Compassionate Capitalism, the Workplace, and Social Capital

Sharon Hunt and James Mattson

Introduction

While compassionate capitalism may seem like a contradictory statement, examples of this practice suggest the power of this model. In this chapter, we review key components of capitalism and compassion. We explore governmental intervention through the Great Depression, the New Deal programs initiated by President Franklin D. Roosevelt and Milton S. Hershey's groundbreaking business philosophy that was beneficial to the company and to his employees. We then look at the present-day examples of business models that do not sacrifice the community and environment for profit, provide examples of companies that are implementing these models, discuss the business case for doing this, discuss new regulatory support for the concept of compassionate capitalism, and explore how companies are rated by their employees and the community on their "giving back" practices.

Exploring Compassion and Capitalism

It would seem the term "compassionate capitalism" is oxymoronic; the two words are mutually exclusive and do not complement each other. American corporate capitalism (ACC) is characterized by self-interest, competition, market exchange, consumerism, and the use of profits and losses to guide decision-making. Under the

S. Hunt, M.S.W., Ph.D. (✉) • J. Mattson
12615 Safety Turn, Bowie, MD 20715, USA
e-mail: shunt1@verizon.net; jmattson@verizon.net

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ACC model, corporations seek to minimize costs and maximize profits, which may result in lower wages or a reduced workforce; employees strive to maximize wages; and consumers wish to obtain goods and services at the lowest cost. ACC survives because of the support from the legal system, government, stock markets, media, trade organizations, and advertising (George, 2014). This economic value system is the belief that individuals get ahead through their own hard work and that there isn't much room for compassion.

In a New York Times article published in 1970, the economist Milton Friedman wrote the only "social responsibility of business" was to "increase its profits." He states (Friedman, 1962, p. 135): "The corporation is an instrument of the stockholders who own it. If the corporation makes a contribution, it prevents the individual stockholder from himself deciding how he should dispose of his funds." Corporate philanthropy declined 50 % in the 15 years prior to 2002. Instead of outright giving, corporations shifted to "strategic philanthropy" where cause-related advertising dons the cloak of charity. One example from 1999 finds that Philip Morris gave $75 million to charity, but spent $100 million on an advertising campaign to publicize those contributions, causing general cynicism about the company's motivations (Porter & Kramer, 2002).

Is the stark self-interest proposed by Friedman truly the best philosophy for a corporation to practice? Perhaps not, most humans feel and exercise compassion towards others even if businesses they presently create do not. That said, some of these same business individuals are attempting to change the face of business—sometimes in small but meaningful ways as when a personnel policy change enables a co-worker to gift sick leave to a fellow worker whose time is exhausted. In other instances the sole purpose of the corporation (generating capital for its owners) is challenged with missions that recognize that humans do not live by bread alone (Think $$$). There is a growing consensus that altruism and a concern for the collective welfare offers a more successful strategy for success than purely selfish behavior (Stewart & Plotkin, 2013).

Compassionate Capitalism in the Public Sector

Historically, the US Gross National Product grew from $74 billion to over $104 billion from 1900 to 1929. For the first time, more Americans lived in cities than on farms. Although the 1920s began in an economic recession, the US total wealth more than doubled between 1920 and 1929. The "Roaring 20s" were characterized by low taxes (the highest income tax rate in the US went from 73 to 24 %), little regulation of the free market economy, and few unions to protect the workers. Workers' wages were higher and credit was readily available, which allowed individuals to spend their money on automobiles, home appliances, radios, phonographs, and entertainment. They also invested in the stock market many for the first time as stock prices rose in the bull market of 1928–1929. Although this was an era of great prosperity for many, there were individuals who suffered. After World War I (July 1914–November 1918), farm commodity prices fell, and by 1925, there was a serious slump in the building industry and Southern black sharecroppers lived in poverty (earning an average wage of about $350 a year) (Annenberg Learner, 2014; 1920-30.com, n.d.).

On October 29, 1929, the stock market crashed and thousands of Americans lost their life savings. At first, the government did not step in to help solve the problem. President Hoover did not believe in offering relief; he felt that the private charitable sector should assist the distressed. Also, there was a national belief that success was earned and failure deserved. As a result, the US entered the "Great Depression," a period marked by 25 % unemployment (50 % for blacks), food lines, bank failures, foreclosures, and bankruptcies (Public Broadcasting System, 2014a).

The government eventually intervened after the election of Franklin Delano Roosevelt (FDR) in 1933 and the passage of his New Deal programs. The government took responsibility in caring for the needy without discrimination (although this practice continued in the South). Public Broadcasting System, 2014b). Paleologos (2013) writes, "To save capitalism from itself, FDR introduced what turned out to be the crucial missing ingredient: compassion." He notes that Roosevelt understood that compassion did not grow out of an unregulated free market and he knew that fairness was not a part of pure capitalism. He writes, "FDR gave us a new, improved version. Call it compassionate capitalism."

In his first 100 days of office, with the help of his advisors and the support of Congress, Roosevelt was able to get bills approved that would address poverty, reduce unemployment, and improve the economy. Here are some of those New Deal programs:

- Civil Conservation Corps—sent three million single men from age 17 to 23 to the nations' forests to work. The men, who were volunteers and lived in the forest, dug ditches, built reservoirs, and planted trees. They were paid $30 a month, with two-thirds being sent home.
- The National Industrial Recovery Act (NIRA) and the National Recovery Administration (NRA)—addressed unemployment by regulating the number of hours worked per week and banning child labor.
- The Federal Emergency Relief Administration (FERA)—gave $3 billion to states for work relief programs.
- The Agricultural Adjustment Act—subsidized loans for farmers facing bankruptcy.
- The Home Owners' Loan Corporation (HOLC)—helped people save their homes from foreclosure.

These programs did not end the Great Depression, but they helped to take care of the basic needs of Americans and protected them in the workplace (Public Broadcasting System, 2014b).

Roosevelt took additional legislative action in 1935 because the first set of New Deal programs did not fully address all economic issues including severe unemployment. He introduced the following programs to address the issues:

- Works Progress Administration (WPA)—provided jobs for 8.5 million unemployed individuals. WPA projects included building post offices, bridges, schools, highways, airports, and parks. The WPA also employed individuals involved with the arts.
- National Labor Relations Act, also known as the Wagner Act—created the National Labor Relations Board to supervise union elections and prevent unfair labor practices.
- Social Security Act of 1935—guaranteed retirement to workers, created systems for unemployment insurance and care for dependent children and the disabled.
- The GI Bill—any person serving their country is entitled to a college education (History.com, n.d.).

Roosevelt's programs were successful in chipping away at the deficit, but World War-II temporarily depleted the gains. His policies eventually helped to balance the budget; in 1947, the federal government had a budget surplus. The programs he sponsored enhanced private sector growth, and the wealth that it created was more evenly distributed, with the largest portion going to a growing middle class. Roosevelt helped create a social safety net, and compassionate capitalism has prevailed to the present day (Paleologos, 2013). Paleologos (2013) observes: "The so-called controversy over raising taxes vs. cutting entitlements exists only in Washington. For the rest of America, this issue was settled in 1932 and then again in 2012. History has repeatedly demonstrated that compassionate capitalism leads to balanced budgets, a robust economy, and a piece of the opportunity pie for every citizen seated at America's table. If we take the compassion out of capitalism, what's left? 1929" (Paleologos, 2013, para 12).

In the 1960s, government leaders introduced several programs that showed compassion including service to others; President Kennedy's Peace Corps; President Johnson's War on Poverty and the Economic Opportunity Act of 1965, which created Volunteers in Service to America (VISTA), included: Medicare and Medicaid, the first direct federal aid to school districts and funding for bilingual education, Head Start, Food Stamps, Job Corps, urban renewal programs, and civil rights legislation (Encyclopedia Britannica, n.d.).

In 1989, President George H. W. Bush tried to jumpstart the spirit of service in his inaugural address, "We can find meaning and reward by serving some higher purpose than ourselves, a shining purpose, and the illumination of a thousand points of light." In 1990, he established the Daily Point of Light Award for individuals making a difference and recognized more than 1000 volunteers as "points of light" during his administration. This award is now administered by the Points of Light, a nonprofit, independent, nonpartisan organization established in 1990, which works with 70,000 companies and nonprofits and 250 affiliates worldwide to engage individuals in volunteer service (Points of Light, 2015).

In 1993, President Bill Clinton signed the National and Community Service Trust Act, which created AmeriCorps, a national service program to address the country's most critical issues. This was followed by the creation of the Corporation for National and Community Service, a federal agency that engages millions of individuals in service through Senior Corps, AmeriCorps, and Learn and Serve America (Points of Light, 2015).

In 2005, 29 corporate leaders of Fortune 500 companies established the HandsOn Network Corporate Service Council; this now has 60 companies. In 2007, Points of Light Foundation and HandsOn Network merged to become Points of Light; this created the largest volunteer management and civic engagement organization in the nation. In 2009, President Barack Obama signed the Edward M. Kennedy Serve America Act and announces United We Serve campaign to involve more Americans in service (Points of Light, 2015).

One Early Example of a Corporation Showing Compassionate Capitalism

Compassionate capitalism is certainly not a new phenomenon, Milton Hershey built his chocolate empire all the while caring and nurturing those at risk of exploitative and substandard conditions within the community. He started his business in the early 1900s when there was little protection for workers. Individuals from rural areas came to the cities for manufacturing jobs that required long hours and heavy labor with little hope of getting ahead. Hershey treated his employees well and provided them with opportunities to prosper. In turn, they were loyal and helped him build a successful empire (Entrepreneur, 2008).

The utopian "city of the future" created for the Columbian Exposition inspired Hershey to build a town near his chocolate factory where his employees could live, play, work, and thrive. In 1903, he began building in Dairy Church, Pennsylvania, his birthplace, where there was a large supply of clean water, dairy farms, and room for expansion. Hershey built a facility that could mass produce high-quality milk chocolate at affordable prices. The city was re-named Hershey, Pennsylvania, in 1905 and offered affordable housing with modern amenities, paved streets, schools, department stores, a trolley system, churches, a library, a hospital, and entertainment facilities. The community and the company both flourished; the business grew from $600,000 in 1901 to $20 million by 1921 (Entrepreneur, 2008).

Hershey continued to forge on, even during the Great Depression. Instead of laying off workers and slowing operations, he conceived a plan to keep his workers employed. He put them to work constructing buildings in the community including a high school, a sports arena, a community building, and a hotel. Hershey considered the livelihoods of laborers and was a proponent of more jobs and less technology if technology meant reducing the number of workers. For example, it is said that 1 day he was watching the building of the hotel when a foreman bragged that the steam shovel could do the job of 40 workers. Hershey told the foreman to get rid of the machine and hire 40 workers (Entrepreneur, 2008).

Milton Hershey felt he had a moral responsibility to share his wealth with others. As a result, he and his wife established the Hershey Industrial School in 1909 (at that time it served orphaned boys to train them in useful trades and occupations). The boarding school is now called the Milton Hershey School, and it offers free education to over 2000 children whose families have social and/or financial difficulties (Milton Hershey School, 2014; The Hershey Company, 2014a, 2014b).

Nomenclature to Describe Doing Good

Following Hershey's example, there are companies attempting to "do good" in their communities. Different terms/models have been used to describe their strategies: corporate social responsibility, the triple-bottom-line, conscious capitalism, and strategic philanthropy.

Corporate Social Responsibility

Corporate social responsibility (CSR) is the catchall phrase to describe a company's good deeds. It focuses on the importance for companies to reach beyond the simple goal of maximizing profits, and to take responsibility for employee welfare, community awareness, and environmental impacts of the business activity. There is no legal obligation attached to CSR; companies can adopt it or not. Yet, evidence shows that some corporations are investing time and money pursuing compassionate objectives that benefit their employees, the communities where they operate, and the environment. These businesses make corporate social responsibility a core of their operations (e.g., Ben and Jerry's has developed a dairy farm sustainability program; Starbucks sources sustainably grown and processed coffee by evaluating local environmental, social and economic impacts; Tom's Shoes gives away one pair of shoes for every pair they sell) (Espenson, 2014; Fallon, 2014).

Triple-Bottom-Line

In 1994, John Elkington coined the phrase "triple-bottom-line," (TBL). He suggested that successful companies should embrace not one but three separate bottom-lines. The first was monetary profit and loss. The second was called the "people account." It was the company's measure of social responsibility derived from its operations and the third was dubbed the "planet account," or the level of the company's environmental responsibility. The TBL is known also as the three Ps: profit, people, and planet, with the goal of quantifying a company's business success, social responsibility, and environmental impact (The Economist, 2009).

Strategic Philanthropy/Corporate Philanthropy/Corporate Strategic Philanthropy

In Porter & Kramer's, 2002 article for the *Harvard Business Review*, they distinguish between "strategic philanthropy" and unfocused giving common among-corporations. Strategic philanthropy involves context-focused philanthropy designed to provide a mutually beneficial social value, with or without actual advertising. They cite as an example–the Cisco Network Academy—a school to train potential employees in network administration. Although Cisco Systems received much goodwill from the philanthropic community for their effort, they also established a knowledgeable employee source to improve productivity, making advertising this program unnecessary. The authors state: "The acid test of good corporate philanthropy is whether the desired social change is so beneficial to the company that the organization would pursue the change even if no one ever knew about it" (Porter & Kramer, 2002, p. 67).

In 1999, Paul Newman (Newman's Own) and other business leaders launched the Committee Encouraging Corporate Philanthropy (CECP) and called upon other companies to address the needs in their communities. When CECP was first established, its main focus was corporate philanthropy, but it now focuses on strategies connected to core business competencies with emphasis on CEO engagement and impact. CECP presently includes more than 150 CEOs and chairpersons of major companies, which represent approximately $14 billion of annual corporate giving (Committee Encouraging Corporate Philanthropy, 2015).

Interestingly, a panel presentation, "Beyond Checkbook Philanthropy," at the 2013 Independent Sector Conference examined corporate philanthropy and compared it with a newer approach called "shared value initiatives" where corporations partner with other organizations to reach an end result that is beneficial to all (Think the Cisco Network Academy). The presenters concluded that these initiatives are an important part of the overall corporate responsibility, but corporate giving is also necessary because not all problems have market solutions. It was noted that corporate giving accounts for only 6 % of the total giving in 2012, which means it hasn't grown over the last 20 years despite the fact that it is a line item in every major corporation's budget (Ataselim-Yilmaz, 2014).

Conscious Capitalism

In the last quarter of the nineteenth century, the Progressive Movement promoted many ideas, one being that factories could be built in farming communities to provide jobs without harming the environment (e.g., clean air and water). For example, Henry Ford took his automotive company to Dearborn, Michigan. These initiatives could be considered "conscious capitalism;" as they provided diversity and sustainability without negatively affecting the "first bottom-line" (Hanlon, 2012). Regrettably, the needed oversight to insure that environmental harm would not occur was never exercised and in most instances environmental harm happened. Thus, even good intentions can have disastrous consequences.

The Conscious Capitalism Institute defines conscious capitalism as having: (1) a greater purpose other than making money; (2) aligning all the stakeholders around that sense of greater purpose and recognizing their interconnected interests so there should be no taking advantage of one for the benefit of another; (3) conscious leadership that is motivated by purpose and service (not by control or personal agendas); (4) a conscious culture which embraces trust, caring, compassion, and authenticity (Whitford, 2011).

The present day proponents of conscious capitalism believe that a business needs to focus on the whole to be sustainable, thrive, and be resilient. Hanlon (2012, para. 7) quotes Jeff Klein, a trustee in Conscious Capitalism, Inc., "Conscious capitalism is an idea, an orientation, and an approach to business, and it's an organization." Conscious Capitalism, Inc. focuses mainly on innovation and the recognition that every business has a purpose beyond the firm. Patagonia, The Container Store, and REI are examples of conscious capitalism because their leadership practices the model, and it is embedded in their corporate culture. For example, during the economic downturn in 2008, the CEOs of the Container Store and REI decided that they were not going to lay off workers, cut pay rates, benefit deductions or working hours, for their most vulnerable employees (the part-time employees). Instead, salaried employees would take a pay freeze or a reduction in pay. Interestingly, these companies' profits were down much less than others. Raj Sisodia, notes, "Because conscious companies operate in a system of loyalty, trust, and caring, they tend to rally around each other when times are tough. They have a greater sense of oneness with their suppliers, with their employees, with their customers" (cited in Whitford, 2011, para. 5). This raises the question: Is it possible to judge how conscious a company is?

Evaluating Companies on Their Compassion

Firms of Endearment

In their book, Firms of Endearment: How World-Class Companies Profit from Passion and Purpose, Sisodia, Wolfe, and Sheth (2007) challenged companies to reorganize and become vehicles of service to every stakeholder group. They showed that companies that incorporated a stakeholder relationship management business model had an advantage over the traditional shareholder perspective; they believed that endearing companies tended to be enduring companies. The authors noted that their book was not about CSR but enlightened business management. They described a company in which its stakeholders developed an emotional connection with it

Table 1 Five major stakeholders of modern corporations

Stakeholder	Definition
Society	Local and broader communities as well as governmental and societal institutions, especially nongovernmental organizations
Partners	Suppliers, horizontal partners, and retailers
Investors	Individual and institutional shareholders, lenders
Customers	Individual and organizational customers; current, future, and past customers
Employees	Current, future, and past employees and their families

Note. Reprinted from “Firms of endearment: How world-class companies profit from passion and purpose (1st ed.),” by R. Sisodia, D. B. Wolfe, and J. N. Sheth, 2007, Upper Saddle River, NJ: Wharton School Publication, p. 12. Copyright 2007 by Rajendra S. Sisodia, David B. Wolfe, Jagdish N. Sheth. Reprinted [or adapted] with permission

(i.e., firms of endearment [FoEs]). “They were the ultimate value creators: They created emotional value, experiential value, social value, and financial value. People who interacted with such companies felt safe, secure, and pleased in their dealings. They enjoyed working for the company, buying from it, investing in it, and having it as a neighbor.” Table 1 shows what the authors consider to be the five major stakeholders of modern corporations (their SPICE model).

Sisodia et al. (2007) discuss how each stakeholder maintains its own importance, yet is linked to the other groups. A FoE aligns the interests of all stakeholder groups and does not exchange the interests of one group for another. Their business models allow the objectives of each stakeholder to be met and strengthened by other stakeholders. The expectations in the marketplace are changing: individuals want more than just the goods and services they are buying, many are looking for higher meaning in their lives. The authors note that this phenomenon is “changing the very soul of capitalism” (p. 3). They also note that investors are looking for companies in which they invest to account for their CSR.

The first FoE research was conducted in the mid-2000s over a 2-year period. Through exploratory research, they picked the most promising 60 companies loved by the general public. They asked questions like: “Would most people say that the world is a better place because this company exists? Do communities welcome them or oppose them when they try to enter or expand?” Teams of MBA students interviewed all major stakeholder groups including: executives, employees, customers, and analysts. A peer team reviewed the results and determined if a company qualified as a FoE (Sisodia, Wolfe, & Sheth, 2007). For a list of FoEs in the first study, go to: http://ptgmedia.pearsoncmg.com/images/9780133382594/samplepages/0133382591.pdf (Sisodia, Wolfe, & Sheth, 2007, p. 19).

Below in Table 2 are some examples of the characteristics of an FoE and a company that exhibits those characteristics (Sisodia, Sheth & Wolfe, 2014).

Sisodia, Wolfe, & Sheth (2007, p. 63) writes “these companies have figured out that not only can you have your cake and eat it too; you can also give some to your friends, donate some to a soup kitchen, and help support the local cooking school.” FoEs possess a “humanistic soul.” Their leaders encourage employees to serve their communities and the world at large because it is the right thing to do. “In FoEs, it is

Table 2 Characteristics of an FoE and company examples

Characteristic	Company example
Executive salaries are fairly modest	Costco's CEO's salary was $350,000 with a bonus of $200,000 in an average year compared to $14.2 million, the 2012 average compensation of a CEO of an S&P 500 company
Executives have an open-door policy	Harley-Davidson employees have access to management all the time
Salary and benefits for employees are significantly greater than the industry average	In the first year, the pay and benefits for full-time employees at Trader Joe's are twice the US average for retail employees
There is an investment in employee training	In their first year, employees at The Container Store receive an average of 263 h of training versus the average industry of 8 h
There is far less employee turnover than the industry average	Southwest's turnover is half that of the other major airlines. They did not have layoffs after 9/11, like other airlines, and they continue to make a profit each year. They have a "Culture Committee" charged with nurturing the company's unique culture. Because of its culture, staff members seem to like their jobs
They project a sincere passion for customers, and have an emotional connection with customers	JetBlue's slogan is "We Like You, Too." Its CEO flies the airline at least weekly, talking to customers and discussing the JetBlue experience
They empower employees to ensure that customers are fully satisfied	A Wegmans customer botched Thanksgiving dinner so the company sent a chef to rescue the meal
They hire people who are passionate about the company and its products	Patagonia tries to hire people with a passion for mountain climbing and Whole Foods tries to attract "foodies" as employees
They humanize the company experience for customers and employees, as well as the working environment	Google provides free gourmet meals 24/7 for all employees, resulting in higher employee retention rates, which improve customer satisfaction

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common to see executives, managers, and frontline workers working shoulder-to-shoulder, forging unshakeable bonds through shared service to others in all stakeholder groups. This fosters a sense of cooperation and support within the company. It gets employees to help each other rather than view each other as rivals for advancement."

To add more rigor to the evaluation, the second FoE study used a data-driven process to select a greater variety of companies. This resulted in a list of 64 publically traded companies that had consistently scored well with all stakeholders in the past 5 years (2008–2012). Companies that did not have an expressed higher purpose, and did not manifest one, were not included. Higher scores were received for companies that had a CEO that was purpose-driven, service-minded, and was reasonably paid and for companies that had a trusting, caring, and authentic culture. They relied on

Table 3 Financial performance of FOEs

Cumulative performance	15 years (%)	10 years (%)	5 years (%)	3 years (%)
US FoEs	1681.11	409.66	151.34	83.37
International FoEs	1180.17	512.04	153.83	47.00
Good-to-Great Companies	262.91	175.80	158.45	221.81
S&P 500	117.64	107.03	60.87	57.00

Note. Reprinted from “Firms of endearment: How world-class companies profit from passion and purpose (2[nd] ed.),” by R. Sisodia, J. N. Sheth, and D. B. Wolfe 2014, Upper Saddle River, NJ: Pearson Education, p. 20. Copyright 2014 by Rajendra S. Sisodia, Jagdish N. Sheth, and the Estate of David B. Wolfe. Reprinted [or adapted] with permission

the case study approach to identify the 29 private and 15 non-US FoEs in the study. The final list can be found here: http://www.firmsofendearment.com/.

The FOEs were not driven by the bottom-line, yet had strong financial performances. Table 3 shows that FOEs had an increase in profits and, in many instances, outperformed the companies cited in Good-to-Great over the last 10 and 15 years (Sisodia, Sheth, & Wolfe, 2014). These results strongly suggest that there are economic benefits for doing good.

How Reputation Plays into Compassionate Capitalism

Reputation Institute, a private global consulting firm, conducts an annual survey called Global RepTrak® Pulse (touted as the world’s largest reputation study), which ranks the world’s 100 most reputable companies. Reputation Institute analyzes the seven dimensions of corporate reputation: financial performance, leadership, products and services, innovation, ***workplace***, ***governance***, and ***citizenship*** (the latter three are a part of CSR), to understand what drives perceptions and how it influences buying behavior. It believes that success depends on support from stakeholders, that support depends on trust, and trust is at the “heart” of a strong reputation. The RepTrak® Pulse measures the degree of admiration, trust, good feeling, and overall esteem that stakeholders hold about organizations. The analysis provides a normative base for companies to benchmark against across stakeholders. The RepTrak® System looks at these individual dimensions to pull out which has the highest impact on support and recommendation, and which improves the emotional relationship between a particular company and a stakeholder group. It found that 60 % of a consumer’s inclination to purchase, recommend, invest in, and work for a company results from its reputation, with only 40 % driven by one’s understanding of the company’s products or services (Reputation Institute, 2015).

Being a good corporate citizen is an element of CSR. A company is a good corporate citizen if it supports good causes, protects the environment, has responsible management, behaves ethically, is open and transparent about business, and treats its employees well. The survey conducted between January and February 2013, included

55,000 consumers across 40 countries reviewing 2000 companies from 25 industries. Four corporations tied for the best reputation. About 50 % of those surveyed thought The Walt Disney Company was the best in the “citizenship” category, believing Disney supports good causes and is environmentally responsible. Google won the “workplace” category with 51 % of consumers thinking it is a rewarding employer. BMW tops the “governance” dimension because consumers believe it is transparent, ethical, and managed responsibly. Microsoft was the fourth company; through its Youthspark initiative, new entrepreneurial and employment opportunities have been created for more than 103 million youth worldwide. In addition, for more than 30 years, their Employee Giving Campaign resulted in more than 300 annual activities to benefit nonprofit organizations and causes (Reputation Institute, 2015).

The Reputation Institute findings suggest a strong relationship between a company’s good reputation and ample funding of CSR programs, yet many other companies also spend a lot on CSR and struggle to get their message out. This is good evidence that such companies need to use these studies to help measure and influence stakeholder behavior (Dill, 2014a).

The Edelman’s Goodpurpose Study (2012), which annually looks at 8000 adult consumer attitudes in 16 countries, found in 2008 that 86 % of respondents thought companies should place equal emphasis on social interests and business dealings. In 2012, 76 % of respondents believe it’s acceptable to make money and support good causes simultaneously, an increase from 2008 of 33 %. Their results show that when the quality and price of products is equal, “social purpose” becomes the most influential characteristic determining spending choice. Since 2008, the importance of social purpose has risen 26 % for triggering purchases.

Along with the increase of social purpose importance, purchase frequency has also increased. Almost half of the consumers surveyed buy brands associated with good causes at least monthly, a 47 % increase from 2010. The 2012 study also shows a 39 % increase of consumers who recommend brands tied to good causes, a 34 % increase of consumers who would help promote products or services associated with good causes, and a 9 % increase of consumers who would switch to brands supporting a good cause if all else were equal (Cone, 2012; Edelman, 2012).

More on the Business Case for Social Responsibility

Thorpe (2013) spoke with 59 corporate executives of both large and small companies to gain an understanding of the benefits of CSR to the corporation. The corporations tended to look at the impact on the community more than on the company; therefore the impact was not readily clear due to the varied responses received. Out of 59 CEOs, 51 believe their employees were happier and 45 believed CSR improved the employee value to the company, either by attracting better talent or that the CSR programs helped develop better employees. Table 4 provides examples of what some companies do around CSR and the perceived benefits.

Table 4 Examples of CSR and the perceived benefits

Company	Their projects	Perceived benefits to company
DLA Piper—One of the World's Largest Law Firms.	Employees are encouraged to participate in "Signature Projects" that commit significant resources to tackling problems in education, juvenile justice, hunger relief, domestic violence, veteran issues, etc., in addition to providing pro bono law services	Improvements in client relationships, employee morale, and ties to local communities
		Provides young attorneys with community service opportunities
West Monroe Partners—Consulting Firm	They donate 1 % of time, 1 % of treasure, and 1 % of talent back to organizations in their communities	Employees are able to give back to the communities in a way that complements their personal and professional lives
entreQuest—Consulting Firm	The eQ team conducts "Give Back Days" where the employees serve meals at a local soup kitchen, work with Habitat for Humanity to provide local housing, mentor children through b4Students and Big Brothers Big Sisters and more	Lifts morale and builds competence among the team, allowing them to make better decisions
		Won Baltimore's Best Places To Work award and CEO was honored as one of Maryland's Most Admired CEOs by The Daily Record
Soapbox Soaps	Every bottle of liquid hand soap buys 1 month of clean water to a child in need through RainCatcher	Empowers customers to change the world through everyday purchases
Bullhorn—Software Company Serving Recruiters	Provides one volunteer day per quarter to each employee to combat class poverty through Career Collaborative and Youth Villages programs	Changes employment relationship to accomplish something and express shared values
Orange County *SEO* [*Search Engine Optimization*], California-internet marketing	Offers charities free search engine optimization and online marketing	Employees gain a sense of pride and accomplishment and sales have increased because consumers wanted to use the same company who had produced such positive gains for charities
Arise Virtual Solutions—Network of 25,000 home-based customer service professionals	Participates in Habitat For Humanity projects throughout the United States several times a year	Fosters new relationships within the company, and team-building exercises carry over from the home site to the office

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Table 5 Five elements of best CSR programs and company example

Element	Company
Business-based social purpose—illuminate the connection between business purpose and desirable social goals	Staffers at Campbell's Canada developed "Nourish," a nutritious food provided only to food banks to alleviate hunger, showcasing their compassionate spirit and creative expertise
Clear theory of change—find a unique method to implement CSR customized for targeted social gains	The "Healthy Communities" program, by 3M Canada, was specifically designed to influence government while engaging youth partnerships with leading not-for-profits
Quality and depth of information—utilize a variety of media to educate stakeholders, customers, and employees	IBM has a public affairs manager who focuses on corporate affairs and citizenship
Concentrated effort—it's better to focus on one goal and achieve success, then target numerous projects and improve nothing	Since 2007, Proctor and Gamble has been dedicated to improving the lives of more than 210 million children worldwide
Partnering with experts—establish credibility and improve success through meaningful, broad-reaching relationships	Starbucks convened a "Cup Summit" at MIT to focus all pertinent expertise on improving varied aspects of the common drinking cup (including how to make it environmentally friendly)

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Implementing Doing Good

As noted above, CSR is becoming an important characteristic of the corporate business model. More corporations are strategically employing CSR to achieve mutually beneficial objectives while elevating social value. Impakt Corporation found that leaders of these corporations appear to gravitate toward a common formula for success. It found five key ingredients for maximizing investments: business-based social purpose, clear theory of change, quality and depth of information, concentrated effort, and partnering with experts (Klein, 2011). Table 5 provides examples of each of the key elements and a company example.

Regulatory Support for the Concept of Compassionate Capitalism

In 2006, B-Lab, a nonprofit organization whose goal is to use business to solve social and environmental problems, was established. In 2008, B-Lab began certifying businesses as B-Corps. It uses the B-Impact Assessment, a tool to measure a business's social and environmental impact and provides a benchmark to similar businesses.

The assessment also provides tools to help businesses improve their impact over time. There are over 1000 B-Corps to date. To be certified, a B-Corp must achieve a minimum score on the B-Impact Assessment and change its guiding documents to allow directors to take into consideration other stakeholders besides shareholders when making decisions on behalf of the company (Woulfe, 2014). A list of B-Corps can be found at: https://www.bcorporation.net/community/find-a-b-corp.

In 2010, the first benefit corporation act was passed in Maryland. This act created a new legal entity for social enterprises and allowed businesses to incorporate as a benefit corporation (different from a B-Corp). A benefit corporation requires the corporation's directors to consider positive social or environmental impact when making company decisions and every stakeholder gets a vote not just the stockholders. This status reduces startup costs by giving attorneys a standardized means for structuring a social enterprise. The standardization of a benefit corporation allows consumers to understand what they are investing in, which may give them a marketing advantage over other businesses. Benefit corporations are required to file annual reports describing their positive impact on the community, environment, or what they are doing to give back, which allows companies to be transparent. These corporations are recognized as legal business entities in 26 states and DC (Hanlon, 2012; Woulfe, 2014). A list of benefit corporations can be found at: http://benefitcorp.net/find-a-benefit-corp.

Social Capital in Organizations/Workplaces

As discussed, social capital connects individuals in an organization and is characterized by high levels of trust, healthy personal networks, shared understandings, and a feeling of equitable participation working toward the same goals. This produces a collaborative, committed group of employees with coherent organizational behavior. Americans spend a good part of their lives at work and may meet their closest friends, life partners, and other outside networks, which makes it a great place to develop social capital (Saguaro Seminar on Civic Engagement in America, 2000). Specifically, it can generate social capital by: (1) building trusting relationships based on mutual support; (2) provides a pool of individuals and community organizations that are building social capital outside the organization; (3) employer's pro bono and philanthropic endeavors for the community (sponsoring volunteer teams, monetary donations, instituting "work-life" programs, giving individuals days off to volunteer, etc.) (Cohen & Prusak, 2001).

Cohen and Prusak (2001) describe the benefits of social capital:

- *Better knowledge sharing, due to established trust relationships, common frames of reference, and shared goals.*
- *Lower transaction costs, due to a high level of trust and a cooperative spirit (both within the organization and between the organization and its customers and partners).*

- *Low turnover rates, reducing severance costs and hiring and training expenses, avoiding discontinuities associated with frequent personnel changes, and maintaining valuable organizational knowledge.*
- *Greater coherence of action due to organizational stability and shared understanding.* (p. 10)

The Saguaro Seminar on Civic Engagement in America (2000) reviewed a number of studies that concluded the following: workplace social capital, more than monetary compensation and benefits, determined satisfaction, loyalty, productivity, and commitment; and when an organization was supportive of family and community obligations (e.g., allowing flex time and telecommuting), there was a reduction in absenteeism, discipline problems, and stress. The conclusion is a workplace with high social capital can improve employees' lives, which in turn improves the employer's bottom-line. They noted that assisting staff members to cultivate outside community networks can be beneficial by providing new customers and markets, and building social capital internally helps to enhance workers' skills and knowledge (human capital).

Cohen and Prusak (2001) share the story about the online Eureka system used by Xerox copier repair technicians to exchange tips on dealing with difficult problems to show how social capital can work. They explain that these experts refused to take monetary payment for contributing tips because the "intrinsic reward" of reputation and appreciation among colleagues was more rewarding. They note that social capital is not the sole factor of a companies' success—some do well even with low social capital and others with high social capital may not do well (e.g., everyone starts thinking alike and won't challenge each other even if something isn't good; creativity can be lost). They note:

> *Judgment, persuasiveness, shared decisions, the pooling of knowledge, and the creative sparks people strike off one another all depend on engagement with the work and with one another, on the commitment that makes one genuinely a member of an organization rather than simply an "employee" (that is, someone used by the organization).* (p.17)

Downsizing can damage networks, communities, and individuals, leading people to doubt a company's motivation, causing trust issues, even for those left employed. An economic downturn, change in management, or other factors can threaten social capital, but if it is high, it may help get through the rough times (Cohen & Prusak, 2001). We saw through examples that companies that did not lay off employees following 9/11 were successful.

Employees' Determination of Great Places/Best Places to Work

There are many different surveys that are administered to employees to determine the best/great/top places to work. They are often completed in local jurisdictions and include many of the same elements: good benefits, stimulating work, flexible schedules, opportunities for growth, and respect for their staff. One of the more well-known surveys is the Fortune 100 Best Companies to Work For, which looks at larger national/global companies. Great Place to Work, which does the study, has analyzed companies' practices for the past 25 years. It notes, "It isn't what the companies are doing, it is how their leaders are doing it. And one cannot predict that organizations with the most creative practices, the best bottom-line, the least stressful jobs or the most generous compensation packages are the ones that employees will most appreciate" ("What is a Great Place"). The Fortune rating is based on feedback from employees at 5500 companies and these companies must go through an application process (so there is some bias because not all companies put in an application which means they would not be rated). The Trust Index© employee survey accounts for 2/3 of the score and the rest of the score comes from the Culture Audit© that is completed by management and evaluated by an independent Great-Place-to-Work team. The employee survey is modelled on the five dimensions that define a great workplace and they do a Culture Audit©, organized by the nine practice areas in the management definition of a great workplace. Trust, viewed as the essential principle, "is created through management's credibility, the respect with which employees feel they are treated, and the extent to which employees expect to be treated fairly. The degree of pride and levels of authentic connection and camaraderie employees feel one with are additional essential components" (Great Place to Work, 2015a).

There are three essential elements from a leaders/manager's perspective that define a great workplace: achieving organizational goals/objectives, employees giving their personal best, and working together as a team/family in an environment of trust. They define this further with the following nine practice areas where leaders/managers create an environment of trust: achieving organizational goals/objectives by inspiring, speaking, and listening; employees giving their personal best by thanking, developing, and caring; and working together as a team/family by hiring, celebrating, and sharing.

The elements that are looked at from both the employee and manager's perspective are the same elements that could lead to having high social capital in a workplace. It was noted that the benefits of having trust and engagement in the workplace is that employees perform 20 % better, are 87 % less likely to leave the company, and the financial performance of publicly traded companies on the list consistently outperform major stock indices by 300 % (Great Place to Work, 2015a). "Great workplaces are built through the day-to-day relationships that employees experience—not a checklist of programs and benefits" (Great Place to Work, 2015a, para. 3). Below is a sampling of some of the companies that made the 2015 list:

- #1, Google—recently enhanced its parental leave benefits. New parents can get up to 12 weeks of fully paid leave and they get $500 of "Baby Bonding Bucks." In addition, individuals take pride in Google Maps and Android because they are changing the world and they feel they have caring colleagues.
- #7, Wegmans Food Markets—individuals report that they work with welcoming, supportive colleagues who make them feel at home. Wegmans offers exercise programs, regular charitable projects, tuition reimbursement for individuals

working part-time, and covers 85–100 % of employees' and their dependents' healthcare premiums.

- #8, Salesforce—they doubled their workforce, 58 % which was from employee referrals. All employees get 6 paid days off per year to volunteer, which has resulted in more than 800,000 h in volunteer time given back to the community (Great Place to Work, 2015b).

Another way to rate organizations (you don't need a nomination application) is through the Glassdoor website. Every year, Glassdoor reviews feedback from employees about their companies (those with 1000 plus employees) and makes a determination about the Best Places to Work for the coming year. Employees are asked to rate their overall satisfaction, CEO leadership, career opportunities, compensation, and work-life balance. They are also asked if they would recommend their place of employment to a friend and to comment on their employer's business outlook for the next 6 months. The companies that rank the highest are the ones that actively communicate their mission and values to employees and potential employees. Google had the highest ranking this year and it has been on the list for 7 years. As noted above, it increased maternity and paternity leave and re-designed on-site daycare; they helped to make family a priority (Dill, 2014b).

Tying It All Together

Gross (n.d.) explored the connection between CSR and employee engagement by reviewing results from a number of surveys and the academic literature. (He noted that we should be careful about survey results because surveys/questionnaires are better at measuring attitudes and intentions versus behavior, therefore, it is difficult to know if one is capturing engagement or the drivers of engagement. In this case, the academic literature supported the survey results.) He found that there was a business case for organizations to implement CSR: It is the third most important driver of employee engagement, and the organization's CSR reputation is an important driver for both engagement and retention. When employees view their organization's commitment to CSR favorably, they tend to be positive in other areas that correlate with better performance (e.g., customer service and management leadership); employees who view their companies' CSR favorably also report a positive rating in organizational pride and satisfaction, and report their willingness to recommend it as a place to work and stay as well as increasing organizational citizenship; 7 out of 10 employees who view their company positively around CSR, rated senior management as having high integrity compared with 1 in 5 employees who saw their company failing around CSR.

Maak (2007) suggests that responsible leadership contributes to building social capital and leads to both being able to sustain a business and doing well for all stakeholders. (The Firms of Endearment study showed that this is true.) He notes, that many corporations are using the "triple-bottom-line" approach and their values are reflecting social and environmental concerns, however, few have not taken on humanitarian challenges (e.g., poverty, hunger, disease, etc.), which in turn prevents a good segment of the world population from participating in the global economy or benefiting from it. He suggests that there needs to be a new approach that includes the voices, interests, or concerns of those who haven't been involved because this "ultimately comes down to the sustainability of the business system" (Maak, 2007, p. 331). He notes that it doesn't matter what you call it (e.g., compassionate capitalism) (Benioff & Southwick, 2004), rather, leaders need to "make sure that their organizations adopt a truly inclusive and ethically sound way of creating value for all legitimate stakeholders, including previously excluded ones and future generations" (Maak, 2007, p. 331).

Summary

Does compassionate capitalism make sense? Throughout history, a trend toward a business philosophy that is beneficial to all stakeholders, including the company's bottom-line, an employee's welfare, and the community where it operates has been increasing. In the early 1900s, Milton Hershey was a pioneer behind this thinking as he built the Hershey chocolate empire. These thoughts have evolved through time and have become a standard for many forward-thinking CEOs, and the basis for progressive governmental policy. Whether it is the business attitude, corporate monetary contributions, pro bono services, employees lending themselves to the community through volunteer opportunities or building their company around a mission, these elements of corporate social responsibility are usually the framework of the most successful companies. In addition to establishing a framework in this manner, employee satisfaction and corporate reputation are other key factors of success.

Employees are satisfied in the workplace generally if there is responsible management, ample career opportunities, reasonable compensation, a work-life balance and trust. Trust; obtained through management credibility, stakeholders working towards the same goal, and the appreciation and fair treatment of employees, is the most crucial of these elements. A feeling of trust contributes to a high level of satisfaction. This trust between management and their employees, the relationships formed in and out of the workplace, as well as the philanthropic endeavors in the community create social capital. The more investment a company places in social capital, the greater the reward. If employees are satisfied, companies experience lower turnover rates, a favorable financial performance, and more efficient practices.

The way employees interact outside the workplace, through their outside relationships and personal acts can influence a consumer's perception of a company. Reputation is one of the most influential characteristics in a consumer's purchase decision, if all other factors (price and quality) are equal. If a company's management appears to be ethical, transparent, and thoughtful toward the environment and its' employees, chances are great that the company will have a good reputation.

Corporate social responsibility, employee satisfaction, and corporate reputation are individual factors of compassionate capitalism. Surveys and research have determined that these factors are often linked and lend themselves to each other. They are all individual elements of success, but when all these components work together, we see the greatest benefits for all the stakeholders.

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