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**Making Business Sense of
Community Service**

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MAKING BUSINESS SENSE OF COMMUNITY SERVICE

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Business people exercise their leadership in the community service arena as well as the commercial world, yet we know relatively little about the magnitude, form, and significance of their engagement in this other leadership arena. In many ways it has been the invisible side of leadership. Our research documents deep involvement that is important to business leaders and their communities and that also makes a great deal of sense for their businesses.

THE OTHER LEADERSHIP ARENA

From our surveys of over 9,800 Harvard Business School graduates and 316 Fortune 500 company CEOs, we have the following snapshot of their community involvement:¹

- ***Involvement is very high:***
81% are involved with nonprofits and 57% are board members.
- ***Community service is not just a late life phenomena; it begins early and grows:*** .
Over 60% of the recent graduates (25-29 age group) are involved with nonprofits and this rises to about 90% by age 55.
- ***Board participation becomes the engagement modality of choice:***
By their fifties 90% are involved and 7 of 10 are sitting on boards.
- ***CEOs are heavily involved:***
They serve on 4 boards, double the average executive, with 30% sitting on 5-11 boards and most spend 5-20 hours per month, twice the average.
- ***Involvement is broad but education dominates:***

¹ We surveyed a cross-section of 9,835 MBA and Executive Education graduates of the Harvard Business School, held 11 focus groups with managers, interviewed in depth over 70 executives, examined directly the practices of 12 companies regarding executives' and other employees' involvement with nonprofit organizations, and polled the CEOs of 316 Fortune 500 companies. The author expresses deep appreciation for valuable assistance to Elaine Backman for the major alumni surveys, to Ramona Hilgenkamp for the executive focus groups, to Marlene Hass and Stefanie Woerner for the CEO survey, to Andrea Strimling for the company studies, to the Harvard Business School Association of Northeast Ohio for the special alumni subset survey, and to HBS faculty colleagues in the Social Enterprise Interest Group for their helpful guidance.

Half of the board service was with educational institutions followed by human services (28%), advocacy (23%), arts (22%), religious organizations (18%), health (14%), grantmaking (7%), and environment (6%).

- ***Community service is an integral part of executives' lives and careers:***
63% considered their nonprofit involvement to be "very important" to them and another 35% "moderately important."
- ***Managers' social value-added comes from their expertise:***
Business skills and managerial perspectives are more significant than personal donations or access to corporate contributions.
- ***Executives' involvement is predominantly motivated by a desire to serve the community:***
63% wanted to "give something back to society" and 45% to "make a difference." to "give something back to society" (60%) and to "make a difference" (45%).

THE BENEFITS TO COMPANIES

Business leaders' involvement with nonprofits is significant and it will continue to grow. But does this simply fall into the "personal activities" piece of managers' lives, or should it be seen as relevant and important to their companies? A 1993 Conference Board survey of 454 companies revealed that over 90% have formal volunteer programs for their employees and that 86% encourage their executives to serve on boards.² It is myopic to think of this simply and narrowly as altruism. It also makes good business sense. Professors Sandra Waddock's and Samuel Graves' recent rigorous analysis of the Standard & Poors 500 companies revealed that strong corporate social performance, including community service, both benefited from and contributed to strong financial performance in a "virtuous circle."³ There are multiple motives for community service. John Whitehead, former Chairman of Goldman Sachs, commented on corporations' involvement in community service: "Don't think that this is some kind of charitable thing where you will get rewarded in heaven. You get rewarded right away because you'll be known as a company that is conscious of its social responsibility, you'll attract better quality employees, your stock will sell at a higher multiple, and all sorts of good things will come of it." Our surveys, interviews, and company studies reveal that executives perceive important benefits accruing to their companies in three areas: human resource management, culture building, and business generation..

HUMAN RESOURCE MANAGEMENT

Benefits accrue in recruiting, motivation, professional development, and assessment.

Recruiting. A company's capacity to create competitive advantage starts with its ability to attract superior quality talent. Increasingly, graduating MBAs are asking firms what

² The Conference Board, "Corporate Volunteer Programs: Benefits to Business," report no. 1029, 1993.

³ Sandra A. Waddock and Samuel B. Graves, "The Corporate Social Performance--Financial Performance Link," *Strategic Management Journal*, Vol. 18, No. 4, 1997

their attitudes and activities are regarding community involvement. For employers trying to differentiate themselves, this dimension of leadership may be where the job decision scales can be favorably tipped. What the company and its employees are actually doing in the community is a clear and powerful vehicle for communicating the organization's values to prospective hires. Charles Perrin, former Chief Executive Officer of Duracell highlighted this benefit: "If you go back to the younger generation, they want an involved corporation, a company that is making a contribution. A lot of them have concerns about working with a big company to begin with, so we put it on a more human scale." One of Duracell's community programs involves providing college scholarships and internships to African-Americans through the National Urban League, and 80% of the interns end up as employees of Duracell. Community service is way to humanize and personalize the impersonal corporation.

A Chase Manhattan senior manager indicated that their executives' board involvement a decade ago exposed them to high-performing women on nonprofit boards. This talent spotting contributed to the bank's aggressive and successful recruiting and integrating of more women into the organization's upper management ranks. The Conference Board survey revealed that 90% of the managers thought that the volunteer programs helped them attract better employees.

Motivation. We found a widespread belief among executives that a company's supporting its employees' board and other community service activities deepens their bonds and enhances retention. Financial incentives can be matched by firms trying to lure away managers, so the glue that might make an employee stay is often noneconomic. In this area of intangibles, value congruence looms large. A senior executive of a financial services firm explained: "Our business is purely a people business. It's important to keep the people within my ranks involved and happy in the community to avoid being attracted to move elsewhere. If they have ties with a charity, it's just going to be a lot harder for them to uproot and move elsewhere." Community engagement creates exit barriers.

Community service is a form of job enrichment that provides psychic income and a greater sense of fulfillment. A growing number of studies confirm that volunteer programs significantly increase employee morale, loyalty, and productivity, which contribute to enhanced business performance

Professional development. Working with nonprofits, particularly as a board member, is seen as developmentally useful both for junior and senior managers in four ways.

Expanding Practice Opportunities. Board service may enable younger managers to engage in functions and responsibilities such as mission and policy formulation, strategic planning, and resource allocation, that they would not necessarily have or be entrusted with in their daily jobs. The resultant learning process is lower risk for the company and for the employee. Many managers reported that such opportunities increased their self-confidence as well as skills.

Enhancing Core Capabilities. Helene Curtis, Inc. has created the “Development Through Service” program, which is “an expanded view of the benefits of community service..an opportunity for experiential learning that can assist their personal and professional development.” They see board service and other volunteer activities as important vehicles for developing skills such as project management, planning, organization, team-building, presentation, and others that will improve their on-the-job performance. They assess twenty-eight business skill areas, identify development opportunities to practice specific skills, and track the process to assist employees to meet developmental expectations. General Mills and Federal Express found that their service programs enhanced employee skills in leadership, teamwork, organization, listening, and decision-making.

Broadening Perspectives. For more senior managers the professional development comes from broadening their exposure to people and organizations. The expanded interaction enables executives to escape their insularity. The added stimuli of interacting with more diverse colleagues enriches perspectives, enhances creativity, and fosters visioning. Breadth of view and understanding are vital capabilities for top leadership.

Learning Collaborative Leadership. Our research uncovered another benefit that is of growing importance in high-performance organizations. William Madar, CEO of Nordson Corporation, asserted, “You learn quickly that if you are in charge of a nonprofit’s committee, you can’t order them to cooperate. It’s leadership in an environment where people don’t necessarily have to follow. It’s these very characteristics that we are trying to nurture within the business.” Another manager asserted, “Nonprofits practice consensus decision-making, which is completely different from how most companies are managed.” A focus group of top level managers agreed that what they learned most in nonprofit settings is how to work with a diverse group of people in a situation where you are not the boss. You have to lead with your ability, passion, and conviction.

Assessment. Community service can shed light on an individual’s capabilities, values, and attitudes and reveal leadership potential and traits such as initiative, commitment, caring, time management, and organizing skills. How companies take this into account varies in terms of procedural formality. Only a few of the companies studied had formally incorporated their managers’ involvement with nonprofits into their personnel evaluation process, but almost all the executives indicated that such participation is relevant to their judgments about people. A McKinsey partner provided the firm’s top management perspective: “What we basically do is reward people who exercise leadership in any fashion, and we look favorably upon people who take responsibility outside of work.” Another senior executive stated, “It’s a way of standing out from the pack in a large organization, of getting noticed.”

In contrast to the foregoing informal treatment, one professional services firm uses degree of community involvement as an explicit promotion criteria. One top manager looks explicitly at nonprofit involvement when hiring senior executives, because it

suggests that they are team players, more sensitive in working with people, and less selfish. In some companies community involvement is seen as obligatory. For example, in one cable company managers are disciplined if they fail to become involved, because positive community relations are seen as essential to the success of the company.

CULTURE BUILDING

The role that community service plays in a corporation's value construct varies, but in the foresighted companies, it is not an add-on, but rather a central force shaping and reinforcing core values that elicit behavior vital to the success of the business

Service-Oriented Culture: Empathy & Caring. William Madar, CEO of the industrial firm Nordson, explained how community service is aimed at reinforcing the company's culture of caring, and leadership: "The values that are key to making a responsive organization to customers, to suppliers, and to each other, are the very same values of caring that lead to concern for our neighbors and participation in the community. Community involvement is part of the whole. It is integral to the success of the business."

Citicorp, as a worldwide company, uses its corporate values of caring about their community stakeholders as part of the organization's "global glue" to create institutional cohesion and common identity across 98 highly diverse country operating sites.

High Involvement Culture: Making a Difference.

Timberland Company, whose successful branded boots and other apparel, had catapulted sales from \$196 million in 1990 to \$650 million in 1994, was led by Jeff Swartz. His strategy, labeled as "boots, brand, and beliefs," entailed creating a culture in which community service was a central component: "As a company we have both a responsibility and an interest in engaging in the world around us. By doing so, we offer the consumer a company to believe in and get involved with; we offer our employees a set of beliefs that transcend the workplace; we offer the community an active and supportive corporate neighbor; and we offer shareholders a company people want to both buy from and work for." The centrality of community service to the Timberland culture and its positive effects on attitudes, motivation, recruitment, and teamwork were confirmed in employee interviews.

Crisis Glue: Cohesion Through Core Values. A corporate culture provides an institutional anchor that stabilizes the organization during storms. In 1995, after years of explosive growth in sales and profits, Timberland had to weather financial difficulties. Its first-ever downsizing was traumatic but the company's community service commitment helped deal with this, as one manager described: "It's real tough to get people to feel good about where they go every day and it's easy to get yourself down.. But the service events last year told people that this was the same company. If we hadn't had those, I wouldn't be here today. That's how much those meant to me. You have to find new opportunities for people to feel good. You can't give them money. You can't promote them. The service projects were a relatively painless way to do that."

IBM, too, has had to go through the throes of major corporate downsizing, with the workforce and corporate giving being dramatically slashed. Chairman Lou Gerstner, preserved “community involvement” as one of the key principles guiding the restructuring of IBM by focusing its giving and corporate involvement, with particular attention going to K-12 education. During its downsizing, the company wished to send a signal internally and externally that community involvement was still important, so it converted its annual office party into a community service day. Patricia Wolpert, Vice President of Operations for IBM’s Northeastern Area, who sits on five boards, perceived that this community service was particularly important during recent years when IBM had been under heavy criticism for its relative underperformance: “I think it helped to reestablish some pride in IBM just having a leader that involved and that well-known in town and hopefully getting some respect from the business community.”

Values Compatibility Check: Partner Assessments. Community involvement can also play an important role in determining and reinforcing compatibility of corporate cultures in mergers. According to top management at Chase, a shared commitment toward community service contributed to the successful 1996 merger of the Chase Manhattan and Chemical banks. As a manifestation of this values congruency and continuity of commitment, the first public act of the merged corporation was a Not-For-Profit Forum on major issues facing the nonprofit community. EDS has used its global volunteer day to integrate new employees from an acquired firm into the EDS culture by facilitating informal interaction, with the managers participating in the service activity and by demonstrating concretely part of its value construct.

BUSINESS GENERATION

Although managers serve primarily to make a social contribution, there is widespread agreement that their efforts can help generate business. That such economic dividends might occur may be perceived by some as “tainting” the altruism. But rather than question motives or benefits, the relevant question is whether the manager’s involvement added value to the nonprofit and its social purpose. If the manager or the company gained at the expense of the nonprofit or the community, then exploitation has occurred. If both the community and the company gain, then the engagement has made a positive contribution. Private gain is not incompatible with public benefit.

Reputation Enhancement. Community service activities enhance a company’s image and increases name recognition. A Citicorp executive commented on the investment nature of the reputation-building process: “I think it’s a competitive advantage. It takes a long time to build a sense of ‘Let’s go to Citibank instead of the other guy down the street because they are good corporate citizens.’ But the feeling that you can trust the company does sway decisions people make, particularly as they’re making a first choice.” The direct service involvement by employees personalizes the company and creates human interactions that have deeper and more lasting reputational effects than standard public relations methods.

Goodwill Banking. One of the top executives at Duracell saw community service as protecting the business: “What you’re always most fearful of is bad publicity. This builds

a little bit of a bank account. The benefit will be the day that something unforeseen happens, an environmental accident or a strike, or something that is going to thrust Duracell into the forefront, when we are going to have to start making some withdrawals from that bank of goodwill that hopefully we have built up over a period of years.”

Network Creation and Relationship-Building. Involvement with nonprofits expands one’s circle of contacts. In many types of businesses, the more extensive one’s personal and professional network, the more business that is ultimately generated. Community service creates a distinctive forum and process for developing relationships. Business competency is a necessary but often insufficient condition for winning a client. Trust is frequently the determining factor, and as one Citibanker commented, “Especially on hard working boards, you develop a rapport with people rooted in respect and trust. Based on these board relationships, people feel obliged to help each other.”

Market Development. For some types of immovable business, where the local community is their market, or for companies that are major employers in a community, involvement in community activities is seen as an integral and inescapable part of senior managers’ jobs. This is frequently the case for manufacturing companies with plants in smaller towns or for big companies in their headquarters’ city. The new Chase Bank is New York’s largest employer and has most of its customers in the City. An Executive VP stated, “We suffer as New York suffers. The quality of life for our people is directly married to the state of health of New York City. The better the city, the less likely [our customers] will be to move out and be gobbled up by other banks.” Of course, when major companies are merged or sometimes acquired by a foreign owner with headquarters elsewhere, the level of philanthropic giving is often cut. However, corporations have often dealt with these financial cuts by increasing their direct service involvement.

ACHIEVING EFFECTIVE COMMUNITY ENGAGEMENT

Community service is clearly an integral part of business leaders’ lives. Their engagement in the social sector is broad, deep, and personally enriching. They also yield significant dividends for their companies and therefore merit strong support. Almost all companies assert that their people are their most important asset. This holds not only for their direct business operations but also for the community involvement. The challenge is how to best do it. Actions in five areas will enable companies to achieve more effective community engagement.

Integrate community service into corporate strategy and culture.

Those companies that have viewed community involvement strategically and as a central element in their values construct have harvested greater benefits for the company, the employees, and the community. Those that treat it as a peripheral, public relations charity function are foregoing value-creation opportunities. The Conference Board survey revealed that 77% of the companies believed that volunteer programs helped them reach their strategic goals.

Many leading U.S. corporations have been shifting from a traditional charity perspective to “strategic philanthropy,” which attempts to integrate its corporate donations and community service activities with its business operations and interests. But even the term “philanthropy” may be an impediment to full integration. It conjures up donations, with the spotlight on how much are we giving. The more appropriate question is: How are we involved and what impact are we having? “Strategic Engagement” is a preferable term because it signals proactive, deep, and multifaceted involvement that is an integral part of the company’s strategy.

Citicorp, for example, has made community service an integral element of its new global corporate strategy, which is to be an “imbedded” corporation in each of the communities it operates in, part of the institutional fabric. This means “assessing the impact of business decisions on the community and mitigating any negative consequences, and engaging in activities - volunteer and philanthropic - that help build the community...all of which supports our global image as a trusted brand name.” The company explicitly measures managers’ performance on community betterment along with five other key areas. “We are talking here about how we run our business, not just about contributions, volunteerism and PR...It has moved from ‘nice to do’ to ‘need to do’ as part of our business strategy.”

This integrationist blending opens the corporation to criticism about its business interests superseding its interest in the community and therefore distorting its contributions. On the other hand, weaving the two together in win-win combinations may mobilize even greater corporate resources into community-betterment activities by tapping company marketing budgets, which are much larger than the philanthropy allocations. For example, the corporate sponsorship mechanism has risen tenfold in last decade to nearly \$3 billion. It may also institutionalize more the community engagement process into the corporation’s being. There are some companies that have separate foundations and community relations departments, yet they work in a highly coordinated manner, with a common corporate strategy for community engagement providing the guidance. Structure appears to be less critical than process in determining operational results.

Strategic Engagement requires focus. Doing everything would be as nonsensical in the social arena as it is in the marketplace. Priorities should be set, resources focused, and synergies captured. A company should delineate those social needs areas that are most important to its communities and those which have the best fit with the corporation’s interests and competencies.

Making community involvement an integral part of corporate strategy is half the task. The other is ensuring that it is central to the company’s culture. It is increasingly clear that values are a powerful force in shaping corporate performance. The characteristics of those who choose to engage in community service --- initiative, vision, commitment, energy, caring --- are the same attributes needed to excel on the commercial side. Community service flows from and fosters the creation of a leadership organization.

Make it a top-down and bottom-up process.

The CEO is the molder of the company's values. As the chief belief-builder, the CEO's words and deeds are critical to the creation of a high-engagement corporation. Top management's blessings and active encouragement are essential to mobilizing widespread involvement. Those below listen acutely, and to say nothing is to say a great deal. They need to be actively engaged in the community in significant and visible ways. Knowing that their CEO was volunteering time for community service increases employee loyalty to the company and their leader.

For community engagement to permeate the organization, not only must the push from above penetrate deeply, the process must foster initiative from below. One can tap extraordinary amounts of latent energy and creativity by empower line management and employees as architects and administrators of community service actions. Employee "ownership" is a prerequisite to institutionalizing such engagement into the company's culture and practices. Nordson, like many companies, created "Community Involvement Committees" in all of its operating locations and then made block grants to them from the corporate foundation as a way to decentralize the decision-making.

The companies that are moving forward on Strategic Engagement generally have also created small high level staff departments with responsibilities for community relations. Such entities are important because they create a focal point and energy source for these activities. However, challenges exist. Complete delegation to the community relations staff can marginalize these activities from the company's core strategy formulation. These staff groups need to see their role as enablers and facilitators getting line managers and employees to assume that responsibility. They also have an important role in fostering internal and external communications about the community service dimension of the company's operations. Although there does not appear to be any inherently superior way to organize these activities, the functions of communicating, coordinating, and motivating are the critical managerial tasks.

Remove barriers to involvement.

There are two main impediments to employee involvement in community service: the difficulties in arranging activities and the time to carry them out. Companies can facilitate employee involvement by providing a matching service (either from an outside agency or internally) that takes an inventory of employee service interests and connects them with nonprofits with needs that appear to fit the employees' interests and talents. There are about 450 Volunteer Centers around the country that recruit volunteers for community service, and there are 70 Corporate Volunteer Councils serving businesses. General Mills' Volunteer Connection program maintains a computer data base of volunteer interests and service opportunities. Both the contribution and the satisfaction will be greater if the employee is engaged in an activity that they care about and which makes good use of their particular talents. Misplacement can be very counterproductive, particularly for board service.

The biggest difficulty the managers point to in their board and other service activity is inadequate time. If companies promote community and board service, then they should recognize that these activities are a valid use of time. Most companies provide paid release time, with some, like Timberland, giving an explicit quota of annual work time (32 hours) that their employees may use in service work and others organizing single “days of caring.” Some simply have the norm that attending board-related meetings during normal office hours is acceptable. A small number have programs lending employees to nonprofit organizations or public service for many months. There is a discernible trend of increasing release time opportunities. Flex-time and the attitude toward time use appear to be more important than the absolute amount of release time.

Create effectiveness enhancers.

Employees involved in community work are de facto “company ambassadors,” so it is in the company’s interest to ensure that they are well prepared to carry out their service responsibilities.

(1) Provide training.

Particularly for board service, preparation is important. Training that will enable them to perform more effectively is a form of representational insurance. Most managers’ knowledge of boards and nonprofits, however, is quite limited. Training to prepare for board service can sometimes be obtained from local volunteer service agencies. At a minimum, publications on board responsibilities and related issues can be obtained, e.g., through the National Center for Nonprofit boards in Washington, D.C. Sometimes the nonprofits themselves will provide helpful orientations to the incoming board members. But too often this is not the case.

(2) Give material support.

The executive’s service input on a board can be leveraged if the company supports that involvement with a contribution of funds, goods, or services to the nonprofit. Providing an employee-managed fund to cover incidental expenses related to employee group volunteer projects can also be very helpful and greatly increase the quality of the volunteer experience. Providing in-kind services, such as use of copying machines or facilities for meetings, can leverage employees’ efforts because they provide access to infrastructure that would not otherwise be available to the nonprofit.

(3) Encourage peer consultation.

Effectiveness can also be enhanced by encouraging the company’s executives to share their board service experiences, concerns, and insights with one another, perhaps in special discussion lunches. There is a tendency to keep these activities “off-line.” Making them an integral part of corporate conversation fosters lateral learning, reinforces the legitimacy and importance of these activities, provides emotional support, and contributes

to greater cohesion among employees by providing new grounds for interacting and sharing.

Give recognition.

Almost all companies provide some recognition for volunteer service. This is not, however, as straight forward as recognizing outstanding job performance, because of the special nature of community service. There is a delicate divide between company life and personal life. Some individuals prefer to keep these quite separate, while others like them to be more integrated. Some consider community activities as part of their constellation of personal activities and would not savor recognition. Those who do actively participate in company sponsored or facilitated community service, however, generally enjoy and appreciate acknowledgment.

* * *

The individual, the corporation, and the nonprofit all benefit from their collaboration. But for these potential collaboration gains to be fully realized, corporations need to view community service as a process of Strategic Engagement that integrates such involvement into the company's strategy, culture, and operating procedures. The leaders must set examples through their own service activities and empower the employees to initiate and operate involvement programs. They can leverage their employees' impact by procedures and support that encourage and facilitate volunteerism and prepare them to carry out more effectively these social sector duties. As we move into the next century businesses and business leaders will increasingly play the dual role of creators of wealth and generators of social capital.