

Investing in Community Impact— Smart Choices that Make a Difference

Developed by Cindy Shilling | Delivered by Marta Wilson, PhD

Following is the transcript from a keynote address at the Third Annual Awards Luncheon of the Virginia Tech Corporate Research Center Community Impact Program.

It's great to be here today, and it's hard to believe that Transformation Systems, Inc. (TSI) will be celebrating our eleventh anniversary this August. It's also amazing that three years have gone by since we became tenants at the Virginia Tech Corporate Research Center (VTCRC). I guess time flies when you're having fun!

Before going further, I'd like to mention my colleague who was instrumental in creating the presentation I am about to deliver. Her name is Cindy Schilling, and she is TSI's Community Development Officer. We have worked together for over 10 years. Without Cindy's commitment to community impact, TSI would not have made the contribution it has been able to make to a variety of good causes over the years.

To get started today, I'd like to tell you a little about my company. TSI is a small business, generating about \$2 million annually. We're based at the VTCRC with offices in Richmond and in Washington, DC. We specialize in improving individual, team, and organizational performance. And, we provide expertise that helps leaders pave pathways for sustainable results by creating, testing, integrating, and applying methods for accomplishing transformation.

Instead of going into details about the work we do, I'd like to share a couple of the deeper elements that bond the TSI team together. What creates and sustains the heart connection among TSI colleagues are things you can't see or touch like our purpose and our vision. Our purpose is to help people within organizations learn and grow to create optimal results for their endeavors, for their relationships, and for themselves. Our vision is to be the professional firm of choice for leaders who want to make a difference and to be forever bound as colleagues by our commitment to live life to its fullest; learn all we can; lead with commitment; and help others in need. I believe factors like our purpose and vision (not the details of our work) are the ties that bind us with each other and with our long-term clients.

Now, I'd like to tell you a bit about myself. I'm like a lot of you in the room today. I'm a small business owner with lots of energy, an entrepreneurial spirit, and big ideas. Ever since I can remember, I've been fascinated by the theory and practice of leadership. It was the topic of my dissertation, I've written about it in books and articles, and I'll be a lifelong student of leadership. It's no accident that I own a leadership consulting firm.

One thing I know for sure, after 11 years is that business ownership, especially small business ownership, is not for sissies. It's a 168 hour a week commitment to customer satisfaction, employee motivation, service quality, market innovation, short term survival, creative alliances, and long term sustainability. So, with all that on our plates, you may be asking, "Why does TSI choose to commit to community outreach?" Today, I will address the answer to that question, not just from TSI's perspective, but from the vantage point of other organizations that you'll recognize.

Living a Difference the TSI Way

TSI's community outreach initiative really began to gel five years ago, when we began to talk about how to expand our impact, beyond organizations, to communities around the world. From those conversations sprang the Live A Difference Foundation, a National Heritage organization, and TSI's philanthropic arm.

Since 1999, Live A Difference has sought to have a positive impact by fanning the flames of various good causes. Because we operate in a global market, and have both clients and collaborators world-wide, we made a conscious decision not to limit the focus of our efforts to just the communities where we live or to one particular cause.

Over the past five years, for example, we've given grants to needy schools in San Diego, where lack of adequate funding was compromising the quality of education. We've helped a town in Virginia, where half of the children, believe it or not, live in homes without electricity. We've also organized fundraisers at the National Press Club in Washington, D.C. for organizations like the SladeChild Foundation, a charity that provides the essentials of life to needy children around the world, and for the Chi Child Development Center, a facility that takes care of sick and abandoned babies.

Closer to home, Live A Difference board members have raised funds for a local abused women's shelter and have participated in walks for breast cancer, Alzheimer's disease, and multiple sclerosis. We have also lent our talents to such worthwhile endeavors as the NRV Conflict Resolution Center and the Roanoke Valley's Character First initiative.

Why Invest in Community Impact?

Why does TSI invest not just money, but hands on expertise in socially responsible initiatives? Because we can, because we're compelled to do it, and because we enjoy it.

In his book, *The Art of Loving*, the renowned psychologist Erich Fromm summarizes what life for him is all about.

“For the productive character, giving has an entirely different meaning. Giving is the highest expression of potency. In the very act of giving, I experience my strength, my wealth, my power. This experience of heightened vitality fills me with joy. I experience myself as overflowing, alive, and hence joyous. Giving is more joyous than receiving, not because it is a deprivation, but because in the act of giving lies the expression of my aliveness.”

That summarizes for me the fulfillment that comes from sharing time, talent, and treasure with those in need. Now, I'd like to share with you some additional reasons why small companies might consider committing to and investing in community impact.

1. The Right Thing.

As Carly Fiorina, former chairman and CEO of Hewlett Packard cited in her keynote speech at the November 2003 Business for Social Responsibility Conference, there are sound business reasons for corporate philanthropy. To start, she says, it's simply the right thing to do. She reminds us that, “we live in a world where half the population lives on \$2 a day, where one billion people cannot read or write, where a billion-and-a-half people never get a clean glass of water. In this world, the role of companies is changing. Today 52 of the largest economies in the world are corporations, and with that strength and power comes reach and presence.” And with reach and presence come responsibility.

Furthermore, Ms. Fiorina states that, “the global movement to enforce labor, environmental, and economic standards is growing and can only become stronger. We can wait to be regulated in ways we might not like, or we can influence these issues directly, and by doing so, bring more predictability and more sustainability – and hopefully better solutions – to a chaotic world.” In short, the global business community can be a part of the solution or a part of the problem in creating a better tomorrow for the current and future generations. And both choices have consequences.

2. Rewards.

According to the Business for Social Responsibility organization, companies that influence social change are being rewarded more and more by customers, employees, and shareholders. Businesses associated with charitable behavior are perceived by consumers to be good corporate citizens, which may differentiate them from competitors. A 2001 Hill and Knowlton survey of 2,594 Americans aged 18 and over, “Corporate Citizen Watch,” found that 79 percent of Americans take corporate citizenship into account when making purchasing decisions, with 36 percent of respondents saying corporate citizenship is a serious consideration for them in deciding whether to buy a company's product.

Moreover, a 2002 Cone Corporate Citizenship Study that surveyed a cross-section of 1,040 American adults found that, of U.S. consumers who learn about a firm's negative corporate citizenship practices, 91 percent said they would consider switching to another company, 85 percent would pass the information to family and friends, 83 percent would refuse to invest in that company, 80 percent would refuse to work at that company, and 76 percent would boycott that company's products. That is serious!

3. Employee Satisfaction.

In addition to fostering goodwill among consumers and communities, corporate philanthropy can have a positive impact on how employees view their companies. A number of studies show that when employees perceive their companies as committed to community-involvement activities, they are more motivated, productive, and aligned with their companies' overall goals.

For example, a 2001 Walker Information study of 1,273 U.S. employees found that those with favorable impressions of company-sponsored philanthropy programs are five times more likely to stay with their employer because of the company's giving record than employees with a less favorable perception (46 percent vs. 10 percent).

Improved employee morale and loyalty can mean lower turnover, thereby contributing to greater profitability for the company. In addition to the increased retention, these companies are also better able to attract prospective employees, with 73 percent of employees who had favorable impressions of their employers' corporate philanthropy responding that they would recommend their place of work to others.

4. Bottom Line Results.

Related to the previous reason, corporate social responsibility is good for the bottom line. As Carly Fiorina points out, “For many years, philanthropic goals were seen as separate from business objectives, not fundamental to them; doing well and doing good were separate pursuits.” But that is changing. Strategic philanthropy, a practice in which companies align charitable activities with core business interests, is becoming the norm. Rather than making donations to a wide variety of nonprofit organizations, companies are now choosing to more closely reflect the needs and interests of key stakeholders, including customers, employees and their families, local communities, and business partners.

This approach to charitable giving involves the focus of company donations in areas where they can use their core competencies, support issues that correspond to business objectives, and/or meet the needs of stakeholders. One example includes Avon's support of a breast cancer awareness campaign -- an issue that affects two of its key stakeholders: the women who buy its products and the female sales representatives who sell them. Another example is Barnes & Noble, which promotes literacy.

5. New Markets.

Corporate philanthropy may help provide opportunities for companies to enter new markets. For example, in 2002, Microsoft pledged charitable contributions of more than \$100 million in technology and training services as part of an arrangement to put government services online in Mexico. And, Cisco Systems relies upon nonprofit organizations to run its 10,000 Networking Academies, which train college and high school students in 150 countries to create computer networks. Cisco and Hewlett-Packard (HP) donated expertise of employees to a U.S. White House program of technology aid to developing countries in the Middle East and Africa.

HP is also working with the United Nations to standardize and computerize the small-loan industry in the developing world. HP acknowledges that while micro-financing does create sales opportunities for the company, the company is also motivated by the opportunity to grow markets and catalyze more economic development in these areas.

Closing

As a final thought today, I'd like to touch on what we can do to make a difference in our community during periods when revenues are less than desired or cash flow is an issue. We've faced those challenges more than once. Even during down times, companies can continue to do good things, as this excerpt from a case study on corporate philanthropy at Cisco Systems published in a recent issue of the Stanford Social Innovation Review.

In the summer of 2001, Cisco's business dramatically declined, prompting the company to reduce its workforce. The Community Fellowship Program was developed in order to maintain the company's commitment to its employees through this period while at the same time benefiting the community. Rather than take a separation package, 81 employees agreed to accept one third of their salaries, plus benefits, to work for non-profits for one year. Employees were selected for this program following interviews with both Cisco and the 21 participating non-profits, based on the skills they would bring to the organizations.

A number of the original community fellows returned to Cisco after working at non-profits, and the company realized that this was an effective personal growth tool. Says Richard Kelley, "Before the Cisco fellowship program, my working experience had been perhaps 90 percent technical and 10 percent personal interaction. A tangible benefit for me has been the experience working for a year in an intensely interactive environment with extremely dedicated individuals."

Kelley returned to Cisco and now works in its program management office, where he manages relations with major customers, Cisco's account teams, and the various business units. "The Cisco fellowship experience," said Kelley, "has increased my ability to communicate and resolve differences between

these groups that have very different views and goals." Instead of being discontinued after Cisco stopped using layoffs to reduce its workforce, the program evolved into the Community Leadership Fellows program, which now loans high-potential Cisco employees to non-profits for six-month projects at full pay. "If managed well, corporate philanthropy can be an integral part of a company's strategy, regardless of the state of the economy," says Chairman and CEO John Morgridge.

In conclusion, 2004 was a year that TSI stepped back and re-assessed our philanthropic efforts in the context of our core business. We are now making more strategic choices in where and how we extend our reach across the community.

In 2005 for example, we will give two scholarships to high school seniors for leadership and business education. We will also continue our involvement with conflict resolution organizations in southwest Virginia. Initiatives like these give us visibility with our key customer segments and are causes about which we are passionate.

I've enjoyed the opportunity to speak with you today. You know, it's been said that we make a living by what we get. We make a life by what we give. I congratulate you on being givers, and in doing so creating a better, more vibrant community. Thank you!

RESOURCES

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ABOUT THE PRESENTER

Dr. Marta Wilson is chief executive officer of Transformation Systems Incorporated (www.transformationsystems.com). Marta promotes integration of self, people, and enterprise mastery around the world. In her work, she plays many roles including coach, facilitator, speaker, and trainer. Marta's books include *Work Miracles: Transform Yourself and Your Organization*; *Balanced Leadership: Stretch for Self, People, and Enterprise Mastery*; and *Live a Difference*. Her credentials include a Ph.D. in organizational psychology from Virginia Tech, a graduate internship in human

resources research with BellSouth Corporation, and a post-doctoral apprenticeship in industrial engineering with Dr. D. Scott Sink, president, World Confederation of Productivity Science.

Contact Us:

Transformation Systems, Inc.
2011 Crystal Drive Ste 400
Arlington, VA 22202
www.transformationsystems.com

Questions for Marta?
703.682.6853
info@transformationsystems.com

