IBM Demonstrates the Increasingly Pivotal Role of Corporate Social Responsibility

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Management Summary

There are many reasons, these days, to worry about *organizational effectiveness*. After years of growth where *what to do* seemed relatively obvious, the way forward now is less clear. Growth brings obligations, partnering adds risk – but a wait-and-see attitude is often not supportable. **Many companies, particularly large companies, seem mired in a winter of *organizational discontent* made immediate by the looming threat of obsolescence for many business models. Never has a fully endowed, traditional mode of operations seemed so difficult to support, but the *less* and *other* that might be embraced must support not just immediate goals, but long-term business sustainability.**

Sustainability, in any endeavor, is a matter of meeting obligations and responsibilities consistently in an affordable way. In business, the sources of obligations go beyond the investors that are the most obvious stakeholders of publicly-traded companies. Customers, partners, employees and, more generally, the governments and cultures in which business is done all have a stake in its conduct, effect on society at large, and corporate health – and a role to play in its sustainability. Traditionally, Corporate Social Responsibility (CSR) initiatives have addressed the challenges of long-term sustainability that fall outside the realm of immediate profitability. Common initiatives often include matching funds for employee education, which keeps employees current on skills and productive, and sponsoring sports charities and cultural events, which build brand awareness in targeted populations. Because such efforts have been seen as incongruent with traditional business practices that optimize operations and profit, they are often segregated as a stepchild operation that is hauled out to prove probity as needed, but are otherwise deemed only of tangential bottom-line benefit.

CSR's tangential relevancy now has changed – not because doing good suddenly became inherently profitable, but because the 21st-century business climate is different. The *participation age* has not just made control of reputation more difficult. It has also exposed, in a world of rapid change, new opportunities and risks. **In order to sustain and grow a business, more must be known, not just about the shape, rhythms and character of what your business is doing and the effects of those actions and inactions on a larger scale, but also more about what it could be doing, but is not.** In a game of pool, running the table is not just a matter of getting balls in pockets, but also of repositioning the cue ball in a way that advantages where the other balls on the table will rest in the near future. Sustaining business success requires the same combination of savvy, anticipation, and careful strategies.

Technology companies have a particular challenge and opportunity. Technology has a huge part to play in many business solutions, including those in the area of corporate social responsibility. **Technology vendors now have diverse opportunities to glean experience on how technology can make a difference, not just as a capacity, but also as an organizational tool.** For technology companies, CSR initiatives present opportunities to innovate in the context of other people's expectations, getting beyond what the sales force can sell to address more broadly what various communities on the planet need. IBM's CSR Initiatives have let it leverage its heritage and assets in new ways. For more details, please read on.

21st Century Challenges to Technology Vendors

Technology vendors, like most other businesses, have been focused on profit and time-to-market optimization for some time now. Recently, many have concentrated their efforts on their existing and most profitable customers, in the name of *focus*. Many have shunned markets that are less convenient, particularly those local, limited, non-Internet-savvy markets where the parameters of what is possible are narrow, or where safety nets are informal and filled with dependencies. Yet it is in these inconvenient markets that innovation is rife, for it is in them that there is often not enough money to do things the normal, safe, and prudent way. Harnessing this innovation-in-context is what is needed to spawn a next wave of better-targeted use of appropriate technology.

Addressing only the comfortable part of a market is no longer a reliable route to sustainability in a global, connected economy.[1] (See the imperatives in Exhibit 1) But, addressing a larger chunk of the pie, particularly at the pace of business that is now expected, is fraught with danger due to the experience that the business *does not have*.

Once, technology was seen as something bought in capacities (e.g., terabytes or bandwidth) to support the transactions that underlay a business. The new challenge is to use it as a tool to enhance operations by:

- **Collecting information** more continuously and completely (say, in health care monitoring or even in educational software),
- **Organizing it** for more kinds of use,
- **Securing it** more atomically for use by people in multiple roles, and
- **Aggregating it** to support the effectiveness of many kinds of workers.

This means choosing technology that is right for the context of the business, its culture, its tolerance of retraining – all sorts of factors that are inexorably limiting. The effectiveness of vendor technology operations in such a market will depend on its ability to offer aggregates of tools and capacities, at the right price, in a way that is both easy to implement and run. The sustainability of market share is more assured when the aggregates delivered can

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Exhibit 1 – New Business Sustainability Imperatives

1. **Wider Awareness**. The breadth of strategies needed to wring competitive advantage out of existing assets and shoe-string budgets in the face of a diverse array of changing competitors begets a mentality very different from the stately, chartable-course-of-progress approach that held sway in the U.S. in the last half of the 20th Century. The War Room, though useful, is not as important as the accuracy and currency of information on a soldier's PDA.

2. **Commit Fully**. Time-to-market is not just a matter of getting there first. It is an even larger task, once in a market, to stay on top of rapidly changing demands. Business customer engagements now involve more push back. Commerce is more frequently bi-directional negotiation. Even traditional *waterfall* activities, like knowledge transfer, are not cut-and-dried one-way processes, for understanding the intentions and assumptions of all parties and gleaning on-going feedback are essential parts of sustaining a relationship. What are needed are well-sized, well-priced, well-accessorized technologies that can also be ganged out into a larger-scale solution.

3. **Use Resources More Fully**. Leveraging the wisdom of the crowd, in various forms, such as letting customers contribute insights to product has grown into a fine art of knowing how and where to harvest such information, what weight to give it, and how to use it to reduce the risks of innovation.

also act as building blocks for the future.

There is no one right way to do this – and there are many mistakes that can be made. **It behooves the technology vendor to know as much as possible about the desires – and limitations – of potential customers before committing to bring products for them to market.** One of the most effective ways to do this, in a context specific to the business, is to build on the CSR initiatives that are already a part of corporate culture, in order to find out more about how technology tools work in diverse situations.

Corporate Social Responsibility and Organizational Sustainability: The IBM Example

Several years ago, in designing the chip for Microsoft's *Xbox*, IBM rediscovered that meeting difficult demands – going to the edge of one's traditional milieu or box – stimulates innovation and drives a raft of new product initiatives. Stan Litow[2], in his essay in *Peace through Commerce*,[3] expands this idea to the area of Corporate Social Responsibility, noting that interaction with public, private, and charitable institutions gives a richer understanding of both the global community IBM addresses and the particular locations where business is done.

Recently, IBM's Institute for Business Value has analyzed CSR imperatives to derive a value curve that, while based at the onset in risk avoidance and compliance, flourishes as a business tool at the upper right side of the curve. A perusal of several of IBM's many Corporate Social Responsibility initiatives, past to present, shows how somewhat traditional CSR approaches are being complemented by other initiatives, key to meeting the 21st-century business sustainability imperatives described above in Exhibit 1.

1. Expanding Organizational Sustainability Strategies to a Larger Context

The customer has always been right. The demanding customer must be understood, early and often. To train IBM leaders to work in larger and diverse contexts, the IBM Corporate Service Corps is a recent and very popular initiative that places young IBMers in developing economies to accomplish one-year projects. They must team quickly and effectively with people unlike themselves. They must operate in geographies without the infrastructure that underlies technology deployments in well-wired parts of the world. They learn to temper their assumptions and to lead without the crutch of shared culture. This program has a long waiting list for future projects and will provide pragmatic leadership for IBM's future operations.

IBM *Transition to Teaching* initiative, launched in 2005 has a more pragmatic and external focus. The U.S. need for teachers in math, science, and technology is met by an IBM resource – the about-to-retire boomers looking, not for a life of ease but a new challenge. [4] The IBM program matches requirements with candidates and facilitates the necessary training. This benefits the retirees, IBM, and the community they serve. It also lays the groundwork for an expanded exposure to business and technology concepts, through anecdote if not through syllabus, by student populations.

For many years, IBM has matched the charitable contribution of employees. A new initiative matches (to an extent) the time employees give to non-profits as well. This supports enriches employee lives and, incidentally, promotes more varied employee experience in disparate organizational settings. All these initiatives also address the malaise of intellectual narrowing that comes with any tightly-contexted occupation.

2. Develop Targeted, Effective Use of Technology

To move beyond the era of shelf-ware, dissatisfied users, and the digital divide, technology purveyors must address the particularity of customer demands in a better way that will let users do both more and less with technology, as it is needed. The global need for large-scale systems to address environmental problems and resource inequities dictates that technology of any scope be instrumented to participate in larger-scale systems when required. The resource limitations in many communities demand that technology tools with minimal cost and infrastructure requirements also be available. IBM has many development initiatives at both ends of the spectrum – though whether it is less or more often depends on where you sit.

The World Community Grid, launched by IBM in 2004, leverages idle cycles and surplus capacities on desktops around the world, as well as within IBM and IBM Global Services Data Centers, to tackle the computing needs of big research on social problems – where the need for a solution is urgent. Past efforts include AIDS and Cancer research, AfricanClimate@home, and Nutritious Rice for the World. The most recent initiative is using a grid to accelerate the development of a low cost, efficient solar cell.

The Water for Tomorrow project (initiated in 2007) aggregates freshwater river data using IBM

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[2] IBM Vice President of Corporate Citizenship and Corporate Affairs and President, IBM International Foundation,

[3] *Peace Through Commerce: Responsible Corporate Citizenship and the Ideals of the United Nations Global Companies*, edited by Oliver F Williams. South Bend, IN: University of Notre Dame Press, Sept. 2008. ISBN-13: 9780268044145

[4] Transition to Teaching started in the U.S. but now has spread to the United Kingdom. Other companies, such as Exxon-Mobil, have taken IBM's California T2T model to apply in their own companies.

technology resources. It offers a 3D model of river systems, i.e., visualization and collaboration tools to guild large-scale water management policies. The first initiatives are for Paraguay and the Yang-Tse River in China.

In several initiatives involving virtual museum experiences, IBM provides a different kind of "more" in the form of a rich, online experience. These projects leverage IBM's experience in e-learning and virtual worlds, such as *Second Life*, to support a flexible and effective user experience.

- IBM's Eternal Egypt Project aggregates information about ancient Egypt and won a WEBBY award, as well as others, in 2004.
- IBM's subsequent project at the Palace Museum in China provides virtual access to a huge museum difficult to adequately experience with a physical visit.
- IBM's ongoing initiative at the Afro-American Museum in Washington, DC, enhances a museum experience in which the exhibitable artifacts are merely the tip of an iceberg.

In these three situations of increasing complexity, simply digitizing views and labels is clearly inadequate – but what comprises a compelling online experience is not always easy to determine. The experience gained on what works well in specific situations will enhance future projects and IBM service engagements, not just in the areas of tourism and education, but in all kinds of knowledge presentation and transfer. This is an area where technology is what will allow the information to be presented in a compelling and contextually grounded way. Such exhibits were always possible. Now, they exhibits can be better and available to more people.

A focus on precision can also be seen in IBM's initiatives for early learning, which go back decade. The 42,000 *KidSmart* early learning centers continue to expand. This effort is broadened by IBM's *Reading Companion* (ebooks) and *Traducelo Ahora* initiatives. In a more recent initiative at Harvey Milk and other U.S. public schools, the focus has evolved, along with the slowly growing use of computers, to capturing results to determine, very precisely, what works with which students. These results, shared by teachers and administration as well as with students, will change technology-assisted education from a litany of anecdotes into a disciplined and evolvable practice

One recent CSR initiative takes minimalism

farther, working in Saudi Arabia to provide on-the-fly translation services for teachers who visit the country. This shows what can be done with a very limited, targeted use of technology – and displays IBM's abilities in a country that is investing heavily in growing its organizational base.

3. Leverage the Wisdom of the Crowds

Every vendor has leveraged the wisdom of its installed base for decades. Through its participation in industry standards groups and open source initiatives, it has expanded its areas of influence. Recently, the formations of communities, such as *Blade.org*, have incubated interest and innovation in a more targeted way. In addition, access to communities has been precipitated throughout IBM's massive Web sites.

IBM's *CEO Surveys* leverage the opinions of over 1000 CEOs from every geography and a wide distribution of business sizes.[5] The surveys are based on two interviews, a few months apart, which engender full and carefully-considered opinions.

A more striking kind of initiative is IBM's *Jams*, which work best, according to one practitioner, with at least 10,000 participants. The first Jam focused on IBM's core values and culture. The most recent one was focused on Innovation. Both gleaned a huge response. These Jams last for a few days and involve global participation that sweeps the globe over the course of 24 hours. Jams support rampant cross-fertilization of ideas on selected topics. In the process, new connections between individuals can be formed and old preconceptions softened.

Perhaps the most formidable example of what IBM can accomplish by leveraging, if not the crowds, the hugeness of its customer base, is IBM's prosaic, pragmatic, and green *GARS (Global Asset Recovery Services)* initiative. In place for 25 years and now global in scope, it ingests 40,000 units each week. GARS accepts IT equipment from all vendors, and makes a market for what other recycling programs would form into parking lot bumpers and less reputable recyclers would irresponsibly dump. Their focus is on resale, and they are a profitable business, not an accommodation. About half of what they take in is refurbished and resold as entire units, 35% is resold as components, and 15% is demanufactured, i.e., put through end of life processing, the latter of which is impressive. For example, IBM resells the mercury it harvests, lessening the global need to

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[5] Companies that are part of the study range from mid-sized businesses (1000+ employees) to the very large.

find more and keeping it from polluting the earth. It complied with RoHS[6] before RoHS was required.

Recently, IBM has used input from all of its operations – sales, development, community outreach, and corporate social responsibility to realign its activities to support four areas of initiative gathered under the banner of *A Smarter Planet*. These cover the use of technologies to address the need for insight, smarter ways to work, quick response, and efficient (and green) operations. The insights gained in IBM's history of Corporate Social Responsibility initiatives play a large part in this realignment.

Conclusion

In response to global connectivity, the topography of business opportunity is going through significant change at a rapid pace. This time of discontinuity and retrenchment is a good time to examine your institution and shore up its sustainability. In the 20th Century, the World Wars and the Depression offered similar re-invention opportunities, and many businesses changed their operations to cope with the new realities that would not go away.

Leveraging Corporate Social Responsibility initiatives to enhance business strategies is, for U.S. businesses, a part of the natural heritage. The forefathers who threw together *all men being created equal, with the consent of the governed,* and those *certain inalienable rights* were setting up a dynamic dissonance that would keep the country and its inhabitants re-inventing themselves as a part of existence as usual.

Corporate Social Responsibility efforts are, basically, a mother-in-law of *reinvention*. Embodying imperatives that may seem, at the outset, disconnected from business-as-usual traditions, the outside viewpoint and uncomfortable insights they produce will make a business more responsive and resilient in uncertain times. As with many mother-in-laws, they become more cherished and helpful over time.

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[6] Europe's Restriction of Hazardous Substances Directive, passed in 2003.

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