

Kanter on Moral Organizations

Can corporations be profitable, innovative and also do social good? Unquestionably yes, is the answer of Harvard professor Rosabeth Moss Kanter gives in her new book *SuperCorp*. She calls these admirable firms vanguard corporations and says the drive to do social good is not an extra but an essential part of an innovative culture. Kanter says:

I'm talking about companies that embed the idea of serving society into their business strategy, and spread it through their operations. The idea of serving the greater good is the rationale behind the choice of products or services, and guides the company hires and motivates its workforce. It's also a way of thinking about a broader world beyond the walls of the organization and that can stimulate a lot of innovation.

This is a better way to run a company. It brings rewards, but it's hard to do. You certainly don't get the benefits simply from philanthropy after you've already succeeded.

Proctor and Gamble statement of purpose—which is emphasized repeatedly as 'core to the success of Proctor and Gamble'—is to improve the lives of the world's consumers, now and for generations to come. That's not about giving away spare change to worthy causes.

Economists assume that when organization's make decisions they look primarily at things like profit margins and revenue growth. At Proctor and Gamble a manager, while very aware of the financial side, will look at a possible product and ask how many lives it could improve. They find inspiration for innovation by what are problems that consumers need solved? Kanter provides a compelling example:

Proctor and Gamble saw that in many parts of the world clean water is a huge problem. Through an acquisition was able to offer a water purification powder call PuR. It could be sold in small sachets at a price affordable to poor people. Dirty water causes disease, so there is a strong connection to improving the lives of people.

Unfortunately, it was not a commercial success. The product worked well, and people liked it but it was not a habit and people didn't always make the connection between water and disease. Now, Proctor and

Gamble is left with a dilemma: a product that clearly improves lives is losing money. What's a good company to do?

The people at the top thought that it was really important to continue to make this contribution. Working through many partnerships with NGOs, the UN and government agencies they set up a not-for-profit called Children's Safe Drinking Water which could continue to make this product available.

It has turned out to be a very powerful success for a two reasons. One was reputation, P&G won awards for this social innovation and employees recognized P&G had lived up to their values.

The second powerful impact came from the partnership with NGO's that connect directly into communities in developing countries. These groups understand how one can change habits, distribute this product and so forth. This is an enormous source of learning for the P&G about how to reach people with new products in emerging markets.

What captured my attention in this story was the learning side. A focus on profits tends to narrow the thinking. The encompassing sweep of values empowers exploration that may ultimately prove very valuable.

The water story illustrates how P&G pushed themselves to do something new in a different field and then, learning they couldn't do it effectively themselves, they drew lessons from their NGO partners.

We are frequently told that corporation cannot focus on values because of the pressure from Wall Street. How can a corporation like P&G "get away with" doing good?

Nothing I've said advocates throwing out an interest in revenues, profits and growth. There are many different things an organization might choose to pursue and vanguard corporations use their values to lead them to areas that seem to be opportunities for growth.

Sticking to values is also prudent risk management. An organization that lives by values is much less likely to do something to get the company into trouble.

The managers in vanguard corporations are smart business people. IBM's emphasis on 'Smarter Planet' is a big, visionary idea about serving society; about helping goods and services move faster and

ending traffic congestion. But, of course, IBM is in the business of taking commercial contracts from companies and governments that are interested in those benefits.

Look at Indra Nooyi at PepsiCo. She's trying to increase the healthiness of Pepsi products, including Frito-Lay potato chips. That makes good business sense in a world where people are becoming increasingly health conscious. It's also a very good way of serving society. Those values lead PepsiCo to hire a chief scientist from the World Health Organization, which is probably an industry first. It's also leading them to a lot of innovation.

The key seems to be simply rejecting the idea that we are dealing with tradeoffs. A simple minded graph might show two variables, profits vs. social good, and appear to indicate that the more of one the less of the other. But in the extraordinarily expansive multi-dimensional terrain of the real world there are many paths where social good and profits reinforce each other. You just have to believe in the principle and develop the skill to carry it out.

To implement this vanguard approach your top management has to continuously lead a conversation about where we are living up are living up to our principles. I just heard from a company this morning that has spent the past year trying to create a culture of high performance with a vision and values at the centre. They've spent a year having the conversations on what that should be. That's time well spent.

The conceit of most MBA case studies is that you, the student, are an all-powerful CEO. Similarly most business books lead the reader to think "Well, if ever I become CEO I'll be able to put these ideas to good use." I asked Kanter what middle managers could do on their own to create a vanguard corporation.

I often say the first thing is to get more people to read my book, it's partly a joke but there is something more behind that, at any level of you can start a book club to discuss ideas that could make a difference for the company.

You could also propose activities that might reflect the values of a vanguard company. In one organization they had a post merger event where the top 300 people built a school using the company's products. That's a far better activity than the usual golf game. It was a way to get

people together, show off the products and at the same time, exemplify the values.

The stories in *SuperCorp* demonstrate that the pursuing social good can drive innovation and profitability. Given that it is possible there is no reason why employees, citizens and shareholders shouldn't demand organizations do their best to follow this path.

[SuperCorp](#) is available at Amazon.com

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