IDEAS

VALUE, MANAGEMENT, ETHICS AND CSR

'VALUE' MEANS MORE THAN JUST MONEY

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Why, when we talk about a company's value, do we often only refer to its monetary value? Although we tend to forget, every business leaves its footprint on the many people it touches. Managers should bear this in mind, because much of this footprint derives from their decisions. Corporate Social Responsibility (CSR) initiatives are not very effective when it comes to undoing negative footprints: it's better to avoid leaving them and being left with them.

BUSINESS ETHICS • VALUE • CORPORATE SOCIAL RESPONSIBILITY

When we talk about the value a business creates or destroys we automatically speak in financial terms, such as its stock market value, as though there were no other way of assessing its performance. But whether they want to or not, companies create and destroy a lot more than economic value for the simple reason that their activities involve human interaction, whether internally or with clients, with other companies or with society at large.

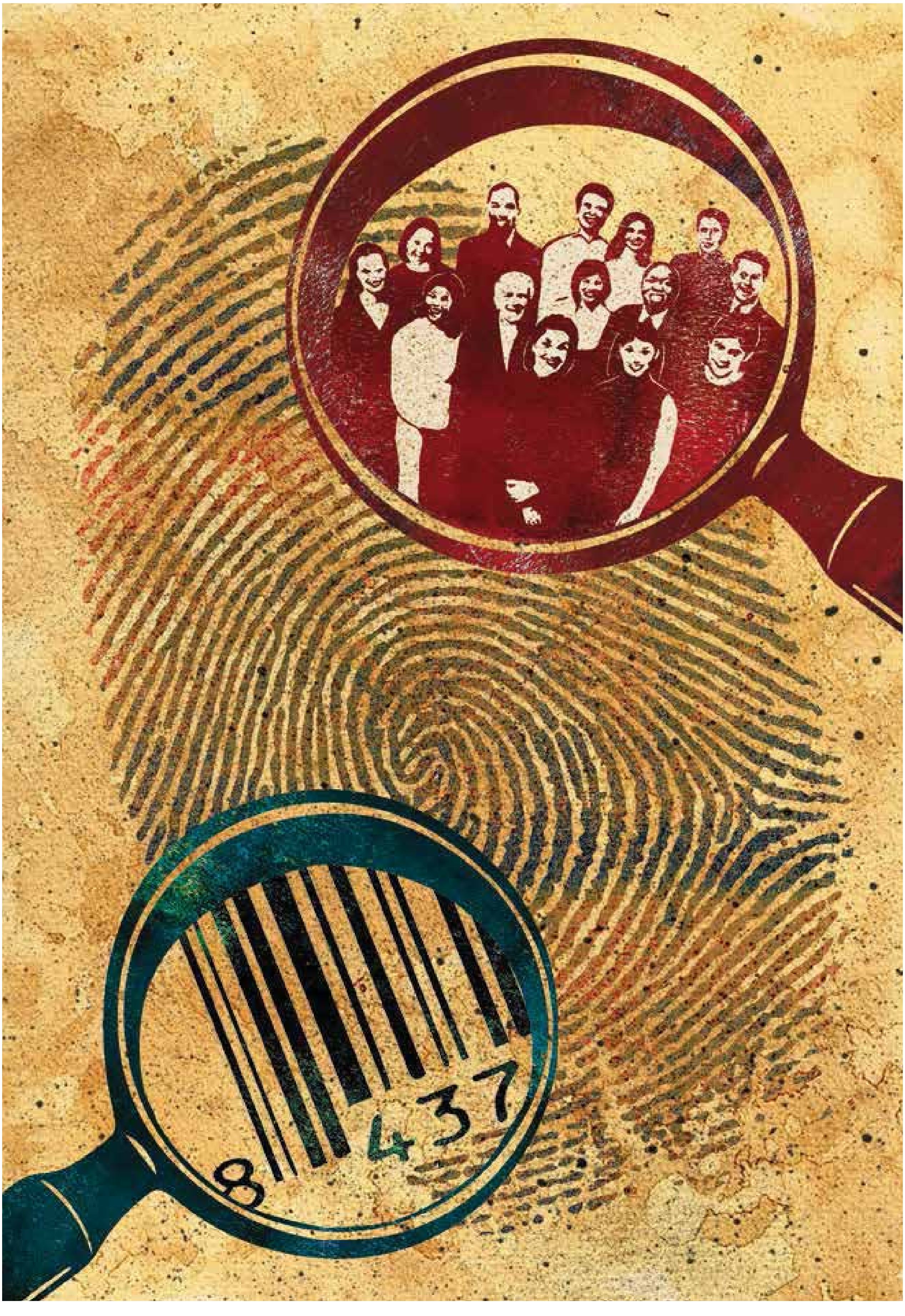
LESSONS THAT LEAVE A FOOTPRINT

Any interaction, whether between a salesperson and a client; a financial director and a banker; a supplier and a purchaser or between a manager and his or her team, produces a lot more than a sale, a line of credit, a purchase or a plan. Everyone involved learns something, perhaps unintentionally, which they take with them in a way that alters their future interactions. A client who has got to know a salesperson, for example, will have a sense of whether that person can be trusted or not in future transactions. These lessons, which we call footprints, affect future results in other interactions, which at the same time leave new footprints on these or other people.

Take the following example: I was once with the purchasing manager of a car company, when someone stepped out of a high-performance car in the parking lot. The purchasing manager recognized him and said "He's a supplier. What a car! I'll have to drive a harder bargain with him next time." He said it half in jest but said it nonetheless, illustrating a footprint that had been left without there even being an interaction, and which – again, half in jest, half seriously – was probably mentioned in their next encounter. Footprints can be superficial like this, or much more profound: just ask anyone who bought or sold preferential share options from certain financial institutions, or those who conceived the scheme.

COMPANIES FACE THE FUTURE WITH THESE FOOTPRINTS AS AN ADDITIONAL RESOURCE

These footprints, both positive and negative, accumulate for both individuals and organizations and affect the way they face the fu-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ture. So it makes sense to consider them as part of a period's results and assume that they will influence the following one. In other words, the company produces economic value and, inevitably, footprints on a range of people. But do we count these as genuine results? Perhaps, but only marginally and without giving them the attention they deserve.

Thinking in terms of footprints helps in managing from a broader and more realistic perspective. It's useful to decide what footprints the firm's mission, business plan and the decisions and actions taken by its managers will produce and on whom. Above all, how can these footprints be shaped in a positive way? To do so, it's important to understand their main attributes.

FOOTPRINTS ARE...

These footprints naturally have a series of common features. In general they are:

1. Inevitable, because people learn from interactions, whether they wish to or not.
2. Ubiquitous, because they arise within and outside the company through interaction with interest groups (such as clients and suppliers) and through them with society at large. They produce these effects in whoever initiates the interaction and whoever else is involved, both the boss who gives orders and those who follow his or her orders.
3. Personal and non-transferable because they derive from each person's learning process.
4. Difficult to erase because this requires unlearning something, which is never easy.
5. Their significance depends on where, when and how they arise and also on whom they affect. An elderly person tricked into buying preferential shares is not the same as a passerby being swindled by a three-card trick in the street.

POSITIVE OR NEGATIVE?

To those on the receiving end, footprints may be positive or negative. The two examples given above are negative – both the elderly person and the passerby are worse off with the footprint than without it. Fortunately, there are also positive footprints. For example, a client feels satisfied when they've had a good buying experience and a salesperson takes pride in the fact that he or she has genuinely solved a client's problem. After these interactions both are better off with than without these footprints.

Can we use clear criteria and not just intuition to distinguish positive from negative footprints? One possibility would be to examine whether the footprint left the person experiencing it better equipped to deal with others in the future in terms of: 1) what they hope to get from future interactions and 2) the degree of respect for people's dignity that they wish to maintain whatever the cost.

This second aspect imposes a basic set of restrictions; in other words it's a question of ascertaining the required baseline level of respect for the dignity of the individual, and, without violating it, ensuring that the footprints contribute as much as possible to the objective of the interaction. For example, contributing the maximum possible to achieving certain financial results while demonstrating absolute respect for the Universal Declaration of Human Rights.

The latter aspect matters because what defines negative footprints is that they degrade people, treating them as though they were inferior, and violating essential human qualities. Cheating someone, for example, depriving them of their liberty or their personal and professional development; defrauding them or denying them the ability to assess and decide, and so on. (You can test this with any number of footprints that your judgment and intuition tell you is negative.)

We could say, then, that a negative footprint should be classified as such if it is a degrading experience for the person on the receiving end. By the same token, we would say a footprint is positive if it doesn't violate a single fundamental human quality, while in fact reinforcing some qualities, truly respecting them and thus ensuring that the person grows as a human being.

A business can adopt more or less demanding criteria in how it classifies footprints, which may mean that some that were seen as positive are not under the new criteria and vice versa. However, in this case everyone involved in the organization has to be told explicitly what is expected of them.

It should be emphasized that one can leave positive or negative footprints in oneself as a result of interacting with others. The salesperson who feels proud is one example, another would be the person who sells a preferential share. The first will probably become a better salesperson while the other might have learnt to become a con artist rather than a salesperson.

Furthermore, as these examples show, it's likely that the quality of the interactions in terms of the footprints they leave will also lead to better future financial results.

And, given that footprints affect society, one might hope that if companies leave positive footprints, society might thus be enriched, with more people given the chance to grow.

FOOTPRINTS IN THE MISSION AND THE BUSINESS MODEL

It's worth looking at the quality of the footprints that a company's mission (internal or external) implies for those involved in its operation – its employees and other interested parties. Think about those of your company; it's noticeable that greater emphasis is often put on external footprints (clients and shareholders) than on the internal (employees and managers). Often the latter are neglected, producing negative footprints, and leading to an imbalance that is dysfunctional in the long term. The opposite imbalance is found less often.

Looking at this in greater detail, we could examine the company's business model. It's revealing what sorts of footprints are created from the corresponding virtuous circles. This requires looking more attentively at people's learning processes to see if there are processes that are thought to be virtuous but which in fact produce negative footprints. This is another imbalance that appears during the implementation phase and which this sort of analysis can identify and avoid through organizational solutions.

TOP EXECUTIVES' FOOTPRINTS

On a more detailed and interesting level, analyses of footprints can focus on the decisions of the people with the greatest responsibility in the organization. This inevitably gives rise to the question of how negative footprints are produced and whom they affect, which in turn demonstrates that top executives' ethical responsibility is intimately linked to the process of management. A good manager should do everything in their power to make sure that neither they nor their employees leave negative footprints. Failing to do so amounts to failing to act like a manager and even failing to be one altogether.

It's the responsibility of every manager to eradicate any negative footprints that appear as a result of their professional actions. This way, no CSR measures would be required. These are often designed to cover up negative footprints left by the company on individuals or interest groups with other, more positive ones – left *a posteriori*, and, what's more, on third parties. As well as being artificial, it is ineffective because, as we know, the impression made by the earlier, negative footprints will probably remain anyway.

EVERYONE'S RESPONSIBILITY: WHAT ARE WE WAITING FOR?

As well as being an executive responsibility, this concerns all of us. Every day most of us interact with various kinds of institutions and companies even when we don't work for them or have any part in their management. We create footprints in all of these interactions, affecting ourselves and others, or we simply allow others to leave them on ourselves. But we shouldn't, in order to avoid infringing others' or our own dignity. We need to act. What are we waiting for?

IN SUMMARY:

- **Companies create and destroy a lot more than economic value through the lessons learnt by people involved in their operation.**
- **These lessons, called "footprints," become another of the company's assets.**
- **Footprints are inevitable, ubiquitous, personal and non-transferable and hard to erase, with variable and either positive or negative impact.**
- **It can be expected that through making a positive contribution through their footprints, companies will in this manner enrich society.**
- **Top executives' ethical responsibility is intimately linked to the process of management.**
- **No CSR actions will be required, since these are often designed to cover up negative footprints left by the company on individuals or interest groups with other, more positive ones, left *a posteriori*, and what's more, on third parties.**

MORE INFORMATION:
Andreu, Rafael, *Huellas. Construyendo valor desde la empresa*. Dau, 2014.