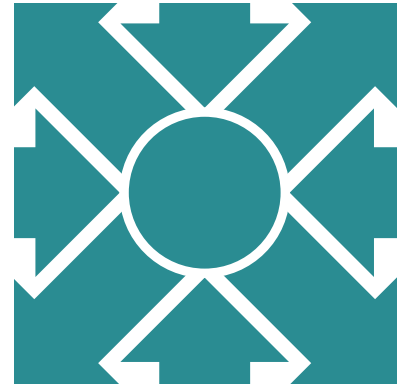


SEARCH



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MICHAEL NEUMANN
MANAGING PARTNER
ALEXANDER HUGHES GERMANY

Corporate Social Responsibility – Should CSR Programs be a Part of your HR Strategy?

Any company's success is dependent on one factor more than any others: its people. People are guided and united not merely by common goals but more so by values. But what drives people? As it turns out, a substantial part of people's decisions and actions are based on their personal beliefs. Beyond the obvious motivational factors such as salary, prestige and other perks, people's energy and enthusiasm in the workplace are directly dependent upon their perception of their employer's core values and how these values match their own belief system. Thus the importance of formulating values in a proactive way becomes paramount for all who want to be successful in business. And this is what corporate social responsibility or CSR is all about, it is the way in which this success is sought and these values are acted upon in business.

These days, corporations are not perceived as faceless entities that remain outside the social order, but as corporate citizens, whose worth is both measured by their economic success and by their social behaviour. The Harvard Strategist Michael Porter even establishes the link between competitive advantage and corporate social responsibility.

As a head-hunter, I have had several opportunities to observe how the right CSR strategy can improve a company's image and its ability to attract top talents. In most competitive industries, salaries and career prospects for premium candidates can easily be matched by competitors so that other factors begin to affect their decision-making process. CSR is just one of these "other" factors, but its weight is bound to increase as people become more concerned about social and environmental issues. However, it is also a strategic area that requires commitment, involves careful planning, and that cannot be changed overnight.

This issue of Search features an article by Thorsten Sewing that explores the ways in which CSR affects the scouting of new products, services and even markets. We also introduce two of Alexander Hughes' Sectors of Excellence and take this opportunity to outline how CSR affects your HR strategy and how our services can help you achieve your HR goals. Finally, we feature an interview with Dr. Burkhardt Schwenker, the CEO of Roland Berger Strategy Consultants, who shares his views on CSR's impact and its significance for his company and his clients.

I hope you enjoy this edition of Search. ■

CSR – Scouting new products and services



[ARTICLE]

1.6 billion people have no access to grid-electricity. According to estimates by the International Finance Corporation, these people spend a total of 38 Billion US dollar a year on fuel-based lighting. Such lighting is inefficient and hazardous for health and the environment. And, it is very expensive and ineffective: While 38 Billion USD represent 17% of worldwide lighting cost, fuel-based lighting accounts for just 0.2% of the light produced – not only a waste, but also a social cause in that it disables even the most basic of economies.

If you were a company in the business of light provisioning, would you ignore a 38 Billion US dollar market? Probably not. Dutch lighting giant Philips is currently developing a commercial solution aimed at this market.

To them, the task is to find a working business model. One of the priorities, therefore, is to get the input from regional and international governmental and non-governmental organisations (NGOs), relevant to the new markets. These “stakeholders” provide the information for understanding of what is needed in developing and later marketing Philips’ products successfully. So is this Corporate Social Responsibility (CSR)?

What exactly is the social responsibility of a company? In a very pragmatic sense, this could be to use existing assets in a socially successful way. For it is only when a company can deliver towards a social cause in either a more reliable manner or at less cost than another company – or the public sector – that there be a responsibility to offer this to the market. Responsibility seen this way would of course lead straight to opportunity. These opportunities will then need to be identified as the strategic value of an initiative focusing on corporate social responsibility – aligning the core business of the company with the social issue.

It is a challenging, yet rewarding entrepreneurial task to relate social responsibility to the way of doing business. And, there are successful examples in business that portray CSR and its tools as door openers and as a scouting exercise to what in future might rightly be called “sustainable business”.

For decades, Unilever in India considered an existing market of a few per cent of the Indian population as sufficient for selling their detergents. It was only when they recalculated the cost of producing and distributing the detergents that they realised that there could be a lucrative market to tap into. Now, their product is manufactured at decentralised factories, distributed by small vendor units – the “bicycle brigades” – to reach rural areas where it is sold at low prices. As a result, the core rural markets generate some 50% of Unilever’s turnover in India today. What is even better: Unilever used the reengineering of their business to change the detergent. It now has a reduced water-oil ratio that reduces harm to the environment. ●●●

Alexander Hughes

IS AN EXECUTIVE SEARCH FIRM DEDICATED TO HELPING YOU ACQUIRE AND RETAIN THE VITAL HUMAN CAPITAL YOU NEED TO ACHIEVE YOUR STRATEGIC BUSINESS GOALS.

- Based in 26 European countries
- 115 Executive Search Consultants
- Headquarters in Paris, France
- 50 Researchers

••• If a company invests into a certain market, it not only seems to be prudent but responsible and, yes, ethical to gain local knowledge and capabilities through stakeholder dialogue, securing an educated and viable “licence to operate”; including possibly favourable, first-mover access to regional players such as governments, NGOs, local business or trade chambers.

There is, however, one major restriction. It must be recognised that profits from products generated to satisfy social needs reflect that the partners within the new markets get a fair share. So if there are NGOs or local businesses that help with developing, producing or distributing a product, royalties should be agreed on early on. Otherwise this will just be another new mercantilism, resulting in bad press and subsequently unfavourable market conditions, consumer boycotts and overall penalties.

Business’ main responsibility is to come up with technologies, know-how, products and services, business models and management solutions. However, in the days of climate change and demands for “sustainable” consumption and production, these business functions are intertwined with sustainability criteria. Companies that deliver business opportunities fitting this frame will have a winning “time-to-market”.

An estimated 3.5 billion people live within mobile phone coverage.

India alone adds some 2 million subscribers every month. The amount of mobile phones in Africa exceeded 100 Million in 2005, Nokia predicts 200 Million by 2010. What does mobile phone provisioning in Africa have to do with CSR? It provides new jobs, increases the efficiency of existing jobs, bridges the digital divide and lets millions of people participate in the global economy. At the same time, it makes plain business sense for mobile producers to compete in developing and eventually marketing low-cost phone solutions.

While product-related examples are very much bottom-line, the “soft” factors of CSR are still present – customer and employee retention, risk and issues management, political reputation etc. These are indispensable to providing the credit, the ground

from which a company can believably deliver. However, to serve these factors best, they are probably better dealt with in a company’s communications department. It would be fair to say that these “soft” factors are the compliance elements of CSR.

Contrary to this, tackling a societal challenge and opening a new market answers the general question of today’s economy: If we need continuous growth in GDP to build a sustainable economy – how else should it be generated if not by new products and within today’s underserved markets? ■

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David Grayson / Adrian Hodges

- **Good Business, London 2002**

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- **The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits, Wharton School Publishing, 2004**

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Christine Arena

SUGGESTED READING...

- **Corporate Social Responsibility and Socially Responsible Investing: A Global Perspective**

by Ronald P. Hill, Thomas Ainscough, Todd Shanks, Daryl Manullang
(JOURNAL OF BUSINESS ETHICS, VOL. 70, NO. 2, JANUARY 2007, P. 165-174)

- **Strategy and Society: The Link between Competitive Advantage and Corporate Social Responsibility**

by Michael E. Porter, Mark R. Kramer

(HARVARD BUSINESS REVIEW, DECEMBER 2006, VOL. 84 NO. 12, P78-92)

- **Corporate social responsibility and employee commitment**

by Jane Collier, Rafael Esteban

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Alexander Hughes and CSR : Meeting Your Industrial HR Objectives

The last decade has shown a complete change in the industrial manufacturing landscape, both internationally and locally. The sector, now characterized, by large mergers and acquisitions, intense competition, increasing demands on price cutting and on quality, has had to adapt to a world market with fewer but bigger players, especially in the automotive, aerospace and electronics fields.

The need for clear strategies of corporate governance and accountability to the social and physical environment has become vital for industrial manufacturing companies' reputation, viability and sometimes even survival. Reputation, brand enhancement, transparency, accountability, and risk management are all possible motives for an effective CSR strategy. Most often, the HR departments are charged with these tasks and face challenges that can be overcome with the right insight and experience.

At Alexander Hughes, finding the right people for the job is our core business and yet we also know what motivates people to stay. If retaining and attracting talent is a primary reason for strategically applying CSR, then an insight into motivation is essential. We provide this insight as well as the right leader at the right time for continuity and competitive success. Our approach is aimed at identifying expected results and necessary experience. Therefore we seek profiles capable of becoming major actors in a specific environment at a specific time.

FOCUS ON: ALEXANDER HUGHES IN INDUSTRY

Alexander Hughes has proven to be a true consulting partner for clients in the industrial manufacturing sector.

Here is a closer look at some of the fields we have recruited for within the Industrial Manufacturing Sector:

- Automotive
- Aviation, Aerospace, Defence
- Electronics manufacturing
- Electrical equipment
- Industrial equipment
- Logistics and Transportation
- Mechanics
- Utilities

With 37 privately-owned offices in 26 countries throughout Europe, and Partners in the US and Asia, Alexander Hughes' consultants can help you with your recruitment needs no matter where those needs may be.

SOME OF OUR CONSULTANTS AVAILABLE TO HELP YOU:

Bernard Chaix

*Leader of the Industry Sector of Excellence at Alexander Hughes
Consultant, Alexander Hughes France*

Bernard Chaix began his career at PSA Peugeot Citroën, in 1978, where over the next 13 years he held various positions, including Director of Industrial Cooperation. This role gave him the responsibility of operational and strategic piloting of PSA's subsidiaries shared with Renault and FIAT. In 1998, he became the President and CEO of Siemens Automotive S.A. and, subsequently, of Siemens VDO SAS after the merger of the two companies. Responsible for the company's French operations he greatly reinforced Siemens' position as supplier among French car manufacturers. He also served as Vice President then General Manager of the Renault PSA Business Unit then VP of Business Development for Renault/ Nissan-PSA within the group Johnson Controls Automotive.

Martina Bumbova

*Coordinator of the Industry Sector of Excellence at Alexander Hughes
Consultant, Alexander Hughes Czech Republic*

Martina has been based at Alexander Hughes' Prague office since 2003, helping to establish offices throughout Central Europe. Currently her key activity is to conduct search assignments mainly in the industrial, energy, process and pharma sectors. She began her career in the executive search business at the end of 1990's, when she joined a local executive search company as a Researcher and supported Consultants in searches for top and middle managerial positions in the technology and industrial manufacturing sectors. She quickly became a Consultant responsible for intervening on recruitments for senior managers and experts within local and international companies. Martina speaks Czech, English and Russian

Koenraad de Bruyne

Consultant, Alexander Hughes Belgium

Koenraad has acquired over 20 years of experience in senior management posts in multi-national companies. Koenraad started his career at BP, where he held several pan-European managerial positions in retail operations, implementing new systems and infrastructure. He later headed the first pan-European purchasing campaigns for BP Oil Europe. Koenraad later worked as Retail Operations Manager at Kuwait Petroleum, where he integrated 2 major acquisitions (BP and ARAL) and projects of reorganizing and outsourcing of the fuel transportation department. He also developed a new shop logistic concept with FOOD LION. As the General Manager for the Aircraft and Passenger Handling Division of the aviation services group Aviapartner, he increased the productivity of aircraft turnarounds and significantly increased group revenues and accelerated growth in preparation of the sale of Aviapartner to 3i. He was later appointed Director Business Development for Flightcare, the airport services company of the Spanish construction and services group, FCC.

Michael Neumann

Managing Partner, Alexander Hughes Germany

Michael Neumann has 15 years of experience in Executive Search. His career began at Ray & Berndtson Executive Search where he was a Research Specialist for the firm's German branches. He was later recruited as the Head of Research for Plaut-Deiningner Executive Search in Frankfurt. In 1993, Michael became Project Manager for the industry practice of Burba Kolb & Partners, a Frankfurt based search firm. He was then recruited to be a consultant at Kunze Böcking Executive Search. Over the next four years, he had helped build the firm's business, multiplying turnover and staff by five, before becoming the firm's Deputy Managing Director. In 1999, Michael co-founded the executive search consulting firm Hager-Neumann-Badura Unternehmensberatung GmbH, specializing in IT, automotive, consulting and financial services. Michael later started his own independent firm NEXECUTE GmbH Executive Search specializing in IT, consulting and financial services.

Interview with Dr. Burkhard Schwenker, CEO Roland Berger Strategy Consultants

[INTERVIEW]



DR BURKHARD SCHWENKER

Burkhard Schwenker (born in 1958) studied mathematics and business administration at the University of Bielefeld from 1977 to 1981. He launched his professional career at PWA Papierwerke Waldhof-Aschaffenburg AG, where he last worked as a board assistant. He started his Ph.D. thesis in economics in 1986, and was awarded a doctorate by the University of Flensburg (final grade: summa cum laude) for his dissertation on competition in service companies in 1989. In the same year, he joined the Corporate Strategy and Organization Competence Center of Roland Berger Strategy Consultants and started to build up the Hamburg office. He was elected Partner in 1992 and appointed head of the Competence Center in 1994.

Burkhard Schwenker was a key figure in the management buyout negotiations with Deutsche Bank in 1998, the year in which the Partners elected him to the Executive Committee. In this capacity, Mr. Schwenker was in charge of corporate development, financial planning and analysis, product development and knowledge management. In July 2003, Burkhard Schwenker was appointed Spokesman of the Executive Committee of Roland Berger Strategy Consultants, taking over from the company's founder Roland Berger. In September 2004, the Partners unanimously elected him CEO, and his term was extended in December 2006.

Burkhard Schwenker is married, has three children and lives in Hamburg. He is a member of the Board of Trustees of the Association for the Promotion of German Science, Essen, of Dresden International University, of the German Track and Field Association for the 2009 IAAF World Championship in Athletics, of the Dresden Semperoper Foundation, of the Commission for Values – Initiative for Value-conscious Leadership, Job & Family – Initiative of the non-profit Hertie Foundation, and sits on the board of the "Lebendige Stadt" Foundation. He is active on the Board of Trustees of the World Wide Fund for Nature as well as the German Sport Promotion Foundation, and a member of the Hamburg Rotary Club and the Münster-based Wissenschaftliche Gesellschaft für Marketing und Unternehmensführung.

1. Effective leadership requires that managers face their social responsibilities, and a code of conduct as a sort of "moral compass" for business graduates entering the management profession is already addressed by most business schools. How much emphasis do you put on values-based, ethical management when you recruit new management staff?

Our company's success is based on professional excellence and on the values we embody. "Entrepreneurship, Excellence and Partnership" set the standards for management at all management levels, day in, day out. Consulting is about reputation, and in our clients' eyes, we are only as good as our present project. All the more so, we aim to hire people who live our values, when selecting new colleagues and, in particular, new managers.

2. Given the differing cultural norms and values, how much does globalization complicate issues of ethics and corporate social responsibility and how do you address these issues?

Working in other countries and dealing with different cultures has also spurred us on to define what are the common values of our company. These core values apply worldwide, and our Code of Conduct provides a binding frame of reference for all colleagues. Still, there must be space for cultural interpretation. If our staff are to take on responsibilities within society, they must act by the rules of the society they're in. Thus, we adapt our CSR programs, like "Work and Family", to each country or region. Our values are essentially valid and implemented worldwide, but ultimately they are molded locally. ●●●

●●● **3. Do you see a paradox between short-termist, cost-cutting business priorities and CSR? If not, how can companies still do well when they behave responsibly?**

There are some examples of successful CSR projects which have also benefited the companies concerned financially. Deutsche Bahn's "Energy saving" project not only contributed to a more sustainable use of energy, for example, it also saved the company 32 million euros in four years. Motorola, again, has designed a very cheap mobile phone with a particularly long battery life especially for developing countries. It has secured orders for 12 million units to date, and up to around half a billion units are expected to be needed by 2010. - There can be problems, however, if companies do not integrate CSR with their business properly. Too often, well-meaning acts are isolated from a company's actual business, or are addressed indiscriminately. Social commitment and concern for the environment must be seen and planned as part of a company's core business. Business ambitions and CSR can complement one another outstandingly.

4. Were you able to register significant changes in staff turnover or morale after you introduced your CSR programs?

No, we haven't. Our values are nothing new, after all: sponsoring culture and the arts has always been part of our corporate profile, for example. However, our clients, staff and (potential) applicants follow these activities very closely – and value them. Our CSR program also includes initiatives for our colleagues to help them balance work and family. We also have international projects with outstanding partners, like "Counterparts", working with the Goethe-Institut to promote culture in Central and Eastern Europe, and sports sponsoring, like the America's Cup. Our staff are proud that they work for a company that is aware of its social responsibility, and is committed to it. That's something we hear again and again. - Also, we often find our staff instigating pro bono projects on their own accord. They enjoy not just working but want to do something for society, too, and we support them in this. Sometimes, such projects also mean rolling up your sleeves and helping a kindergarten move, or building a playground, with a pick and shovel.

5. Michael Porter argues that ethical behavior can result in competitive advantage on businesses, how can this be evaluated? Have you been able to observe such a positive influence?

Capital markets like companies that do something for society. The World Economic Forum conducted a survey in 2004, which found that reputation is even more important than stock market price and profitability as a success factor in business. More than half of all managers believe a company's reputation affects its market value – by 40%, in fact. So it comes as no surprise that socially responsible investments increased by 260% between 1995 and 2005, in the US alone. This is something we are also seeing in Europe. And stakeholders like supporting committed

companies because they see their business and environmental commitment as increasing their business opportunities. - There are different ways of doing this. Starbucks, the US coffee bar chain, for instance, offers its part-time staff health insurance and profit-sharing schemes too. That motivates its staff, and makes the company look good, so top applicants prefer to work for it. A good reputation is a good selling point, and creates competitive advantage, including when it comes to recruiting. For service companies, and especially those which come into contact with end users, a company's reputation and its staff's motivation are often the secret of their success. It is assumed they know their job anyhow. So Roland Berger's stakeholders value our long-standing CSR tradition, too. - CSR can even generate completely new business, though. One example of this is when Toyota launched its Prius hybrid car in the US in 2000. Many people said it would never catch on. There was no market in the US for "green" cars with hybrid electric/gasoline engines at the time. But then gasoline prices rose, some celebrities bought Priuses, and the car took off. Demand quadrupled in two years.

6. How do your own ethical guidelines affect your recruitment of new talent?

Everyone who joins us, from interns to senior managers, has to measure up to our values and commit to our Code of Conduct. Our human resources staff know this, and are trained accordingly. When we hire people, we think it's very important that their personality and values fit in with our corporate culture.

7. As a strategy consultant your service portfolio also includes CSR consulting. How much has the demand for these services grown among your clients?

Our clients are much more interested in CSR now. Many companies see it as important, and seek advice on specific questions. Where we excel is in linking CSR directly to core business. We design customer segmentation, marketing and sales approaches for lasting innovations, products and services, for example. This seems to be precisely what our clients need. At any rate, we have been making substantial sales in this field for some years now, and our growth is in double digits. ■

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