



# The Death and Life of Corporate Responsibility

Jeffrey Hollender and Bill Breen

**Corporate responsibility**—the notion that companies should include the public interest in all their decision-making—has never been so popular. Nor has it so often proved so phony.

The evidence is all around us:

\*In 2008, General Motors rolls out a TV campaign for its Chevrolet Volt, promising that the plug-in hybrid would get up to forty miles “without a drop of gas.” Only the fine print captured the Volt’s true distinctiveness: “Not yet available for sale.”

Two years later, the Volt is still not available for sale. GM ran real ads and spent real money to promote a nonexistent product, hoping that its phantom Volt would give it a pristine green sheen.

\*The Clorox Company paints itself with an earth-friendly luster by launching the GreenWorks line of natural cleaners. And yet, in 2009, the bleach-maker runs a series of ads for its chemically amped cleaner, Formula 409, boasting that it could have developed an even brawnier product, “but it would be illegal in twelve states.”

Perhaps Clorox’s true color is not quite as earth-toned as it would like us to believe.

\*In 2005, General Electric launched “Ecomagination,” an ambitious effort to develop clean technologies that deliver a sustainability improvement of at least 10 percent. Three years later, GE quietly joined with Caterpillar and Alcoa to bolster an industry trade group in its fight against mandatory cuts in greenhouse gases.

In their race to embrace a sustainable ethos, GE, GM, Clorox, and many others have emitted that heat-trapping gas called hypocrisy. They are not alone.

## When “Values” Are Valueless

Despite the surging interest in conscientious capitalism, there remains a yawning chasm between what companies say they value and what they actually do.

Or don't do.

A 2007 report by the Boston College Center for Corporate Citizenship, aptly titled “Time to Get Real,” found that 60 percent of surveyed executives claimed that corporate citizenship played into their business strategy to a “very great extent.”

Problem was, just 25 percent of those execs bothered to form a team that was accountable for citizenship issues.

No doubt, it's inevitable that as corporate responsibility gains prominence, we should expect that its bona fides are sometimes proven bogus. But the gap between most companies' rhetoric and reality runs so deep, it's close to becoming the status quo.

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## An Evolutionary Crossroads

We haven't reached the end of the road for corporate responsibility, but we sense that we are nearing the outer reaches of its evolutionary arc.

Moving forward, CR will most likely become a baseline requirement in every company's license to operate, but nothing more.

Consumers won't believe that corporate responsibility reports are an indication of greater purpose or higher vision. A listing in the Dow Jones Sustainability Index will be more about doing less harm than about acting for the greater good.

And that brings us to an evolutionary crossroads.

Many companies will continue down the same path, making do-good claims that are little more than marketing pap.

They will add CR managers who lack real clout.

They will treat their CR departments as outliers, filled with "responsibility" ventures for which their operating units feel little or no responsibility.

And they will issue glossy reports declaring that they are stellar corporate citizens, while omitting the real costs of their impacts on society and the environment.

At the same time, an insurgent band of companies are heeding the call to a "new era of responsibility" and are already thinking well beyond the horizons defined by the U.S. Chamber of Commerce.

They are committed to twining economic growth with social justice.

They view the financial crisis and the climate crisis as once-in-a-generation opportunities to unleash principled behavior for the greater good.

For them, values are sources of innovation—opportunities to create products and services that deliver a return on purpose as well as a return on investment.

We are just beginning to discern the post-CR era, even as a vanguard group of renegade companies are defining it. But clearly, the future belongs to those companies that not only bring out the best in employees and stakeholders, but also build market share by committing to a more expansive vision for business.

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# An Agenda for Revolutionizing Responsibility

There is, of course, no one right way to transform a conventional company into an authentically responsible company. It's a process that's marked by experimentation and adaptation, and plenty of fast failures before any lasting success.

But all of the genuinely responsible companies we know subscribe to a set of principles for building purpose-driven companies that are equipped for the twenty-first century's challenges.

- 1. The mission matters.** Responsible companies believe that advocacy is synonymous with strategy—their industry is in dire need of reform and they aim to fix it.
- 2. Dare to wear the see-through.** By publicly baring its less than admirable impacts on society and the environment, the transparent company takes the first step toward collaboratively fixing its problems.
- 3. The company is a community.** Good companies work like a community. Talented people, animated by the community's sense of purpose, provide the passion and creativity for generating breakthrough ideas.
- 4. Bring consumers inside.** Truly responsible companies know that “no one is as smart as everyone.” The more heads they get into the game, the better the chance that they'll make a real difference—in the market and in the world.
- 5. Make it real.** Do-good marketing campaigns don't cut it any more. A company that declares itself to be “sustainable” or “responsible” puts those goals at the very center of all its activities.
- 6. Build a corporate consciousness.** No enterprise can truly attempt to embed the sustainable ethos into everything it does without constructing a holistic view of what it should be.

We don't have enough time to unpack each of these principles, so let's dig into one: the notion that a company should really function like a community. After all, corporate responsibility should be about more than cutting carbon and saving watts.

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## Not a Company—A Community

For all of the thousands of companies that have proclaimed themselves to be stellar corporate citizens, far too many have failed to meet the minimum requirement that they fully engage employee's hearts and minds.

In 2008, the consulting company Towers Perrin conducted an ambitious workplace survey of ninety thousand employees in large and medium-sized companies across eighteen countries. The results were eye opening: 71 percent of the respondents said they were “disengaged” or “disenchanted” at work.

The survey's findings are especially sobering for any company that seeks to contribute to society, for society's foremost expectation of a good company is that it creates a great workplace.

After all, the ultimate “responsibility” test of any company is not how cleverly it can craft its mission statement, but how deeply it can instill its values and vision into the hearts and minds of its people. And communities, not hierarchies, are far more likely to summon the full spirit and will of every associate.

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In a workplace that operates like a community, people are propelled by a cause that's bigger than "increase shareholder value."

It's a place where people are bound by a shared vision—where the answer to "What's in it for me?" depends entirely on "what we can accomplish."

It's a place that relies a whole lot less on "orders" and a whole lot more on "offers"—where people want to go the extra mile because they have the chance to offer their time and talent to projects of their own choosing.

Above all, it's a place where people have enough autonomy to make critical decisions, with the expectation that they are responsible for the results.

But how do you make that happen?

How do you get around the obstacles and communicate the risks that come with hierarchies?

You can start by meeting a company that's confronting the challenges of building community-based alternatives to corporate hierarchies—and that's yielding some startling results.

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## Turn on the Love Machine

Linden Lab is the digital media outfit behind the wildly successful, virtual-reality environment called Second Life, whose name is synonymous with its promise: to give its users (or “residents”) the chance to build a whole new, alternative existence—in other words, a second life.

Philip Rosedale, Linden’s charismatic founder and chairman, took one long night to build a simple but potent tool for community building. He calls it the “Love Machine.” It’s a Web page that lets any of Linden’s roughly three hundred associates zap a quick-hit message of appreciation to a colleague.

Say a coder beats a do-or-die deadline for patching a troublesome bug that’s infected Second Life’s grid. You click on the Love Machine, write a quick thank-you, and hit Send.

In an instant, the bug maven gets a message with a subject line that reads, “Love from [Your Name].” She feels good, because she’s received the online equivalent of a long-stemmed rose. And you feel good, because you’ve “spread the love.”

Tossing off a love note is fun and infectious, and on average, every Linden associate plies the Love Machine about once a day. Over any given twenty-four-hour period, roughly three hundred such missives wend their way across Linden’s intranet—and everyone in the company can watch them flow.

The cumulative effect of these daily waves of gratitude is to wash away some of the cynicism and insecurity that plague so many workplaces.

They let individual accomplishment shine through.

This is especially critical for techno-driven environments such as Linden’s, where so much of work (and work’s rewards) is often anonymous and intangible.

Praising people for a job well done boosts their self-esteem, makes their work visible, and increases the odds that their next contribution will warrant a thank-you instead of a “you messed up.”

## Radically, Subversively Responsible

It's true. Linden Lab does seem like an unlikely model for any company that aspires to confront the world's social and environmental challenges.

There's no SVP of Corporate Responsibility on its org chart. The company doesn't bother putting out an annual CR report. And then there's Linden's Second Life, a vast, richly pixilated universe that includes a tiered section for cybersex of every variety ("X-Rated Continent").

But dig a little deeper, and you begin to glimpse Second Life's magic, which lies in its capacity to give anyone with a fast internet connection the power to create anything that they are driven enough to imagine.

Through Second Life, Linden Lab begins to live up to its lofty ambition: to create a virtual world that "advances the human condition."

As the Love Machine might indicate, Linden Lab's model for building a workplace that feels like a community is almost as peculiar, if not as exotic, as Second Life itself. But experience shows that breakthrough innovation rarely comes from the mainstream.

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## Overcoming Obstacles

Linden's approach to community building offers some radical—and practical—lessons for surmounting some of the risks that are found in most corporate hierarchies. Let's consider just one:

**Hierarchical Risk:** In a hierarchy, the lion's share of recognition and recompense goes to those who hold the biggest titles. The real heroes are left unsung.

**Linden's Remedy:** The community—not some select group of corporate overlords—does the rewarding.

Recognition is a fertilizer for ambition. When you are publicly acknowledged for going beyond the call of duty and you're compensated with a bonus—the corporate equivalent of hazardous duty pay—it's unlikely that you'll shy away from the next big battle.

So it's astonishing that so many companies rely on a clubby group of executives to dispense bonuses, which too often go to the usual suspects—the favored and the politically connected.

Linden Lab takes the power to reward away from the clique and their claque and gives it to the people. It does this through another software tool, called the Rewarder.

Each quarter, every associate is given an equal share of a portion of Linden's net profit—recently, about one thousand dollars per person. The money comes with one stipulation: you cannot keep it for yourself.

Instead, you must click on the Rewarder and use it to redistribute your share to those whom you believe did the most to help the company over the previous three months.

You can send the total to one overachiever or divide it among several. It's your call.

The Rewarder's two-year history shows that, by and large, it does a superior job of fairly recognizing performance.

No doubt, a few may abuse the system and patronize their friends. But most people tend to do the right thing, because the Rewarder empowers them to steer the company in the right direction.

The Rewarder also tallies each person's bonus allocation.

When Linden's senior management looks at the top ten recipients in any given quarter, roughly half the winners are unsurprising—they're Linden's consistently best performers, and they are known to all.

Sprinkled among them, however, are people whom Linden's leaders might think are unremarkable, but according to the community, are exceptional.

The Rewarder puts the spotlight on those innovative, driven souls who deliver the goods but aren't particularly adept at advertising their accomplishments. They are publicly acclaimed and their peers boost their compensation, which gives Linden a better chance of holding onto them—and a better shot at keeping the community healthy.

Linden affirms one of the foremost principles for any truly responsible company: purpose matters.

When a company's self-conception doesn't extend much beyond its financial objectives, it more than likely won't stretch people's ambition and drive. What's needed is a lofty sense of purpose.

Linden Lab thinks of itself not as a company but as a community of people working out of a sense of deeper business purpose. This vision animates everything it does—and inspires a concerted effort to do more.

## To Find the Right Path, Ask the Right Question

For any company that aspires to weave responsibility into all that it does, the journey starts with learning to ask better questions.


No matter what your field of endeavor, the question you ask shapes the answer you get.

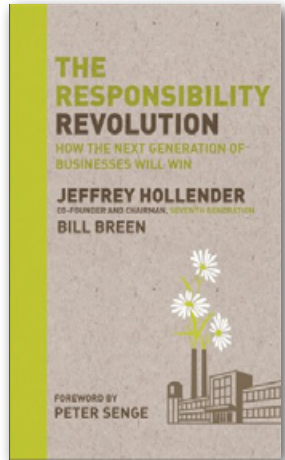
If you ask, “What can we do to build market share?” you will get a very different answer—and you will create a very different future—than if you ask, “What can we do to build a more sustainable economy?”

For too long, those of us in business have proved adept at posing that first kind of question, but all too inept at considering the second.

Here’s a question that every business leader should ask, but too few do: “What does the world need most that our business is uniquely able to provide?”

Perhaps that question will compel us to explore how we can best respond to the enormous challenges, and the boundless opportunities, that confront us.

And even if it isn’t the “right” question, it just might lead to the right kind of conversations—deliberations that can help us move beyond responsibility and begin to glean the possibilities that wait. 



## BUY THE BOOK

Get more details or buy a copy of Hollender & Breen's [\*Responsibility Revolution\*](#).

## ABOUT THE AUTHORS

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