How companies build social capital

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Turning and turning in the widening gyre
The falcon cannot hear the falconer;
Things fall apart; the centre cannot hold;
Mere anarchy is loosed upon the world,
The blood-dimmed tide is loosed, and everywhere
The ceremony of innocence is drowned;
The best lack all conviction, while the worst
Are full of passionate intensity.

William Butler Yeats, “The Second Coming”

What can sustain the center in our lives, in organizations, and in societies during the turbulent, changing times we face as the millennium dawns? People are less connected in communities in which families are dispersed and corporations and whole societies no longer offer work or social stability. Such times arguably demand more vision from leaders than when life, inside or outside organizations, has more stability and less flux. When shared with others, positive vision, underpinned by positive or constructive values, has the capacity to generate a necessary sense of community and meaning in work and in life. Many people in the US seek such meaning in their work lives and places, partly because it is lacking elsewhere. Sometimes, this search for meaning is called spirituality; sometimes, it is called organizational spirit.

In this article, I argue that awareness or consciousness, which differentiates humans from other sentient beings, causes them to seek meaning in their lives, work, communities, and societies by developing social capital, that is, a sense of community, of being in “this” together. People derive meaning, at least in a work situation, from a shared sense of working for a better world. This common understanding is the essence of constructive visions that inspire people to believe they are contributing to something worthwhile. Further, although people can derive meaning from individual or personal projects, shared vision is fundamentally a collective outcome (Freeman and Gilbert, 1988). Social capital has a positive impact on economic productivity and the health of civil society. It is also an important element for shaping meaningful interactions within businesses and creating a basis for the contributions that generate meaningful work.

How do companies go about building social capital internally? In part, by creating an environment in which people can contribute and are acknowledged. In part, by forming an inspiring vision. Timberland is one company that seems to have made progress in creating internal social capital. The “getting together and figuring out our problems” that CEO Jeffrey Swartz talks about draws on the social capital that Timberland has generated through its community-relations involvement and the collective vision that the “pull on your boots and make a difference” motto signify (see the Timberland sidebar). This type of vision is what I call constructive, in that it provides a basis for developing shared meaning among participants in an enterprise like Timberland. Such visions not only provide a basis for generating a common good—something good that we do in common—but also help companies develop a culture that builds internal trust and links both internally with other employees and externally with important stakeholders like communities, suppliers,
“Pull on Your Boots and Make a Difference” at Timberland

With its motto, the Timberland Company, a New Hampshire-based manufacturer of hiking boots, sets a high standard for companies attempting to articulate and live up to their values. The family-run company has revenues of nearly $1 billion and a brand that sometimes has been considered “magic.” Part of that magic resides in the values-based relationships that the company has developed with its core stakeholders: employees, customers, distributors, and retailers.

Jeffrey Swartz, CEO and president of Timberland, acknowledges the critical role of the company’s values in promoting its brand and identity as a producer of top-quality, rugged, outdoor footwear and also as a company that gives back to its communities. Core beliefs at Timberland revolve around everyone’s capacity to make a difference in the world and are articulated on the company’s website (http://timberland.com):

  Human history is the experience of individuals confronting the world around them. Timberland participates in this process, not just through our products or though our brand, but through our belief that each individual can and must make a difference in the way we experience life on this planet. As a team of diverse people motivated and strengthened by this belief, we can and will deliver world-class products and services to our customers and create value for shareholders around the world.

  The Timberland boot stands for much more than the finest waterproof leather. It represents our call to action. Pull on your boots and make a difference. With your boots and your beliefs, you will be able to interact responsibly and comfortably within the natural and social environments that all human beings share.

For Swartz, success in this business means developing relationships with customers and with the local entrepreneurs who run Timberland local retail outlets, which the company calls community stores. The effects of a successful store in otherwise underserved areas ripple through the community and employees’ lives. For example, the company recently opened a store in Washington, DC, where, as Swartz points out:

[T]he environment . . . is underserved from a retail perspective, so it’s a good business opportunity. It’s also a good community opportunity because we hire locally, and part of the proceeds from the store are turned into scholarships for young people from the neighborhood where the store is located. It’s good for the community in that sense. It’s also good for the shareholder because we are serving the consumers otherwise not served with proper respect. We develop a terrific relationship with a local entrepreneur who’s got a community/wealth/profit motivation. . . . It’s good for the consumer, and the shareholder, and the employee. That’s community wealth. It’s not about charity; it’s about social wealth. That’s a different concept (Leand, 2000).

The integration of the needs of multiple stakeholders creates the kind of business culture and environment that Swartz and other employees at Timberland value. The company lives out its philosophy in numerous other ways as well, for example, by being the founding sponsor of the City Year Program with a $1 million investment. City Year allows people to devote a full year to community service in one of ten cities across the US and sponsors one-day “serv-a-thons.” Timberland also supports other community-based activities, such as Share Our Strength, a program aimed at alleviating world poverty and hunger; AmeriCorps, which provides thousands of service opportunities annually; and City Cares of America programs, in which professionals are encouraged to volunteer their services.

Timberland’s involvement in service and environmental activities, its encouragement of its employees to become involved, and its many commitments are a part of doing business well and building the type of company culture that will attract the talented employees needed for future growth. Swartz believes that the company’s turnaround from a 1995 liquidity crisis was due largely to the company’s internal community: “We got together and figured out how to deal with our problems” (Swartz, 2000).

Swartz comments:

Our greatest strength is that we have seen the potential to be a great and genuine community of caring, committed, passionate, professional people. If we perform at our highest level as a community, then we will make Mountain Athletics a better brand and we will make Timberland Pro a better brand and service our retailers better and we will have better results for our shareholders on a more consistent basis. We have goals, we have high purpose, and we have really talented people, and every once in a while, because we are deeply committed to this connection, we have these moments where we really are a community. We speak honestly. We take risks. We transcend our limitations. We aren’t employees, we are passionately committed to the same high purpose. And I think in those moments is our greatness (Leand, 2000: 37).

—Sandra Waddock

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Cisco Systems’ Vision Yields Social Capital and Meaning

Called an “unabashed evangelist for radical changes in management,” Cisco Systems CEO John T. Chambers has put his vision for a new, progressive business model—one that makes consistent links with a variety of stakeholders—into practice (Byrne, 2000). At Cisco, personal and organizational vision are unified, the meaning of the company’s work is shared, and the company works hard to develop relationships with its multiple stakeholders that provide for both credibility and a basis for building social capital internally and externally.

According to Cisco’s website:

Cisco’s vision is that the Internet will transform the way people work, live, play, and learn. Today change is happening faster than ever before, and Cisco helps companies turn that change into a competitive advantage, by helping them become agile. How? With expertise, a strong network of partners, and superior technology including intelligent network services and scalable architectures. Cisco is the worldwide leader in networking for the Internet (Cisco, 2001).

Cisco’s unique strategy is built on establishing excellent—and online—relationships with its primary stakeholders. It has built an internal network structure that allows its stakeholders instant access to its resources. For customers, Cisco has the Internetworking Product Centre (IPC), so they can order online and get technical support, speeding processing of orders and deliveries. Potential customers can log onto the Cisco Connection Online (CCO) for detailed corporate information, products, and services. Suppliers are networked through the Cisco Supplier Connection (CSC), which offers direct access to Cisco’s materials resource planning system and enables suppliers to monitor orders and ship automatically. Partners are linked through the Partner-Initiated Customer Access (PICA), which provides resources for sales initiatives; employees are connected via the Cisco’s Employee Connection (CEC), an intranet intended to improve productivity (Eizengerg et al., 2001).

But it isn’t just size or an 80% market share that makes Cisco a visionary company. Chambers is clear about the type of organization his vision implies:

The reason people stay at a company is that it’s a great place to work. It’s like playing on a great sports team. Really good players want to be around other really good players. Secondly, people like to work for good leadership. So creating a culture of leaders that people like is key. And the third is, are you working for a higher purpose than an IPO or a paycheck? Our higher purpose is to change the way the world works, lives, and plays (Byrne, 2000).

To live up to these standards, Cisco applies its corporate citizenship very broadly to its customer and ally relationships, and has also implemented a number of strategically important community- and education-oriented programs. For example, Cisco deploys employee volunteers in local communities into many projects with corporate support. More important to its mission as a network services provider, the company has established the Cisco Community and Educational Technical Advocates (CETA) program, which integrates technical expertise and assistance into Cisco technology grants given to educational institutions.

Cisco has also established a program that will ensure a trained base of technicians in the future, while providing much needed help to many school systems—the Networking Academy program. Simultaneously, the academies develop external and internal social capital because they link Cisco’s vision, values, and corporate citizenship to the external communities in which the company operates. The academies teach high school and college students how to design, build, and maintain computer networks, with a curriculum that ranges from basic networking skills to advanced troubleshooting tools.

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and customers. Ultimately, such relationships result in social capital that acts as a source of organizational glue when times get tough, as they did in 1995 at Timberland.

Shared visions such as Timberland’s become meaningful, however, only when they are positive and inspirational and when they allow people to see how their roles in the enterprise contribute, particularly to a common good. Vision creates aspirations; it enhances the pursuit of a larger purpose, something outside of and bigger than one’s own purpose, generating a sense of “we” rather than “us vs. them” (Senge, 1990). In this sense of “we,” social capital is found. And, increasingly, companies like Timberland are recognizing that the trusting relationships with key stakeholders that evolve from enhancing social capital are keys to competitive success.

Companies without social capital risk their stakeholder relationships. For example, without relationships built on trust, companies can face erosion of employee loyalty (a problem during employee shortages). They can experience negative responses from local communities that provide the necessary infrastructure. They can alienate their cus-
Making connections between a global organization and a local community in the developing world is challenging. In Cisco’s case, these connections also involve crossing developed and developing country divides, income disparities, and cultural differences. After only three years of operation, Cisco’s global academy network successfully connects 5,000 institutions in 84 countries and trains more than 129,000 students.

The Networking Academy has developed a global “education ecosystem” to keep pace with the rapid evolution of information technology. The word “ecosystem” emphasizes the holistic and self-sustaining quality of the academy that Cisco considers essential. The global system was quickly built through a simple strategy: find local institutions that can be partners wherever Cisco operates. These partners are mainly public and private education institutions, but also include business, government, and community organizations.

How do Cisco’s academies work with respect to developing social—and other forms of capital—within communities? “We’ve got a problem of high unemployment,” says the chairperson of South Africa’s Houtteq Institute. “We saw an opportunity, and the Internet is the future.” Houtteq is a post-secondary institution with students from traditionally black universities. With the need for employment, the demand for employees trained in networking technologies, and the problems of disadvantaged youth, the Networking Academy appears to be a win-win-win proposition. Program graduates obtain a globally recognized and sought-after certificate, Cisco has a source of trained employees in South Africa, and the country’s technically trained labor pool has expanded.

Cisco has invested nearly $100 million in curriculum and software development, training, assessment, equipment donations, translations, and 200 to 300 staff people. The staff builds networks, develops curricula, and constructs the online teaching resource that is the backbone of the system. (For information, see: www.cisco.com/warp/public/779/edu/academy/) “Just over the last year, it has improved tremendously,” says Nothemba Sonkwele, a teacher at Houtteq. “We now have really good simulations. The program is very well structured, the curriculum assumes no prior knowledge, and anyone can do it.”

Another of Cisco’s aims is to partner with organizations that are interested in working with traditionally disadvantaged people. This was a core reason for working with the International Youth Foundation and the World Bank’s Business Partners for Development to nurture academies in four countries, with the thought that the networks would allow more adventurous and creative delivery strategies to poor communities than mainstream education institutions provide. Academies have been established in homeless shelters, prisons, and women’s housing projects, and community centers. In the Philippines, for example, the Ayala-Mitsubishi team’s school had 127 students in its first year, 116 of them women, with an average household income of $650 per year. In South Africa, this focus was one reason that Houtteq, which focuses on recruiting students from traditionally black colleges, was the first local academy chosen; almost all the students have been women.—Steven J. Waddell and Sandra Waddock

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Cisco. [http://www.cisco.com/warp/public/779/edu/academy/] Various parts of the Cisco website were sources for this case.


Customers with policies that seem to disrespect their real needs or foist poor quality products on them are produced by sweatshop suppliers.

As the message about their relationships with particular stakeholders can spread globally at the click of a mouse, companies need to be increasingly sensitive to the meanings that stakeholders take from their actions. A wide range of observers, not all of them friendly, increasingly scrutinize those actions. Companies, recognizing that intense scrutiny, must work hard to engage interactively with their stakeholders in order to build social capital, as the Cisco Systems case illustrates (see the Cisco sidebar). Such interaction moves a company’s social capital beyond internal boundaries and shares the vision broadly, helping to build community with other stakeholders.

A company widely known by the unglamorous label of “the plumber of the Internet,” Cisco Systems builds social capital by focusing on its stakeholder relationships. The systems that Cisco has evolved to communicate with its stakeholders provide the basis for developing ongoing, trusting relationships. The two-pronged strategy of helping commu-
nities enhance their educational systems through Networking Academies while simultaneously building its own future workforce enables Cisco to do well and do good.

Notably, both Cisco and Timberland emphasize organizational values that go beyond the common notion of maximizing shareholder wealth. Timberland’s values of “making a difference” and Cisco’s “higher purpose” of changing the way we live, work, and play to include the connectivity of the Internet help stakeholders and employees see how their organization sees itself. In addition, visions underpinned by constructive values give many stakeholders a way to learn how their own efforts contribute to the good of the whole. As long as companies continue to sustain the trust that these vision and value combinations imply, they continue to build social capital with their stakeholders.

Numerous studies of civil society have shown that social capital contributes to societal health; its lack appears to contribute to the dis-ease that many people sense about their communities. Social capital also plays a role in successful economies, as business strategist Michael Porter demonstrates (Porter, 1998; Putnam, 1996). And I argue that the social capital companies develop with their internal and external stakeholders also plays an important, yet frequently unrecognized, role in their competitive success.

Building a Center

The potential of social capital and constructive vision to benefit corporate enterprise goes against the grain of current reality in modern organizations. For example, the disconnection inherent in turbulence, visions of maximizing shareholder wealth, and eroded loyalties that require each individual to become an entrepreneur may mean that social capital and a constructive vision are increasingly hard to achieve. Vision implies that we know where we are going and what we need to do to get there. Typically, what we need to do is collective and requires some degree of stability and loyalty to develop. Vision provides direction and focus and, when constructive, inspires commitment, engagement, reciprocity, and a sense of community—social capital. The current mantra seems to be “watch out for yourself and never mind others or even the consequences of what you do, as long as you profit.” But, as the Cisco Systems case illustrates, there is no reason why profits and the meaning generated by shared vision cannot coexist.

Meaning and vision are intangible, as is social capital. They cannot be measured quantitatively. And because most corporate culture, and Western culture generally, relies on the readily measurable and observable, these intangibles are typically given short shrift. Organizational spirit, based on coherent values and a constructive vision, may be just the glue needed to hold the center and provide meaning in work and, ultimately, result in better productivity.

If, as I have argued above, spirit—and success—derive from the social capital of connectedness and a vision that unites, then drawing the lines of connection among and between stakeholders may be a key to creating meaningful enterprises. Primary stakeholders constitute the organization; these stakeholders are the employees, suppliers, allies, owners, and customers on whom the company depends for its existence. Social capital in a company is built on the trust and reciprocity inherent in internal and external relationships. Corporate practices have an impact on stakeholders and can build or destroy social capital and meaning, depending on how they are implemented. Such practices encompass not only the corporate vision and mission but also the ways in which relationships with employees, customers, suppliers, owners, and local communities and governments develop and are managed.

Employees form the essential core of any organization. Without them, no work, meaningful or otherwise, gets done. If we think social capital and vision are important, then employees and other contributors need to know their places within the hologram that constitutes the organization (Senge, 1990). They need to know how their work af-
fects the other stakeholders on whom the company relies. They need to know how their work contributes to achieving the organizational goals that effect the building of a better world. Simply stated, they need to know what the constructive vision is and how to help achieve it.

Management can enhance the corporate vision by carefully articulating it and illustrating its constructive aspects, that is, how it contributes to the better world that I believe most people want to build. That, however, is not enough if we believe that social capital is also important to long-term success. Social capital is built, in essence, on community. Communities are built on trust and reciprocity, care, and mutuality of endeavor, not on disloyalty, fragmentation of purpose, and selfishness. Creating this spirit may require not speeding up or fragmenting into ever smaller, disconnected entrepreneurial units, but rather slowing down and paying attention to the whole (or holon [Wilber, 1996; 1998]) that the enterprise represents within its broader society. Slowing down allows reflection, community, and meaning to emerge, and helps create connections among vision, values, and the way that value is added.

Building trust and reciprocity may require taking a long-term perspective that we are all in this together, that we can make a joint contribution to better the world, that we have a common project that matters. That perspective requires thinking through the consequences of practices or wisdom, as Russell Ackoff has noted (Ackoff, 1999), and mindfulness. To build trust and reciprocity—community and social capital—with stakeholders, both leaders’ and their companies’ goals need to be worthy of trust. There can be no gap between the rhetoric of valuing employees, customers, or suppliers and the ways in which operating practices are enacted daily and experienced by stakeholders. Leaders can shift company practices, sometimes subtly, toward generating meaning, social capital, and vision by thinking more carefully about company practices and their impact on stakeholders, as the examples of Cisco and Timberland show. For example:

- Center the organization by creating a constructive vision with associated values that demonstrates how it contributes to a better world, and then regularly and carefully communicate those values to relevant stakeholders.
- Create corporate practices that treat key stakeholders with dignity and respect; that is, live up to the articulated vision and values. Think about the consequences of a decision and whoever will be affected. If disrespect is implied, rethink the decision.
- Create feedback loops—communicate the organizational holograph—to stakeholders, showing their contribution to the vision and ensuring that their work is appreciated (Senge, 1990).
- Develop social capital by allowing time for reflection about work done together, the impact of that work on other stakeholders, and how to improve it. Creating or fostering multiple communities of practice centered on common issues, topics, and specific practices achieves a vision that enhances internal social capital (Wenger, 1998; Snyder, 1997).

The humanization that comes from positive social capital occurs because links within a community create a network of reciprocal relationships and mutual obligations among individual members. It brings us closer to recognizing that we live in a society, as former Secretary of Labor Robert Reich has stated, not simply in an economy. It allows space in busy work lives for the “soft stuff” that ultimately matters: community, aesthetics, nature, spirit, care, respect, and meaning.

Community members also exchange information, which helps them build a shared identity and common values. In turn, these values generate norms of behavior and appropriate practices that provide sanctions where appropriate and rewards where feasible (Penner, 1997). Social capital thus builds meaning and spirit. It can create a center that perhaps can hold, prevent anarchy from being “loosed upon the world,” and ensure that the “best” people, companies, communities, and societies maintain their conviction, along with passionate intensity, to fulfill the common purpose of building a better world.

Communities are built on trust and reciprocity, care, and mutuality of endeavor, not on disloyalty, fragmentation of purpose, and selfishness.
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Acknowledgments

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Commentary

by James E. Post

Sandra Waddock makes a convincing argument for rethinking the modern corporation as a vehicle for creating wealth and advancing society. We live in an era when intense pressures force corporate leaders to focus more narrowly (and “mindlessly” in her terms) on financial performance and shareholder wealth.

It is increasingly difficult to identify companies that value their social capital, build trusting relationships with all of their stakeholders, and demonstrate the mindful approach Waddock urges. Still, there are examples worth noting. Timberland and Cisco are cited as examples deserving careful study. Each surely has its critics, but their long-term social performance is more than public relations spin.

Wall Street pundits have pointed to the demise of hundreds of dot.com companies as further proof that humanistic commitments are incompatible with financial success and that firms that prize the “soft stuff” are doomed to financial failure. I think such views totally miss the mark.

The large, un-centered corporation, whose executives can only discuss their company’s success in terms of share of market, ROI, ROE, and share price, is a dinosaur. Who wants to work for such an organization? Employment is instrumental; long-term commitments are disdained; the old social contract is a drag on the corporate future.

But a company that is not doing interesting work, with benefits that accrue to society and all its stakeholders, will find it difficult to persuade employees, customers, and communities that it is worth their time, effort, and energy—their “lifeblood.” Turnover rates rise, morale declines, and the disease spreads throughout the body. It becomes the leukemic corporation.

Social trust and social capital are the “ties that bind” people to organizations in a voluntary and productive way. Corrosion weakens these ties. They may not break at first, but over time, there is no logical reason to think that they can survive the long-term effect of social rust.

What is often lost on executives, operating under pressure of the shareholder wealth argument, is that employees need not “exit” an organization to display their dismay. People “check in” to an organization for utilitarian reasons—jobs, careers, products. But people also “check up” on the organization’s values every day. When the social rust exceeds the social trust, people will begin to “check out,” in mind, spirit, or body. Nothing undermines an enterprise more quickly or surely than the loss of faith in its purpose, or its leaders.