

# Building a community of corporate citizens

Working with colleagues from various disciplines, **Katherine V Smith**, uses novel approaches to research and promote good corporate citizenship

**You serve as Executive Director of the Boston College Center for Corporate Citizenship in the Carroll School of Management. Could you provide a brief history of your involvement in corporate citizenship?**

I oversee all of the Center's activities and strategic ventures, but I'm also an adjunct member of the faculty, teaching social issues in management in the MBA programme. I have worked in non-profit organizations and higher education for more than 20 years. All of my roles have required me to work on corporate partnership. In addition to my current position at Boston College, I held appointments at Brown University, where I served last as Associate Vice President for Research, and the University of Massachusetts, where I served as Chief Operating Officer of the Foundation, with more than US \$700 million under management. Through these roles, I have had the opportunity to facilitate and support large-scale public-private partnerships and joint research projects, including a series of corporate, foundation and university research partnerships focused on a variety of issues.

**For those who do not know, what do you mean by the term 'corporate citizenship'?**

When we refer to corporate citizenship at the Center, we are talking about how a company participates in civil society through the rights and privileges available to it and how it contributes through its obligations and responsibilities. Our particular focus is on the environmental, social and governance (ESG) dimensions of business, but then we really emphasize that corporate citizenship is an enterprise-wide undertaking. It is about capturing all the positive and negative impacts, disclosing them fully, mitigating the negative impacts and making positive proactive contributions to solving ESG problems.

**What are the primary methods that you use to conduct your research?**

We focus our literature reviews on empirical research that yields insights into how companies can create the greatest social and business value through their ESG investments. In addition to the literature reviews, we mount several large longitudinal surveys of business people. Our goal is to see that the knowledge and insights derived from

business are put into practice and, in reverse, that academic knowledge and insights find their way into business. Most business people do not have the time or inclination to read academic research, but they find the information that can be uncovered through research tremendously valuable. We aim to connect the two areas.

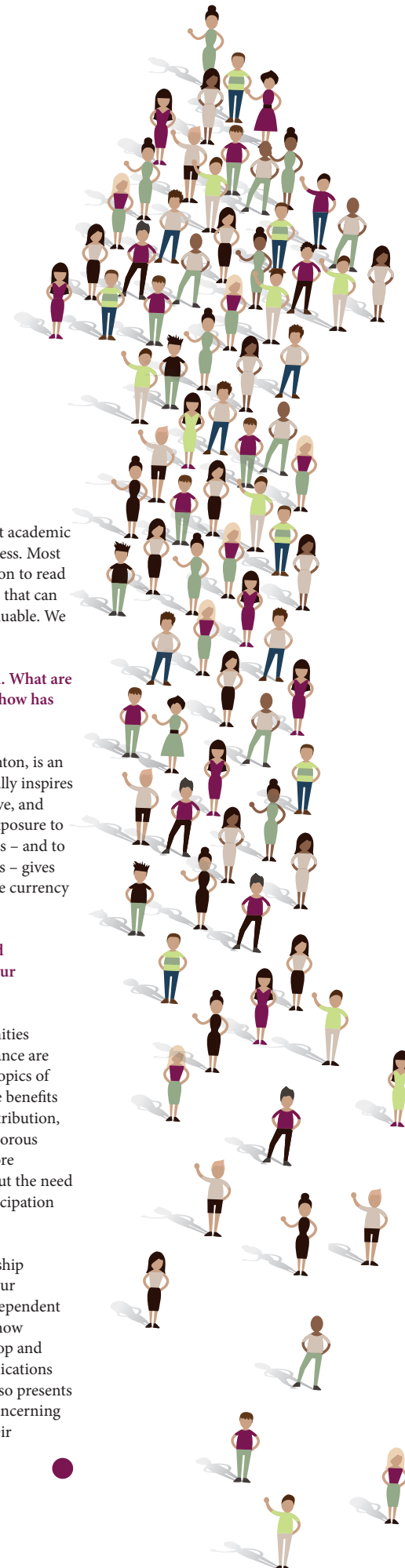
**Your research involves a multidisciplinary team. What are benefits of collaboration across disciplines and how has this helped inform the work?**

We learn from each other. Our Dean, Andy Boynton, is an expert in teamwork and innovation. He continually inspires us to embrace diversity of thought and perspective, and reminds us that innovation is a 'contact sport'. Exposure to the thinking and traditions of multiple disciplines – and to people with diverse experiences and backgrounds – gives us access to new ideas. Ideas and expertise are the currency of the knowledge economy.

**How do you see your research area evolving and developing in the next three years – what are your predictions for the next 'hot' topics?**

The cost benefits and risk management opportunities presented by improving environmental performance are well understood by most companies. Emerging topics of interest include the role of companies in (and the benefits to them from) equalizing wealth and income distribution, and how they might adopt (and benefit from) rigorous diversity and inclusion programmes. There is more discussion in the business and popular press about the need to increase wages so that broader economic participation can help fuel continued economic growth.

I am also interested in how the corporate citizenship programmes of US companies might change as our economic wellbeing becomes increasingly interdependent with foreign markets. I am equally interested in how the programmes of foreign companies will develop and evolve over time. Our digital and social communications environment, and the rise of citizen reporting, also presents some interesting challenges and opportunities concerning how companies engage stakeholders, manage their disclosure and solve problems.



# The rewards of responsibility



Multidisciplinary researchers in the Center for Corporate Citizenship at the Carroll School of Management, **Boston College**, USA, are demonstrating how corporate social responsibility can benefit businesses and society

**BUSINESSES AND THE** world at large face significant challenges in the future. On a global scale, we will have to support sufficient food and water for a population of nine billion people, while preserving natural resources for future generations. We contend also with societal and economic factors such as income inequality within nations as well as inequities between developed and developing countries. Yet, rather than seek ways to deal with these challenges, there is evidence that environmental, social, and governance (ESG) investments are often sacrificed for short-term gains, to the detriment of businesses and their shareholders.

Katherine Valvoda Smith, Executive Director of the Boston College Center for Corporate Citizenship, sees corporate social responsibility as an answer to these issues: “If we are serious about creating long-term corporate value, the interests of shareholders and other stakeholders are more closely aligned than they are divergent”. She has been working in this and related fields for more than 20 years, showing an impressive record of achievement in many areas. Indeed, through her position as Executive Director, Smith works in partnership with fellow researchers from various disciplines, more than 400 member companies and thousands of individuals who participate in Center’s programmes and networks. Her weighty task is to make accessible the insight that can be gained from empirical research to businesses and society.

## ENLIGHTENED SELF-INTEREST

Corporate social responsibility is not an uncontested field. In 1970, Milton Friedman published a famous article in *The New York Times Magazine: The Social Responsibility of Business is to Increase its Profits*. He argued that introducing altruistic elements to businesses was a betrayal of their primary responsibility to make a profit. This view was hugely influential.

Smith’s work has consistently challenged this perspective, not merely on the basis of ethical concerns, but using evidence and carefully modulated arguments that appeal to self-interest as well as notions of accountability. Nonetheless, she does believe that companies have an overall responsibility to the environment in which they exist, both human and otherwise. Certainly, they have a role to play in addressing broader problems: “Both because the impacts of their operations may have contributed to some of the problems and because they have the human capital, technology and know-how to help solve them,” she says.

The Boston College Center for Corporate Citizenship’s *State of Corporate Citizenship 2014* research report examines the relationship between corporate citizenship and business performance (e.g. market share and financial performance), and also looks at how business executives view their contributions in environmental, social and governance areas. The majority of executive respondents reported that corporate citizenship helped them achieve strategic goals. For the first time in more than a decade a majority also stated they anticipated that the resources allocated to this area would increase over the next three years. Research also suggested that participating companies enjoyed improved employee retention, access to new markets, reduced employee health costs and improved risk management.



*Broader studies have established a positive correlation between corporate social performance and financial performance*

Having established an ethical framework, Smith then asks an important question, in a direct challenge to Friedman: “Beyond concerns it may raise among non-owner stakeholders, does a focus on short-term profits really promote what is best for the company and shareholders in the long run?” She contends that there is a good deal of research that supports a clear ‘no’, citing, for example, the Bank of England’s Financial Stability Report, which identified profit-harming short-term practices such as excessive discounting in favour of lower short term gains. Then there are the broader studies that have established a positive correlation between corporate social performance and financial performance.

Smith points out that many companies are already investing in improving their ESG profiles, which suggests that they see value in this.

#### HOW IT CAN WORK

There is a great deal more to developing an effective corporate social responsibility programme than good intentions. The Center and its business members have identified four key elements. First, a business should assess what opportunities and risks are most significant now and in the future, and focus on those. While ‘attracting new customers’ may be a popular and obvious aim, business members surveyed by the Center also identified, for example, ‘securing a sustainable supply chain’ and ‘improving the ability to recruit employees’. There are notably different priorities between industries and this will affect what approach is best for an individual company.

Second, it is important to understand who the business’s primary stakeholders are and what issues are important to them. These change over time, with, for example, concerns about data security and health and wellbeing growing in recent years. Keeping abreast of stakeholder concerns means that problems and opportunities can be identified and addressed early.

Third, there should be effective communication with external stakeholders, using both traditional and new means. Social media has become a useful tool for this and engaging in ‘conversations’ with the public not only tests

opinions and feelings among them, it shows that they are being listened to.

Finally, businesses should prepare for and respond to change – either in its operating context or in its internal operations. Major events like extreme weather or climate, or mergers, acquisitions and downsizing, may require adjustments to corporate citizenship strategy.

#### PRACTICAL IDEALS

The Center’s focus is, Smith explains: “To help companies achieve more business and social value from their ESG investments – to create both the world in which we want to do business and the world in which we want to live”. This mixture of pragmatism and altruism is seen throughout Smith’s (and the Center’s) work, and is frequently expressed through hands-on practical advice based on research: “We seek to gain better understanding of the tactics and investments that yield the best results,” Smith asserts. Moreover, care is taken to factor in diversity, with industry, sector, financial strength, geographic location and other features of businesses taken into account when researching and developing good practices.

Smith is an enthusiastic advocate of using measurement and data to advance corporate citizenship. This applies, of course, to formulating tactics and advice, but on a larger scale it is also seen as being the key to overall improvement in those areas corporate social responsibility is primarily concerned with: “If we are to see progress on the challenges before us, we are going to have to develop quantified, time-bound performance goals,” says Smith. To this end she and her colleagues at the Center would like to see more disclosure from businesses on their ESG performance. As companies are increasingly asked to demonstrate their accountability towards a whole host of local and global social challenges, an accepted standard framework would certainly enable businesses to understand the value of their efforts and obtain the necessary data to continually improve their corporate citizenship.

#### CORPORATE PARTNERSHIPS

##### RESEARCH INTERESTS

- To apply measurement and data to gain insights that corporations can use to create more business and social value with their corporate citizenship programmes
- To determine ways of aligning the interests of shareholders and stakeholders to create long-term corporate and social value
- To encourage more companies to make investments to improve their environmental, social and governance (ESG) profiles
- To help companies gain more business and social value from their ESG investments – to create both the world in which we want to do business and live

#### KEY COLLABORATORS

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**KATHERINE V SMITH** is the Executive Director of the Boston College Center for Corporate Citizenship. She has over 20 years of experience

in research, advisory service, product and content development, and resource development. Smith’s experience also includes growing and leading teams, designing and executing integrated customer-focused strategic initiatives, and spearheading new products and services development for both large and small organizations. Her latest research and writing focuses on corporate social responsibility and the idea that socially responsible behaviour does not reduce a company’s value.

