executives: a strong network of peers with an interest in public issues and a comprehensive

set of facts about, and an understanding of, public issues. Executives who do not play a leadership role believe companies with supportive values and culture are most helpful to executives who do lead (Exhibit 4).

Even though executives with a leadership role don't rank membership in a business association particularly high, they are more likely than nonleaders to be a member of at least one (86 percent, compared with 75 percent of respondents who play some role and 47 percent of those who play no role). In addition, they are twice as likely as others to say their business associations are very effective at addressing public issues.

Exhibit 4

### Enablers to engagement

% of respondents selecting enabler as 1 of top 3

■ Top 3 factors

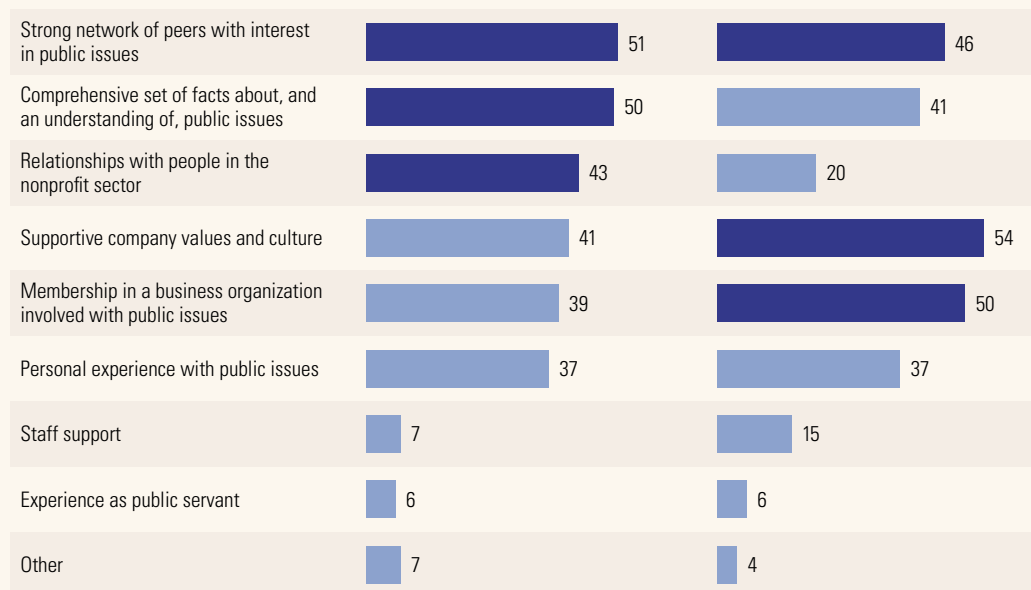
#### Some executives say certain factors make it easier to play a leadership role in addressing public issues.

Those who take a leadership role

Those who play no role or some role in addressing public issues<sup>1</sup>

*What have you found to be the most significant of these factors?*

*What are the most significant of these factors?*



<sup>1</sup> Excludes respondents who answered 'none of these.'

Respondents agree that the most important barrier to playing a leadership role is lack of time. In fact, seven out of ten who play a prominent role—and can judge from personal experience—pick it as one of their three choices, compared with only half of those who do not play a leadership role. By contrast, leaders are far less likely to fear negative publicity. Similarly,

twice as many (34 percent) of those who do not play a leadership role perceive a barrier in the form of company policy or culture that discourages employees from taking public positions on public issues (Exhibit 5).

### Exhibit 5

## Barriers to engagement

% of respondents selecting barrier as 1 of top 3<sup>1</sup>

■ Top 3 barriers

### Some executives say that certain barriers make it difficult to play a leadership role in addressing public issues.

Those who take a leadership role

Those who play no role or some role in addressing public issues<sup>2</sup>

*What barriers keep you from playing a larger role?*

*What barriers keep executives from playing a larger role?*



<sup>1</sup> Excludes respondents who answered 'none of these.'

<sup>2</sup> Excludes respondents who answered 'don't know.'

## Professional and private perspectives

As we have noted, any role in addressing public issues can be motivated by business as well as personal reasons and can be undertaken in a business as well as a private capacity. Therefore, in ranking the significance of particular issues, it is interesting to contrast the respondents' views on which issues have the greatest effect on shareholder value against which are most important to them personally.

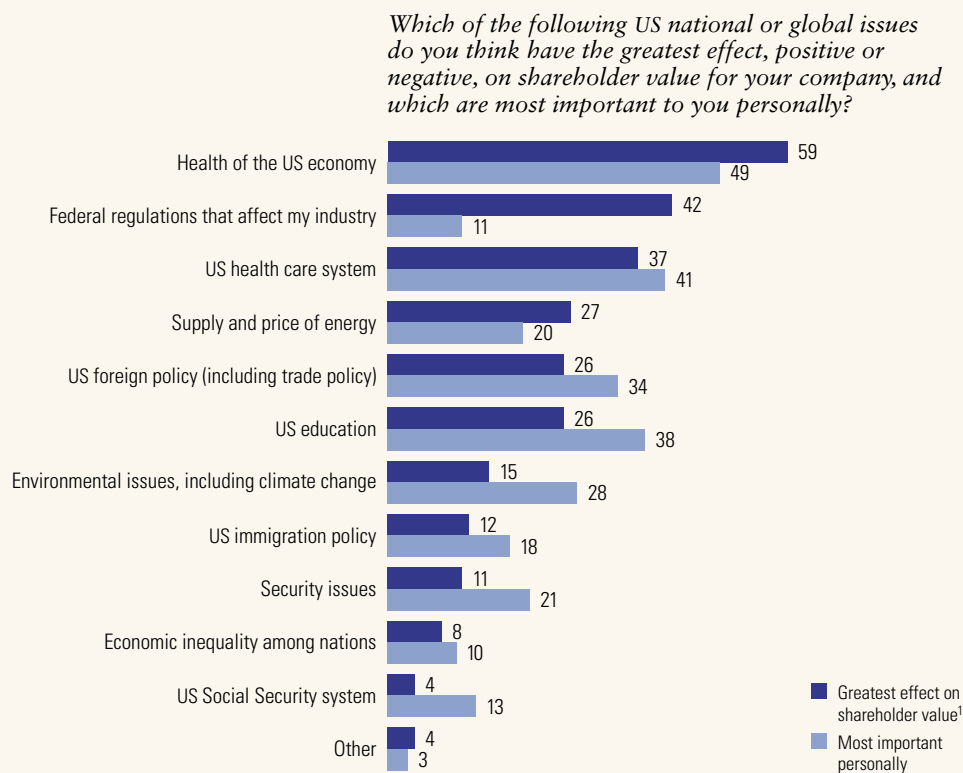
From both the professional and private perspectives, respondents rate national and global issues as more important than local issues. However, some notable differences emerge when we ask about specific issues.

Respondents rate the health of the US economy, federal regulations, and the supply and price of energy as being substantially more important to shareholder value than to themselves personally. By contrast, they rank the US health care system, foreign policy, and education as more important to them personally than to the shareholder value of their companies (Exhibit 6). Education is of particular concern to executives who say they play a leadership role in addressing public issues. These respondents assign significantly higher personal importance to education on the local and national levels than does the average respondent.

Exhibit 6

### US national or global issues

% of respondents selecting given issue as 1 of top 3



<sup>1</sup> Excludes respondents who answered 'no opinion.'



Contributors to the development and analysis of this survey include **Sheila Bonini**, a consultant in McKinsey's Silicon Valley office; **Kerrin McKillop**, a consultant in the Washington, DC, office; and **Andrew Whitehouse**, a consultant in the New York office.

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