CHAPTER X

BUILDING THE RESPONSIBLE COMPANY FROM THE INSIDE OUT:

A New Role for Human Resources and Organizational Development Consultants

by Lisa Prior. M. Ed.

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BIO

Lisa Prior, Principal of Prior Consulting, began researching and writing on corporate responsibility in 1999 while on appointment at the Kennedy School of Government at Harvard University, after acting in senior level positions in both Human Resources and Corporate and Community Affairs at BankBoston. Lisa holds an M.Ed with a concentration in Organizational Development from Boston University. In her consulting practice, Lisa helps company leaders build competitive advantage through their culture and their people.

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Corporate responsibility. Corporate goodwill. Global citizenship. These three interrelated business topics will increasingly shape the role of human resources and organizational development consulting in the decades to come. Are today's organizations prepared to internalize these values and issues as part of their strategic focus and in their day-to-day operations? Is human resources prepared to step into a leadership role that would help organizations answer these questions? From a consulting perspective, what do these concepts mean to the industries we support and the companies with which we work? What changes must we, as a profession, make to take an active and strategic place at the business table? And, most importantly of all, how do we implement these strategic issues to build a responsible company from the inside out?

The first decade of the 21st century is witnessing a revolution as corporate responsibility is becoming central to the role of business and vital to its success. External stakeholders' demands for transparent, responsible corporate behavior are closely intertwined with the new realities of goodwill and globalization. As responsible companies are increasingly differentiating themselves from their competition to meet these demands, they are attracting and retaining the best business partners and employees.

Corporate responsibility, goodwill, and global citizenship are at the heart of the rapidly changing business model which U.S. firms have followed since the turn of the last century. David Vidal, Research Director for Global Corporate Citizenship at the Conference Board, recently described the changing nature of this model "from who owns the company to what does the company own?" According to Vidal (2006), profits are no longer enough: despite capitalism's fundamental expectation that corporations must maximize profit, successful businesses "will yield profits *plus* a broader understanding of their overall responsibilities." Similarly, Mary O'Hara-Deveraux (2004), CEO of Global Foresight and Senior Research Fellow at Silicone Valley's Institute for the Future, describes the "badlands" – a disruption that began with the explosion of new technologies in the 1950s and will continue through 2030 – that business and the larger society outside are struggling to navigate. O'Hara-Deveraux says our social institutions are beginning to fail because there is a mismatch between the needs of society and our antiquated industrial models. As a growing number of respected researchers and scholars point out, there is a rapidly emerging, fundamental reality for business: corporate responsibility is becoming a core competency of global leadership.

The implications of this change are significant for human resources and organizational development professionals, who are charged with the management and development of one of the corporation's most vital assets – its people. At the business level, we face the basic challenge of integrating responsibility into culture and practice, establishing it as a value to be lived through daily decisions and behaviors of organizational members at all levels. On a global level, the challenge is even broader and more urgent: we must play a leadership role in redefining the very institutions upon which business and society have been based over the past 100 years.

This demand for a broader Human Resources role in redefining the connections between business and society will require a new mindset and new set of competencies for the HR profession. The Corporate Responsibility movement, the increasing importance of Goodwill, and the impact of Globalization have increasingly required companies to include stakeholders that are outside of the traditional borders of the corporation. A new paradigm shift is taking place, one that requires organizations to identify strategies that leverage "inside" competencies and assets to the benefit of needs and concerns of stakeholder groups "outside" of the organization.

This chapter explores the meaning of corporate responsibility and corporate goodwill, how these concepts contribute to financial success inside the organization, and the changing relationship between inside business practices and the society outside. The discussion continues with an assessment of the leadership role that the Human Resources (HR) and Organizational Development (OD) professions can play in guiding these changes. We'll conclude by considering three steps to help us build the responsible company from the inside out:

1. Identify the key strategic and operational intersections between the organization and the outside world
2. Integrate corporate responsibility into HR practices
3. Embrace a new set of competencies for HR professionals

First, however, as HR and OD consultants we must embrace our role in driving corporate responsibility and ensuring meaningful linkage between the inside of our organization and the world outside.

OPERATIONALIZING CORPORATE RESPONSIBILITY

Corporate responsibility is not just another business initiative – rather, it is a business value to be lived; a culture to be developed; and an umbrella over an enterprise demanding that every aspect of business strategy and operations add value for the firm *and* its stakeholders. Waddock and Smith (2000: p. 47-62) agree with this view:

> Becoming a good corporate global citizen is a process that inherently involves finding, articulating and implementing positive core values… We believe that appropriate values will be what leadership scholar James McGregor Burns called 'end values,' such as respect for human dignity, freedom and rights, values about which many people would concur.

Unfortunately, experts in the field of corporate responsibility have not adopted a common language for their work. Words like corporate citizenship, corporate accountability, sustainability, business ethics, and corporate values are often substituted for one another without clear definition or demarcation. For example, management guru Michael Porter of Harvard writes about "corporate social responsibility," a term also used by nongovernmental organizations (NGOs) such as the U.S.-based Business for Social Responsibility (BSR) and the UK-based Corporate Social Responsibility Forum. Author Malcom Gladwell and the leaders of the Boston College Center for Corporate Citizenship use the term "corporate citizenship"(2006). Sarah Murray points out that corporate social responsibility remains poorly defined, with interpretations that "range from volunteering activities and involvement with non-profit organizations to teaching social and environmental management as part of core MBA topics, such as accounting, marketing and finance."[1]

According to BSR (2006), corporate social responsibility (CSR) is concerned with:

> achieving commercial success in ways that honor ethical values and respect people, communities, and the natural environment… CSR means addressing the legal, ethical, commercial and other expectations society has for business, and making decisions that fairly balance the claims of all key stakeholders. In its simplest terms it is "what you do, how you do it, and when and what you say."

For simplicity, this chapter uses the term "corporate responsibility" (CR) to embrace these ideals and adopts the BSR definition.

The Need for Change

When it comes to corporate responsibility, observers (e.g., Vidal, 2006) warn us to "beware of rhetoric." Indeed the very concept of CR is often met with reticence and skepticism; and given the much-publicized examples of corporate malfeasance – Enron, Tyco, and WorldCom spring to mind – this reaction seems appropriate. The core issue boils down to the tension between external window dressing and internal realities within the firm. While many companies run congeniality campaigns through corporate foundations and volunteer initiatives to create a favorable public image, they simultaneously engage in deceptive business practices, including stealing from their shareholders and the public. But how can internal and external stakeholders accurately evaluate the true alignment between corporate publicity efforts and the internal reality of the firm as a responsible company?

Michael Porter points out that "a company impinges upon society through its operations in the normal course of business. These are inside-out linkages. Virtually every activity in a company's value chain touches on the communities in which they operate, creating either positive or negative social consequences" (Porter p. 7). Operational activities such as hiring practices, reporting relationships, and compensation incentives are part of this value chain of activities. At the same time, Porter notes that “few companies have engaged operating management in processes that identify and prioritize social issues based on their salience to business operations” (Porter p. 12).

We could argue that this failure to integrate corporate responsibility into a firm’s day-to-day operations results from the lack of HR leadership in emphasizing corporate responsibility in both strategic and operational planning. The HR Department, not the Public Affairs Department, is in the best position to evaluate the true alignment between external reputation and internal operations. As Carol Kolenik of Harvard University notes, “HR is on the pulse – they are the ones to make this happen.” (Kolenik 2006)

At this moment in business history, stakeholder demand for corporate responsibility provides those of us in the HR and OD professions with a significant opportunity to assume leadership in ensuring this alignment.

A lingering question, of course, concerns why HR professionals and OD consultants should take on this challenge. The answer is simple – the HR function is responsible for the strategic and day-to-day people practices of an organization. Through OD-based intervention, there is an unprecedented opportunity to add true value to the firm’s bottom line and marketplace valuation, while simultaneously benefiting stakeholders in the society outside. Ownership for responsibility within an organization is often ambiguous. For example, in her article “Who’s in charge of responsibility?” Murray demonstrated that functional ownership for responsibility varies dramatically from company to company: it may reside with a Public Relations Manager, the Vice President of Philanthropy, or the Director of Public Affairs. (Murray 2002)

Corporate Goodwill and the Business Case for Corporate Responsibility

Goodwill is an intangible business asset made up of components of the firm's capital, including social, human, and reputation capital, which can be considered as the foundation of corporate responsibility. Young (2006) argues that in today's marketplace, much of the risk corporations face emerges from stakeholder concerns. As he suggests, companies can move corporate responsibility into the valuation process, which is, after all, at the heart of capitalism. To improve capital position, take the net present value of the firm times a multiplier based on an estimate of risk. Arguably, many of the risks relate to stakeholder concerns, which, in turn, relate directly to CR.

Corporate goodwill has indisputably become a key part of business accounting practices. In fact, FASB accounting rules 141 and 142 require companies to include goodwill, as an intangible asset, in their methodology. According to Young (2006), "If there is an impairment to goodwill in any fiscal year, it will give a hit to income."

As a result of these dynamics, shareholders have become increasingly aware of the influence they can exert over a company's business practices. For example, according to the Washington-based Social Investment Forum (2006), socially responsible investments saw a 258 percent increase over the past decade – from $639 billion in 1995 to over $2 trillion in 2005. This ROI is 10 percent higher than the return on assets under professional management during the same period. Companies belonging to other sustainability-focused stock indices, including the Dow Jones Sustainability Index and the FTSE4 Good Indices, outperformed many others without a sustainability focus for a three-year run from 2003 to 2006. Goodwill matters to a firm's bottom line, and corporate responsibility is a firm part of the foundation.

Growing Influence of Environmental and Social Bottom Lines

Businesses exist to make money, and they make it by creating value for stakeholders. That is capitalism's bottom line. Shareholders are undeniably the most important stakeholder of any for-profit corporation; to state otherwise would be disingenuous and poor business. However, to conduct business in today's transparent, globalized economy, firms must maximize profit while paying attention to the needs of other stakeholders. Goodwill with key stakeholders – not just shareholders – is now a required tenet of doing business.

Yet to what extent is it possible for firms to satisfy more than just shareholder interests? Kotter and Heskett's (1991) research on corporate culture and performance concluded that stakeholder-focused companies reap significant financial rewards. The study, which included 207 companies in 22 countries across an 11-year period of time, found that firms with a stakeholder-focused culture significantly outperformed companies that ignored stakeholders. (For instance, revenue increased 682 percent versus 166 percent; stock price increased 901 versus 74 percent; net income increased 756 versus 1 percent.)

Stakeholders increasingly want more than just a bottom line of financial results; they are demanding that corporations add value to the environmental and social bottom lines in which they operate. In response to these demands, CFOs from a variety of sectors are recognizing the growing importance of corporate responsibility to their own bottom line. *CFO Magazine's* cover story on "Virtue Rewarded" quoted CFOs from General Mills to Grant Thorton to Green Mountain who described the bottom-line benefits each of these firms enjoys from their corporate responsibility efforts.

While corporate responsibility is often affiliated more closely with "green" initiatives, CR efforts also focus on the company's role in cultivating social sustainability. Gregg Beloff, CFO of Archemix Corporation, a biotech company, says:

> Organizational communities reside within organizations, which in turn reside in the global community; that very same global community enables the capital markets in which the individual organizational communities do business. Because a company community cannot exist without the broader community sustainability at the global level is a prerequisite for sustainability at the local level.

Corporate responsibility as part of successful business strategy is gaining ground in mainstream corporate literature. Michael Porter affirms that "successful corporations need a healthy society. Education, health care, and equal opportunity are essential to a productive workforce... any business that pursues its ends at the expense of the society in which it operates will find its success illusory and temporary." (Porter pg. 7)

Corporate Responsibility and Stakeholder Identification

One of the responsible company's most critical skills is successfully engaging its stakeholders, including the challenge of *simultaneously* managing the expectations and relationships of an array of stakeholders, many with competing interests. Identifying these stakeholders, especially the ones critical to the firm's success, is an important first step. Each constituency or relevant public has its own legitimate concerns, wielding power and authority over the corporation . (Agle, Mitchell & Sonnenfeld, 1999; Freeman, 1984; Post, Preston & Sachs, 2002). Five stakeholder groups have been identified as having the greatest influence over the business success of today's corporations (Besser, 2002; Jack & Nelson, 2004):

1. Customers
2. Employees (both regular and contract)
3. Investors
4. Business partners, such as suppliers and vendors
5. Communities, including NGOs, government, local communities, and environmental interests

Figure X-1 illustrates the Stakeholder Circle with which businesses interact today. Within this context, the triple bottom line of financial, environmental, and social results involves a series of obligations that go well beyond creating financial value for shareholders alone.

Insert Figure X-1 about here

Today's stakeholders place a variety of demands upon the corporation, and are ever savvier in monitoring a company's actions. Over recent decades each of the stakeholder groups identified earlier has influenced or redefined the rules for business success. Individual companies and even entire industries are adopting new strategies as they realize that it is in their financial interest to respond to the desires and concerns of each specific stakeholder group. While originally some of these strategies, processes, and approaches were dismissed as business fads, today they are considered to be business fundamentals. For example, "Quality Circles" were widely used in the 1980s. Although the name may have changed over time, approaches that include employee involvement and empowerment in problem solving are the lasting legacy of the Quality Circles movement. Although readers may be tempted to think of corporate responsibility as a passing fad, the demand for business practices that benefit both the company and society will increasingly become standard in today's globalized world. Table X-1 captures this shift in business practices over the decades.

Insert Table X-1 about here

The Growing Strength of Stakeholders

From Nike to McDonald's to Merck, companies have found various stakeholder groups subjecting their business strategies and practices to microscopic scrutiny. In human rights and human health, corporate governance and environmental responsibility, groups that include customers, shareholders, employees, NGOs, governments, and surrounding communities are demanding that companies be accountable and responsible for how they do business and what they produce. Building relationships with these stakeholder groups by involving them in business strategy and day-to-day decision making has become a necessary competency for the leaders of larger firms.

Having begun its journey as a set of activities seemingly peripheral to the firm, corporate responsibility is now a core value that must be integrated, aligned, and proven to be genuine to stakeholders throughout the activities of the enterprise. The American public's demands for corporations to "do what is right" for both the environment and society has nudged CEOs to participate in solving the looming public policy issues of our time. As *Fortune Magazine* (2007) recently featured, CEOs are taking public positions that range from reducing carbon dioxide emissions to providing universal health coverage, and are engaging in dialogue with groups such as NGOs and business roundtables. After years of the corporate malfeasance and deception that enriched themselves and their big investors, CEOs recognize that acting as a responsible corporate citizen is not a "nice to have" – it is a prerequisite to doing business.

The more astute firms realize that their stakeholder groups are creating new rules for business: financial success is now the result of a simultaneous focus on profitability and stakeholder interests. The well-known examples of Shell Oil and BP Amoco, early adopters of corporate responsibility practices, illustrate the pains that some companies are taking to stay on top of and respond to stakeholder concerns. Both of these organizations – and many others that have followed them – have created structures to engage stakeholders, integrate standards and accountability into day-to-day business concerns, and make corporate decisions and actions transparently.

These and other companies have created such groups as "The Social Responsibility Department" or "The Corporate Responsibility Group" as part of the response to external pressures to involve stakeholders in business decisions. Employees in these departments facilitate awareness and accountability of corporate responsibility practices, consulting to senior and midlevel line managers and providing tools and resources. In some of these organizations, human resources and organizational development groups are key partners, as they should be. HR and OD are stewards of an organization's people strategies, with some of the most powerful opportunities to influence how a company does business.

Research on the effectiveness of corporate responsibility strategies and practices has largely focused on corporate reputation and its effect on profitability. The popularity of *Fortune Magazine's* Most Admired lists is just one example of the mainstream business obsession with external reputation. “Demonstrating ‘corporate citizenship’ through philanthropy, pro-bono activities, and community involvement” are among the practices that “build, sustain and defend” a firm’s reputation[2], Charles Fombrun told us in 1996. (Fombrun, 1996, p.6) An updated lesson for companies in 2007 is that corporate citizenship is not merely limited to philanthropy, pro-bono activities and community involvement, but now includes the fundamental values, strategy, operations, and governance practices of the firm.

While CR research generally focuses on the link between positive external reputation and profitability, it often ignores a more powerful, internally based argument: a firm’s responsible actions and reputation have significant, positive impact on recruiting, retaining, and developing employees, and encouraging their commitment to the organization.

As Human Resources and Organizational Development professionals, we need to stretch the thinking about corporate responsibility beyond philanthropy and volunteerism. Now that we understand the power and potential of this corporate value and the culture that it fosters, we must identify practical ways to integrate it into business strategy and operations.

Three Steps to Building the Responsible Company from the Inside Out

Is the human resources profession ready to take an active leadership role in corporate responsibility? Today’s business environment is truly global. As countries with emerging economies become legitimate sources of intellectual capital and labor, we as HR professionals have an unprecedented opportunity to positively affect business results while improving the quality of life around the world.

As external demand mounts for responsible corporate behavior, most HR/OD collaborators and consultants are turning their backs on what could potentially be an historic turning point in the strategic importance of their role in the organization. With only a 16 percent return rate, a recent study conducted by the Society for Human Resources Management (SHRM) found few HR respondents interested in the topic. Even more startling, most respondents claimed their primary role in corporate responsibility to be the execution of strategies developed elsewhere in the corporation.

This is a missed leadership opportunity for the human resources profession. The SHRM study suggests that the HR professionals marginalize corporate responsibility to philanthropic and volunteer efforts that take place under the auspices of public affairs. It also demonstrates that HR lacks a roadmap for leading the organization through the process of ensuring linkage and alignment between inside and out. HR and OD partners are the stewards of organizational people practices. They can, and should, lead the responsible company through the design and development of both culture and structures that encourage a shared mindset about corporate responsibility. Once this mindset has been developed, subsequent strategies and actions on the part of employees and leadership will follow.

But first a shift needs to take place within the Human Resources profession: we need to embrace CR as a responsibility of human resources leadership. By tuning into the social and environmental issues that are most pressing in the local community, we have the opportunity to engage employees, who often live in these communities, in meaningful activities that benefit both business and society. This requires the HR profession to be more successful at articulating, communicating, and helping business integrate these types of shared-value solutions into day-to-day operations and practices. There are three practical steps to accomplishing this:

1. Identify the key strategic and operational intersections between the inside and the outside
2. Integrate corporate responsibility into HR practices
3. Embrace a new set of competencies for HR professionals

At the end of this discussion, two case studies will illustrate the steps taken through one major employer, Harvard University.

STEP 1: Identify the Strategic and Operational Intersections between the Inside and the Outside

What are the practical ways to identify this intersection, the "sweet spot" where the internal and the external intersect? To answer this question, HR professionals should work with internal business and thought leaders to create a vision and plan:

- First, start by knowing the key stakeholders of the firm and developing an in-depth understanding of their interests and needs.
- Next, identify ways to leverage the core competence of the firm to the benefit of key stakeholders.
- Finally, the HR leader must help the firm implement a plan that focuses on a few key priorities that will have maximum impact. Corporate responsibility is not a call to be all things to all people.

Identifying Key Stakeholders

Individuals and groups that have a legitimate, mutual interest in the operations and products of a firm and exercise a certain power and authority, are, by definition, key stakeholders. The increasing complexity of business over the past several decades can be traced to the growing number of individuals and groups to whom the firm has become accountable. These include stakeholders who decided *for* the firm that they had a legitimate right to have a say in its operations and strategies.

Shell Oil's well-known episode involving the sinking of the Brent Spar Oilrig illustrates the power of external stakeholders to force their way into a seat at the firm's decision-making table. Shell disregarded environmental considerations when it made the decision to sink the rig in 1995, and the environmental advocacy group Greenpeace responded by making a public spectacle of what it perceived to be Shell's environmental irresponsibility. This action was a tipping point in the realm of corporate responsibility: today, Shell engages in dialogue with Greenpeace and other environmental advocacy groups before making decisions of this nature.

Who are the key stakeholders of your firm? What are their needs and concerns? Which individuals or groups see themselves as stakeholders, but are not yet on the radar screen with respect to their involvement in both strategic and operational decision making? Are there possible consequences to ignoring these groups? Will a group forcibly bring itself to your attention if you do not respond proactively? How does your firm prioritize the needs of these stakeholder groups? In what ways does the firm actively engage employees in understanding and responding to the stakeholders that matter most?

These questions will help the HR leader identify the key stakeholders of the firm and understand their needs and concerns –the foundational and fundamental step in building a corporate responsibility strategy from the inside out.

Leveraging the Core Competence of the Firm to Benefit Key Stakeholders

Core competence is the firm's collective knowledge "about how to coordinate diverse production skills and technology." (Pralahad, C.K & Hamel, 1990) Corporate responsibility will move from the periphery to the core when the firm applies what it does best to the benefit of its identified stakeholders. HR leadership has a role to play in helping the organization recognize this reality, and in identifying the strategic and operational intersections between the inside and the outside.

Michael Porter (Porter p. 9) confirms that companies should choose corporate responsibility topics that are most relevant to their business and industry:

> each company must select issues that intersect with its particular business…The essential test that should guide CSR is not whether a cause is worthy but whether it presents an opportunity to create shared value – that is, a meaningful benefit for society that is also valuable to the business.

By identifying this intersection of business and social interest, the Human Resources profession can help business and society create both shared *value* and shared *values*.

Journalist Kate O'Sullivan points out that "the return on investment in CR depends on three things: the industry, the company's existing reputation, and the way the company approaches the issue" (p. 50). According to the author (p. 52), a corporate responsibility strategy may pay off if your firm is engaged in or affected by the following activities:

- High brand exposure (for consumer-products companies)
- Significant environmental impact
- Dependence on natural resources
- Current exposure to regulations

- Increasing potential for regulation
- Competitive markets for talent

As key influences *within* the organization, HR and OD is well positioned to shape how the company approaches corporate responsibility. For the HR and OD professional, this means taking a closer look at our image from *outside* of the company and ensuring alignment with what the company is building from the inside. As illustrated in Figure X-2, human resources could play a leadership role in ensuring the alignment and integrity of messages and practices that touch the outside of the corporation.

Insert Figure X-2 about here

Focusing on Key Priorities

The call for corporate responsibility is *not* a call to be all things to all stakeholders. Rather, it is a call to identify the highest-impact priorities of key stakeholders and leverage core competencies in response.

Mast Industries, a private company based in Columbus, Ohio, is an example of a company whose founder advocated corporate responsibility as the center of its business practices. At the time of a 1999 interview with Founder and CEO Martin Trust, this privately-owned, multi-billion-dollar global contract manufacturer is a key supplier to well-known garment companies including Victoria's Secret, The Limited, and Abercrombie and Fitch. Founder and CEO Martin Trust identified four business practices as key to building his profitable and responsible enterprise:

1. Implementing a business strategy to produce high-quality goods at competitive prices, while avoiding the lowest-margin sectors
2. Ensuring a safe work environment and competitive wages
3. Establishing and monitoring labor and quality standards, subcontractors included
4. Providing local access to higher education, as with the Phoenix College of Clothing Technology in Sri Lanka

These practices were fundamental to the company's relationships with key stakeholders. Mast Industries created additional value for three stakeholder groups when it established the Phoenix College of Clothing Technology in Sri Lanka. Mast's employees benefited by developing new skills that could lead to advancement; since courses were open even to Mast's competitors, the community benefited from greater access to education; and Mast's manufacturing enterprises benefited from increased workforce skill and community goodwill.

In 1999 *New York Times* columnist Tom Friedman paid a surprise visit to Mast's Sri Lanka manufacturing site for Victoria's Secret, reporting that he found conditions "I would let my own daughters work in." (Friedman, 1999) Under Trust's leadership, Mast set an example as a profitable firm that created value for key stakeholders such as employees and their communities. By integrating corporate responsibility in the most important aspects of his business – wages, professional development, safety, community enrichment, and transparency – Martin Trust's organization has succeeded in doing business around the globe while avoiding the negative attention that other garment manufacturers have received.

A practical way to implement a plan that focuses on a few key priorities is to involve midlevel managers in planning corporate responsibility initiatives, and to hold these managers accountable for execution. Too often, plans are made at the top without including managers who have the all-important task of executing corporate strategy on a day-to-day basis. A strong middle will help ensure the execution of the standards and practices in alignment with the company's core values.

In an earlier piece of research, Jane Nelson, currently director of Corporate Responsibility Initiatives at Harvard identified eight socioeconomic "multipliers" that business brings to society (Nelson 2003):

1. General investment and income
2. Producing safe products and services
3. Creating jobs
4. Investing in human capital
5. Establishing local business linkages
6. Spreading international business standards
7. Supporting technology transfer[3]
8. Building physical and institutional infrastructure

Excellent stakeholder identification and management will improve an organization's ability to recognize the right multiplier opportunities and manage associated risk more effectively, protecting and projecting a positive reputation in an honest and transparent way.

The HR leader should use the Stakeholder Circle model as a guide to examine all stakeholder groups and asking, "What are the multiplier opportunities for our organization? Where do our internal structures support our stakeholder engagement efforts? Where do they fail?"

Another practical approach for operationalizing a corporate responsibility plan is to initiate a corporate responsibility council or assign the function to an existing forum, such as the company's risk management forum. Use these venues to expand the review of employee practices. What issues are most important to the communities in which we are doing business? How can we leverage existing practices for mutual benefit? In what ways can we influence the human rights and human resources laws and policies in the countries we do business with, *before* our stakeholders demand that we do? Are we adequately educating our leaders to fully understand the external and internal picture of our values and practices as a responsible company?

Stakeholders' growing demand for transparency has motivated an increasing number of firms to collect and publish data on employee-related business practices. Such early adopters as BP Amoco and Shell Oil pioneered "Responsibility Reports" which include important information on the company's hiring practices, safety record, human rights policies and practices, diversity practices, volunteerism, and philanthropic activities. Today, over 1,000 companies across the globe are publishing such reports (Murray 2006) available to the public on each company's website.

Shell Oil, frequently cited as the lightning-rod company for both its sinking of the Brent Spar Oilrig and its murky role in the death of a Nigerian human-rights activist, was forced by stakeholders to bring corporate responsibility into its business practices. Given the differences in purpose, mission, and values, relationships between Shell (or any extraction/oil company) and many NGOs (especially those focusing on the environment and human rights) will always be characterized by tension. The company's "Tell Shell" program was an early effort to improve transparency and dialogue with the outside. Through the web, the program encouraged internal and external stakeholders to provide feedback, ask questions, and raise concerns. A number of these Tell Shell comments make their way into the company's corporate responsibility report each year.

HR leadership has a role in influencing the organization's ability to meet the transparency criteria that have been set and monitored by respected NGOs, including The Global Reporting Initiative, sponsored by the UN Global Compact.

STEP 2: Integrate Corporate Responsibility into Human Resources Practices

In today's competitive business environment, intellectual capital and other intangibles such as culture are key factors that influence decisions, actions, and interactions of stakeholders outside the firm.

Human resources leadership acts as the key steward of both intellectual capital and culture within an organization because these intangibles are, at the end of the day, all about the firm's people. What type of culture are we building, and how does it align with our external reputation? What does our organization value with respect to corporate responsibility, and how do our leaders contribute? How do we ensure that the reputation that we aspire to is aligned and linked to our actual, day-to-day practices?

The operating environment of an organization as well as attitudes and behaviors are defined by the actions of its leadership. Corporate culture is created and transmitted through the actions, not the words, of an organization's leaders. As Kotter and Heskett (1991) describe:

> At the deeper and less visible level culture refers to the values that are shared by the people in a group and that tend to persist over time even when group membership changes… At the more visible level, culture represents the behavior patterns or style

of an organization that new employees are automatically encouraged to follow by their fellow employees.

Collins and Porras' (2002) landmark research on corporate purpose and values suggests that companies with a compelling purpose and culture outperformed their competitor groups by a significant margin in the stock market. In trying to emulate the results of these "built-to-last" companies, many of today's firms have adopted and published mission, vision, and values statements. These are useful to the extent that they tell a company's stakeholders about the firm and what it stands for. Inevitably, once actions fail to live up to the firm's words, these statements become targets for the lampoons of corporate critics. Day-to-day actions must send a clear message about performance expectations: the behaviors that are valued are the ones that are rewarded. As Mark Wade (1999), a founder of the Tell Shell initiative, once noted, it is now a "show me, don't tell me" world.

Beyond external mandates that govern common human resources practices such as hiring and compensation, three HR practices immediately and easily lend themselves to building and reinforcing a culture of responsibility:

- Leadership development
- Recruiting
- Performance management

Leadership Development and Corporate Responsibility

Leadership development efforts in today's organizations build culture as well as business. There are myriad ways to integrate responsible business practices into leadership development: including CR topics in leadership training programs, incorporating volunteerism as a mechanism for developing leadership skills, assigning specific topics as part of on-the-job skill-building experiences.

The key success factor for integrating corporate responsibility in the leadership development curriculum is to define the issues and questions that are most important to the firm. Such topics include:

- Environmental impact of the firm's business practices
- The impact of salient social issues on the company, for example:
    1. The lagging ability of people living in U.S. inner cities to be self-sufficient in a globally competitive business environment
    2. The alarming increase in the dropout rate of high school males across socioeconomic groups
- The impact of pricing and sales practices on all stakeholders
- The congruence and alignment of external reputation and internal business practices; making recommendations for closing any identified gaps
- A stakeholder "audit" of needs and concerns, including the effectiveness of the firm's response

These topics offer just a sampling of the wide range of corporate responsibility issues that may be integrated into leadership development initiatives. It is up to us, as human resources practitioners, to identify the most important topics, translate their potential impact into business issues for the firm, and to frame questions for current and future leaders to debate before determining a course of action.

Recruiting and Retention

From a recruiting perspective, those companies searching for talent in competitive markets will want to take note: a strong corporate-responsibility value that is visible in the firm's day-to-day operations and practice is one of the most effective tools for recruiting and retaining top talent. For example, 78% of employers participating in a 2006 study by the Conference Board ranked recruiting and retaining talent among the key business drivers for corporate responsibility programs in their firms. As the 78 million members of the "Gen Y" generation join the workforce, the employee demand for corporate responsibility will only increase. Defined as that sector of the US population born between 1980 and 2000, these "Millennials" are especially concerned about corporate responsibility. In their college years, they were more likely than previous generation to be actively engaged in volunteer activities, and they bring the expectation that their employers share their concerns for both environmental and social responsibility. (Erikson 2007) It seems inevitable that as this group replaces the retiring Boomer Generation (1946-1964), corporate responsibility will increasingly weigh in as a key component of employee recruiting retention, and engagement.

Performance Management

There is truth to the old management adage: "What gets measured gets managed." The performance management process, a common business management tool, is the ideal forum for establishing expectations for responsible corporate behavior. First, the business needs to establish corporate standards and expectations for responsible practices and behaviors. A wide variety of NGOs are providing frameworks to companies. For example, the UN Global Compact has published standards for ensuring and protecting human rights; the CERES principles provide standards for environmental sustainability, and the Global Reporting Initiative (GRI) provides a framework for reporting and transparency with stakeholders. In the earlier stages of its responsibility efforts, Shell Oil had integrated a "Sustainable Development Management Framework" which provided standards and tools for: 1) how investment decisions were made; 2) health, safety and environment; and 3) engagement with stakeholders. Managers were required to provide letters of representation on their performance against these standards. The framework became an integral part of Shell's performance management process, and the resulting corporate responsibility reports were verified by external auditors. The framework attempted to capture core information on the business unit's performance against the human rights and environmental standards that Shell set. For example, the framework tried to answer specific questions, including "does the line of business have a policy and a procedure for ensuring equal opportunities in the work force? Does it make sure that it is screening suppliers and contractors for child labor abuses? Does it screen contractors and suppliers for their ability to meet required standards in health, safety, and environment?" (Wade, 1999; Jackson 1999)

STEP 3: Embrace a New Set of HR Leadership Competencies

In an updated view on core human resources competencies, popular author and consultant David Ulrich has noted that "HR practices are becoming more integrated, aligned and innovative" as the expectations of HR performance within an organization increase in the globalized economy. He continues, "HR professionals are being asked to help business compete and to do so, HR professionals must not only observe but also understand and adapt to these business trends." Ulrich and his colleagues identify six competencies for HR success in today's demanding environment, to which I add a seventh:

1. Credible activism
2. Culture and change stewardship
3. Talent management and organizational design
4. Strategy architecture
5. Operational execution
6. Business ally
7. Identify and execute inside-out strategies

Today's globalized economy demands responsibility and transparency from the corporate enterprise, which will in turn require a new set of HR capabilities. It is past time for the human resources function to advance beyond the inward-facing role it has traditionally played. HR professionals must adopt an outward-facing set of skills, knowledge, and behaviors, using them to bridge the inside and the outside and create new socioeconomic multipliers for both the organization and society. The term economic multiplier can be defined as "shorthand for the way in which a change in spending produces an even larger change in income." (The Economist, 2007) Measuring the economic multiplier of an organization's Corporate Responsibility efforts is one approach to quantifying the benefits of those efforts to business and society. CR efforts should try to quantitatively answer questions about the multiplier effect of their economic impact. For example, from a social perspective, what is the multiplier effect of corporate volunteer efforts to raise the level of educational attainment within an inner-city community? From an environmental perspective, what is the multiplier effect of the company's recycling program?

Case Study 1: Identifying the Intersection between the Inside and the Outside

The Harvard University Bridge Program

Issues

In Greater Boston, there is a growing mismatch between job openings and the qualifications of the labor pool. The area experiences one of the highest unemployment rates in the country, 55 percent of the available jobs require an Associate's Degree, putting available jobs out of reach for a population of workers with a high school degree or less. (Boston Private Industry Council 2007) From a labor-market supply perspective, this dynamic poses a challenge for employers around Greater Boston. At this same time, this state of affairs represents an opportunity for building corporate responsibility from the inside out. Harvard University, one of the largest employers in Greater Boston, is stepping up to the plate to address this growing gap and offers two case studies of HR professionals role modeling the HR competencies of identifying, articulating and executing inside out strategies.

Action

Carol Kolenik, founder and director of the Harvard Bridge to Learning and Literacy Program, came to Harvard in 1998 through the University's Center for Training and Development. Harvard sees itself as a "global educational enterprise" (Harvard University 2005) While it may have nonprofit status, the University increasingly runs itself with business discipline and faces many of the same global and fiscal challenges as for-profit institutions. During the interview process for her job as a training specialist, Kolenik asked a key question, “What opportunities are there for service workers to develop their professional skills and get into professional positions?” When she realized how few opportunities were actually available, Kolenik decided that the University’s core competence, education, should be available to all employees. Her new employer agreed, giving her the room she needed to take advantage of “the infrastructure that was already built in the institution.” (Kolenik, 2006)

Kolenik started a small pilot program, working in partnership with one of the University’s groups of service workers – the Faculty Club and then added the Facilities Maintenance Organization and Dining Services– to establish a program that eventually became known as the Harvard Bridge to Learning and Literacy Program. The program, now expanded, offers University employees education in subjects that range from ESL to Advanced Computers and College Preparation, as well as a mechanism for potentially securing previously out-of-reach professional positions.

Result

The Harvard Bridge Program has found the sweet spot at the intersection of the University’s core competency, education, and the need for job and professional development among Greater Boston’s working class. As a second benefit, the program strengthens the linkage between the University and its key unions.

“I came from the business world,” Kolenik said when asked to share her advice with HR leaders who are making forays into corporate responsibility. “I know that you have to have an impact and that it can’t take five years for a visible impact and positive outcomes of corporate responsibility. Identify something specific and measurable, and start with a small pilot group or project. Once people see the impact it can grow. Everyone wants to have a positive influence on the world." (Kolenik, 2006)

Kolenik's efforts have led to increased employee retention, and the creation of a pipeline of staff into administrative roles. Kolenik says, "Employees have told me that they are staying at Harvard because they have an opportunity here to advance their skills, including language, computer and employability. This is reinforced when they see other students who have come to Harvard as part-time, contracted landscapers, making $9.25 an hour and participated in Bridge ESL classes, worked with career counselors and improved their writing and computer skills and are now working full-time for Harvard as staff assistances making $22.00 an hour." (Kolenik 2007)

Other major universities around the U.S. are now benchmarking Kolenik's work. The value of her program is in the contributions it makes to the community while benefiting the business. The Harvard Bridge to Learning and Literacy illustrates the three steps toward building corporate responsibility from the inside-out:

Step 1: Identify Inside Out Strategies. Kolenik began by identifying the strategic and operational intersections between the inside and the outside. She recognized a key stakeholder group; sought to understand the critical concerns and needs of the group's constituents; and worked with her organization to find a way to use its core competence for the benefit of both the University and members of the community.

Step2: Integrate CR as Part of HR Practice. By building the Bridge to Learning and Literacy Program, Kolenik has made existing corporate learning and development opportunities available to service workers who are "interested in improving their skills in their current positions or gaining new skills for different positions." (Harvard Bridge Program 2007) Kolenik engaged middle management in the process, learning the specifics of their operations and ensuring that classes were scheduled around the operations' needs. As a result, she minimized disruption to the workgroup, and was able to build trust with the University' middle managers. (Kolenik, 2007)

The program has become an integrated component of the Center for Workplace Development which also serves Harvard's community of professional workers.

Step 3: Embrace a New Set of HR Competencies. Kolenik provides us with an illustrative example of putting the new HR competencies to work: identifying, articulating, and executing an inside-out strategy which brings benefits to the University and to the service workers in its employ. When asked how she approached this effort she says, "Be a salesperson: the number one sales person. The skills needed are genuine passion and compassion for the people or environment you are working with. Not in a bleeding heart, guilt mongering way, but by explaining how beneficial it is for the recipient and the organization." Kolenik advises HR professionals to realize that the "rewards are intrinsic, measurable and obvious to the outside world" and advises realism with respect to outcomes. She recommends identifying outcomes before embarking on the implementation of an inside-out strategy, and advises HR professionals to have "true, deep understanding of your organization, and where you can make a difference."[4] (Kolenik, 2006)

Case Study 2: Volunteerism as an Extension of Leadership Development

Harvard University and the Woman to Woman Program

Issues

Workers in Greater Boston with only a high-school degree face a growing employability gap between the skills that they offer and employers' demand for increasingly higher levels of education as a requirement for employment. To address this growing gap, The Woman to Woman Program (WTW), an initiative of the Boston-based Crittendon Women's Union, provides training in computer and career skills to unemployed and low-income women with minimal or no work experience. Besides attending intensive classes and workshops that build professional and career skills, each participant is also matched with a volunteer mentor – an established professional woman who provides advice and support. This arrangement provides each WTW participant both academic and longer-term mentoring support in the struggle to achieve self-sufficiency.

Harvard has focused efforts to prepare women employed at the University for increasing leadership responsibilities. Melissa Brown, Director of Harvard's Center for Workplace Development, recognized an opportunity for inside-out linkage that would address Harvard's need to continuously attract, develop and retain women leaders with Crittendon's need for mentors to WTW participants.

Action

Because finding enough mentors to match with Crittendon's students was a challenge, Harvard decided to pilot institutional involvement in the Woman to Woman program by recruiting professional University women interested in volunteering. Melissa Brown, director of training and development in the Office of Human Resources, served as program liaison. She was convinced Harvard could provide mentors. "We know there were people on campus who would like to be involved," she said. "Harvard is the third-largest private employer in Massachusetts; this is one of many things it does to be a leader in helping the surrounding community."[5]

For the mentors at Harvard, Brown explained, volunteering was "a way to give back to the community, represent Harvard, represent themselves and develop leadership skills." She added that, as Harvard was beginning to develop internal mentoring programs for its own staff, employees who had participated as mentors in a formal program were a valuable asset to the University. (Brown, 2007)

Result

The program has had positive institutional impact for Harvard, allowing the University to build closer ties to the communities in which it is doing business. Additionally, the University is starting to see mentees becoming Harvard employees –a true win for both the University and WTW.

Harvard has successfully integrated volunteerism as part of a key effort to develop women as future leaders of the University. The women being mentored have had many successes as well, including local resident Brenda Howard, who started her own petcare business with newfound ambition and confidence. And the learning goes both ways. Howard's mentor Penny Turner, of the Office of the President and Provost, feels enriched by her participation as mentor because, "when we reach out and help other people, we learn so much about ourselves and our strengths and abilities. I feel blessed to have come across this program and to dedicate some of my time to the participants." Mentor Lisa Maxwell, a Harvard HR Consultant, likewise gained a sense of empowerment from helping someone struggling against the odds. (Harvard University Gazette 2007)

By integrating volunteerism as a component of leadership development, Melissa Brown illustrates one HR professional's ability to execute the new HR competence of identifying, articulating and executing an inside-out strategy:

Step 1: Identify Inside Out Strategies. Brown identified a critical issue for her employer and translated it into an opportunity that has had a positive impact on both the organization and society. The financial cost of this initiative is largely limited to soft dollars (the time and energy of Brown and the mentors) but has a multiplying effect on the hard investment dollars that have been put into Harvard's leadership development efforts for women. These include the increased commitment of the women mentors to Harvard as their employer, as well as building an external reputation as a responsible employer.

Step 2: Integrate CR as Part of HR Practice. Brown successfully integrated mentoring as one component of Harvard's leadership development efforts which have been specifically targeted toward women. She believes that the Harvard mentors gain as much developmentally as the WTW mentees, including increased self-awareness, improved skills for coaching and developing others, and a tangible experience in living the value of Corporate Responsibility. It is expected that these women will incorporate the lessons that they learn from this experience as part of their leadership identity within the University, and apply them to other aspects of the operations that they manage.

As part of her implementation approach, Brown worked through the HR Deans and Directors in the schools/units (tubs) to identify managers who might be interested in participating themselves, as well as managers who would support their staff in an effort of this nature. In fact, many of the mentors are middle to senior level managers who saw the value in this for themselves personally. When the University's monthly HR newspaper decided to run a "front page story" in the HR Resource, even more mentor volunteers stepped forward.

Step 3: Embrace a New Set of HR Competencies. Brown is a role model of the competencies required to identify, articulate and execute an inside-out strategy. She was able to influence decision makers in the University that there would be benefits to a pilot in which women leaders were offered the chance to build mentoring and coaching skills through volunteerism. She met together with the women mentors as well as with Crittendon leadership to establish clear goals and expectations of all parties in the process, and identified individuals who were ready for the experience. With passion, commitment and focus, Brown was able to shape a message about Harvard's commitment to being a responsible citizen and to transform that message into action.

CONCLUSION

As a profession, human resources needs to embrace a leadership role in building a corporate culture with responsible business practices by identifying, articulating and executing inside-out strategies. It is time for HR and OD partners to expand their role in integrating corporate responsibility as a core value in business strategy and day-to-day operations. Corporate responsibility is a broad umbrella, demanding that a company's actions simultaneously add value to the firm *and* to its key stakeholders. Identifying and engaging these stakeholders in business strategy and operations, in the right way and at the right time, is a skill to be mastered by today's corporations. We, as HR and OD professionals, must lead the way in building the responsible company from the inside out.

A business case is being made for corporate responsibility and its powerful impact on a firm's ability to attract, retain, and develop employees, and to encourage their commitment to the organization. HR and OD partners are increasingly influencing how their organizations live the corporate value of responsibility through the three key actions discussed in this chapter: identifying the intersections between the company and the world outside, integrating corporate responsibility into HR practices, and developing a new set of HR competencies.

As Human Resources and Organizational Development professionals, we need to stretch our thinking about corporate responsibility beyond philanthropy and volunteerism. As we understand the power and potential of this corporate value, we must identify practical ways to use our role as strategic consultants to integrate it into business strategy and operations.

NOTES

1. Personal interview with Greg Beloff, CFO Archemix Pharmaceuticals, January 29, 2007, Cambridge MA
2. Personal interview with Melissa Brown, Harvard Center for Workplace Development, Harvard University, December 4, 2007
3. Personal interviews with Carol Kolenik, Harvard Bridge to Literacy and Learning Program, Harvard University, Cambridge MA, July 7, 2006 and November 21, 2007
4. Personal interview with Nancy Snyder, Director, Boston Private Industry Council, Boston, MA March 7, 2007
5. Personal interview with Martin Trust, then CEO of MAST Industries, Andover MA, 1999
6. Personal interview with Mark Wade at Shell Oil in London, April 1999.

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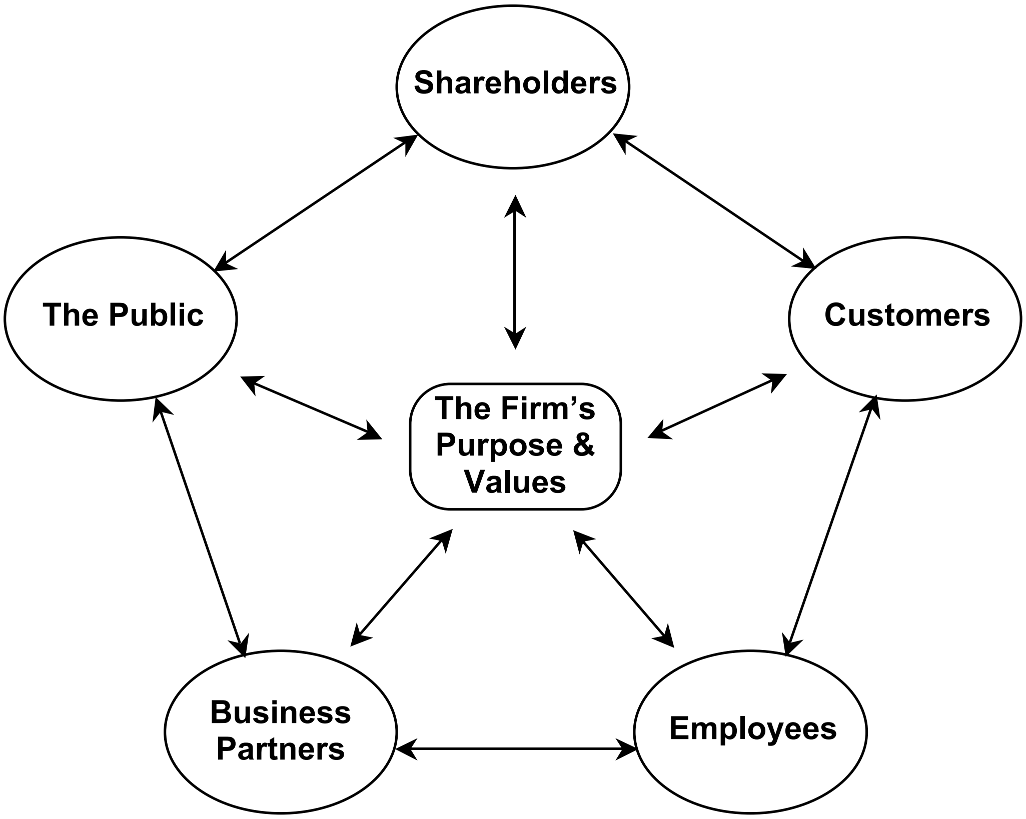

Figure X-1: The Stakeholder Circle

Characteristic	From the 20th Century…	… to the 21st
Business environment	Static	Dynamic
Business purpose	Acting in the interests of the enterprise, leading to financial success	Acting in the interests of stakeholders and the enterprise, leading to financial success
Structure	Monolithic and top-down	Matrix and participation
View of Time	Short-term view of decisions and their impact on the company	Long-term view of decisions and their impact on the company and its stakeholders
Focus	Internal	External
Style	Self-sufficient	Interdependent
Competitive advantage	Quality, speed, and value of products and services	Using stakeholder relationships to enhance the quality, speed, and value of products and services
Management trends	Quality ('80s) Re-engineering ('90s)	Simultaneously executing business disciplines acquired over the past few decades while embracing corporate responsibility
HR/OD's role	Operational tactician	Strategic partner
Employee relationship	Paternalism and security in exchange for loyalty	Partnership and opportunity in exchange for commitment

Table X-1: A Timeline of Business Practices

Adapted from the manuscript of *Capitalism with a Conscience*, December 1999, page 41

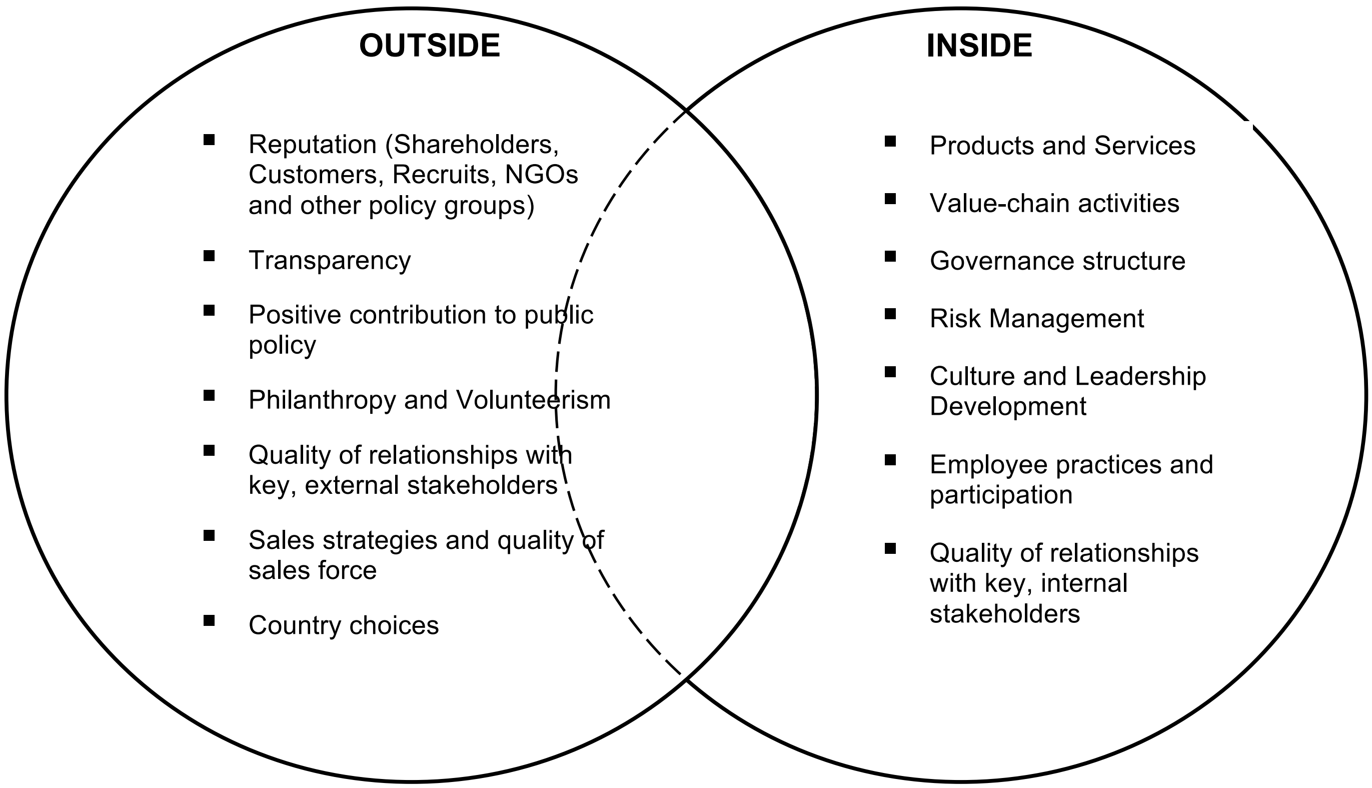

Figure X-2
Building the Responsible Company from the Inside-Out:
Linking the Outside with the Inside

What Stage Has Your Company Reached?			
Business Practices	**Early-Stage Companies Have These Practices**	**Intermediate-Stage Companies Have These Practices**	**Advanced-Stage Companies Have These Practices**
Responsibility	A statement	A department that mandates polices	A value to which all are held accountable
Stakeholder approach	Awareness	Integration	Influence
Public Policy	Compliant, reactive	Active observer/ occasional participant	Proactive dialogue on company's strategies, actions and impact
Risk management practices	Compliant, reactive	Moving from compliance to values-based approaches	Values-based
Transparency	Nonexistent or emerging ***Example:*** The company's Annual Report is the only source of information	One-way communication via published reports ***Example:*** Issuing special reports on workforce diversity	Two-way communication with stakeholders. ***Example:*** Using Global Reporting Initiative standards, and engaging in dialogue
Workforce Strategies	Complying with local and federal mandates	Layering responsibility as an add-on without mechanisms for management accountability	Actively integrating responsibility and accountability into all workforce strategies, including hiring, developing, and rewarding employees. Ensuring contractors and vendors do the same.

Table X-2: Reputation Quick Assessment Tool
Is Your Organization a Responsible Company?

The following pages contain deleted content

The 1970s saw the rise of environmentally-conscious consumers and NGOs that put pressure on business to create environment-friendly business practices. The sustainability movement is a lasting result of this era, making the relationship between business and public policy more transparent. In the 1980s customers were spotlighted. This group found itself having more product choices from overseas competitors – especially Japan – and began to demand consistently reliable, high quality products and services. Management approaches such as TQM and Quality Circles became the rage then quietly faded and morphed in the ''90s into such initiatives as ISO certification.

Finally, the '90s was the Decade of the Shareholder, with US business hyper-focused on efficiencies in day-to-day business practices while creating value for shareholders. This gave rise to management practices such as re-engineering, which survives in the '00s as "corporate re-shaping."

Each stakeholder group's demands left a legacy of new business fundamentals. Even groups that have not been traditionally recognized as part of the Stakeholder circle – particularly NGOs – have influenced corporate behavior. The Corporate Responsibility Forum describes the dramatic growth of NGOs over the 20th century: from just 176 NGOs in 1909 to over nearly 29,000 in 1993, representing a broad range public policy concerns.

The key result of this expanding Stakeholder Circle is that today's successful business *simultaneously* acts in the interest of the corporation and its key stakeholders.

BSR illustrates this idea: *"In this sense, CSR is viewed as a comprehensive set of policies, practices and programs that are integrated into business operations, supply chains, and decision-making processes throughout the company - wherever the company does business - and includes responsibility for current and past actions as well as future impacts. The issues that* *represent a company's CSR focus vary by business, by size, by sector and even by geographic region. In its broadest categories, CSR typically includes issues related to: business ethics, community investment, environment, governance, human rights, marketplace and workplace."*

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Employees Are Attracted to, and Stay at, Responsible Companies

A firm's reputation and actions as a Responsible Company is also a powerful recruiting tool. One study of 2,100 MBA students found that more than half would accept a position in a Responsible Company at a lower salary.[6] One of our researchers at Harvard's Kennedy School performed an analysis of the data from Fortune's Most Admired list and discovered a statistically significant relationship between a company's reputation as a Responsible Citizen and its ability to attract and retain employees. The higher the score a Fortune Most admired received on corporate responsibility, the more likely that company was to report that its reputation as a good corporate citizen played a key role in attracting and retaining staff.

According to a recent Harris Interactive poll, only 37% of participating employees "believe that 'their top management displays integrity and morality.'"[7]
Your firm's Corporate Responsibility value may be an untapped source of employee recruitment, retention and commitment building.
All too frequently discussions of Corporate Responsibility are externally focused on corporate reputation and its effect on profitability. The popularity of *Fortune Magazine's Most Admired* lists is just one example of mainstream business' obsession with external reputation. While research in this field generally focuses on the link between positive *external* reputation and profitability, it often ignores one of the most powerful, internally-based arguments for corporate responsibility: your firm's responsible actions and reputation have significant, positive impact on recruiting, retaining, and developing employees, and encouraging their commitment to your organization.

Researchers are finding that employees are a key, competitive advantage in today's largely service economy. As one example, the landmark study *The Service Profit Chain* by Harvard researcher Len Schlessinger found that firms that master the connection between employees and customers saw higher profits than similar firms within the same industry that did not. While the employment marketplace has softened since the bull market of the late nineties, with unemployment rising from an average of 4% to 6% nationally, many of today's employers continue to struggle with attracting and retaining quality employees. And, firms around the globe suffer from a lack of employee commitment with one study finding that only 34% of employees are truly loyal to their firms.[8]

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[6] Utne Reader, July/August 1997, cited by Ann Svendsen, The Stakeholder Strategy, Berrett-Koehler Publishers Inc., p. 35
[7] Harris Interactive Poll No. 38, May 2005
[8] The 2000 Walker Global Workforce Study, www.Walker.com, The survey, conducted in partnership with the Hudson Institute, surveyed 10,000 employees at companies across the globe.

Many HR professionals use *Built to Last* as a tool for educating business leaders about corporate culture and values. Keep in mind, however, that *Built to Last* did not take a position on the *specifics* of a corporation's values. *Built to Last* emphasized corporate purpose and the importance of alignment between the company's vision, values, culture and the behaviors rewarded.

Philip Morris is one of the *Built to Last* companies, having had a compelling purpose and strongly reinforced system of culture and values. However, there are certain stakeholder groups that might question the integrity of the corporation's purpose and values prior to its more recent interest in public policy issues.

As the business environment has changed over the decades, CEOs have begun to recognize corporate culture as a key business asset, and many have incorporated the role of culture-keeper into their day-to-day responsibilities. In fact, in a 1999 study CEOs around the world rated shaping culture, and managing and motivating employee behavior higher than monitoring corporate financial information and rated it doubly more important than monitoring customer relations (add reference here for "Building Community and Competitiveness).

Corporate culture is the incubator of employee's thoughts and actions regardless of their position in the corporation. Look at Enron, as one example. From the perspective of business people, authors and academics outside, Enron was a poster child of the "new economy" company: innovative, agile, transparent, philanthropic, and inclusive. From the outside, the window dressing made this culture seem real: books and articles were written about the company, describing new, exciting business ventures conducted within the company's strong culture of values, with ethical behavior encouraged by a Code of Conduct distributed to every employee (Unopened copies have been available on Ebay), and corporate responsibility brochures describing Enron's goodwill in neighboring communities. The truth on the inside, however, was quite different, and Enron now has the reputation of being one of largest corporate bankruptcies in US history, a direct result of the firm's irresponsible behavior.

Corporate Responsibility is a newer facet of our work as HR professionals: there are few books, resources or case studies to turn to. As an HR professionals and OD Consultants it is up to us individually.

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Step 2: Establish the reputation baseline

Knowing where a company stands with respect to its reputation (policies, products, practices) is a critical step in examining the firm from the outside. Using the assessment tool in Table X-2, firms can conduct an assessment of their scorecard as a responsible corporate citizen. From the corporation's purpose and values to products offered to governance, this table is a tool for Human Resources leaders to use when considering the key dimensions of Corporate Responsibility and how the firm measures up.

Through such assessment, companies can establish their reputation with their employees, customers, suppliers, local communities and other relevant stakeholders.

Intangibles, such as intellectual capital, often range among the top rated criteria in the decision making of investment firms, as a recent example from Dodge and Cox illustrates[9].

Too often the HR function is isolated from discussion about the firm's external reputation, viewing it as the job of the corporate or external affairs department

[9] Dodge and Cox Stock Fund, First Quarter Report March 31, 2007

- Be at the table when business decisions such as overseas expansion are made and bring your expertise in understanding human resources issues in potential host countries. As an example, Myanmar, Burma and Malaysia are considered three of the worst countries for human rights records. (MYANMAR AND BURMA ARE THE SAME COUNTRY.) If your company decides to do business in one of these countries, in what ways will you protect workers? In what ways can your company be an advocate for basic human rights, including ensuring that contractors and subcontractors adhere to minimum wage, health and human safety policies? The story of Mast Industries in the sidebar presents an example of a business strategy that is both profitable and principled.(this reads much better—gives solid example of how to balance economic and social goals.

- You do not have to be overseas to support human rights. Seek employment and business opportunities in economically depressed areas. Be an advocate for human resources policies that have positive impact on the communities in which your firm does business.

- Publish data on employee and community relations that demonstrates the transparency of your organizations' actions. Organizations such as the Global Reporting initiative look to companies to report on three kinds of data: economic, environmental and social. Human Resources and Organizational Development professionals are key to sourcing and reporting the information that the corporate and community affairs group will publish.
- Initiate or participate in establishing an ethics helpline. Research shows that (double check this) helpline usage is more successful when staffed internally. Under the relatively new

Sarbanes-Oxley rules, companies are required to have an accessible and anonymous tool for employees to raise ethics-related concerns and complains.