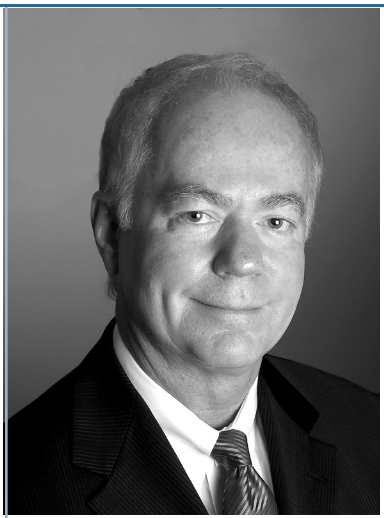

Achieving Corporate Citizenship

KEVIN CASHMAN 11.28.06, 12:00 PM ET

Not long after Warren Buffett's impressive $30 billion gift to the Bill & Melinda Gates Foundation and other charities, a particularly hard-nosed CEO, in an uncharacteristically reflective moment, declared to me that he wanted his corporation to be "more socially responsible." I must admit, it sounded soft to me. Not because it lacked substance, but because I knew he underestimated how difficult it would be to genuinely shift his business's priorities and values to a more principled approach.

To be honest, most interpretations of "corporate social responsibility" or "corporate citizenship" strike me as a bit fluffy, overemphasizing the "doing good" part of the "doing well and doing good" total formula. Few integrate the whole picture or see the interdependencies. In reality, our "brute capitalism," as Stephen Young of the Caux Roundtable put it, masks Adam Smith's principle of "self-interest considered upon the whole."

Thomas Ebeling, CEO of Novartis Pharmaceuticals, recently shared a more comprehensive vision with me: "Done properly, corporate social responsibility impacts performance. Imagine a critical mass of employees proudly engaged with heightened morale fueled by the company's value-creating agenda. Will performance increase? Certainly."

But here's the challenge: If busy leaders "remind people what is important," as leadership expert Warren Bennis aptly defines it, which of our many constituents do we deem important enough to invest in? It's a critical issue, because the breadth of our contributions determines the breadth (and sustainability) of the overall value--shareholder, customer, employee, family, community or otherwise--we create. In that way, it's not merely a "nice thing we ought to do"--a social responsibility--but an intimate expression of how we create short- and long-term return on interrelated interests.

Dole Food Company owner David Murdock's recent $1 billion business/philanthropic investment to transform the face of nutritional health (at age 83!) is one example of a leader converging talents, experience, resources, passions and profit motives into a unified, society-serving whole.

Ken Melrose, former chairman and CEO of Toro and current chairman of the Center for Ethical Business Cultures, put it this way to me: "As leaders, we need to pay more attention to building significance during our quest for success ... not just save this aspiration for a part-time activity or a retirement pursuit."

That's authentic corporate social responsibility: Merging profit, principle and purpose in real time as we passionately serve an expanding list of constituencies.

This month, I answer a few of your questions on corporate social responsibility (CSR). As always, your names and your companies' names are withheld to encourage a freer exchange.

CEO, CONSULTING FIRM IN THE MIDWEST: Corporate social responsibility is nice, but does it really benefit the business?

CASHMAN: Absolutely--particularly when it aligns with a company's identity. Consider this first-hand account from Bruce Nicholson, CEO of Thrivent Financial for Lutherans: "When we started our corporate commitment to Habitat for Humanity, we knew it linked to our values and mission as a company. We also knew in the long run it would greatly enhance the economic fabric of the communities in which we operated. What we didn't anticipate was the incredible benefit to our culture.

Within two years, employee engagement went up 20%. When clearly connected to your organization's values, corporate social responsibility is a great investment." Well put.

PRESIDENT, MID-SIZED SERVICE FIRM: How important is corporate social responsibility to potential customers? It seems to be getting more important.

CASHMAN: It is, in fact, going up, according to research compiled by MORI data. From 1997 to 2004, 50% more consumers said they formed decisions about buying a product based on how socially responsible they perceived the company to be. Corporate social responsibility, therefore, is not only a good thing for employees and the community; it has tangible marketing leverage as well.

CEO, PUBLIC RELATIONS AGENCY ON THE WEST COAST: How should businesses rebound when their CEOs get caught in a stock scandal crossfire?

CASHMAN: This is a tough question with no quick-fix answers. The usual reactive response is to craft a brilliant communications strategy to remedy the fallout. The core issue, as you know, is not merely "spin," but a lack of embodiment of the organization's espoused values. Reconnecting with the mission and values of the company and authentically admitting to the breaches of those values is often the toughest and most effective way to re-establish credibility, as long as it is real and heartfelt. So, the first task is self-examination--individually and corporately--then a genuine re-commitment to the core values ... in short, leadership.

Also, individual leaders not directly involved in the misstep often find themselves at a fork in the road when these situations arise. Will they leave for a place seemingly more aligned with the values they agree with, or will they stay to help transform things for the better? The appropriate response is, of course, highly individual, but it's important to keep in mind that sometimes it is precisely the gap between desired values and actual behavior that provides the creative tension and sense of purpose to stay engaged and be the agent of change in a tough situation. Survivors of the corporate fallout have the challenging job of being the change they wish to see in their organizations.

Kevin Cashman is founder and CEO of LeaderSource, A Korn/Ferry Company, a global leadership development, executive coaching and team effectiveness consultancy headquartered in Minneapolis. He has written four books on leadership and career development, including the bestseller *Leadership From The Inside Out* (revised edition out soon). Kevin Cashman is a regular columnist for the Leadership Channel of Forbes.com. Ongoing input or questions for 'Consult Cashman' can be shared at http://www.leadersource.com/consultcashman or consultcashman@leadersource.com