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# Shared Success: Corporate Values in Action

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(As prepared)

Thank you, Professor Murphy for this extraordinary opportunity to speak with an extraordinary audience. I am not only honored to be included in the important dialogue that you are pursuing here at Notre Dame in the Berges Lecture Series, but humbled to be speaking with, no doubt, an audience of the finest current and future leaders of American business. I believe, as I will try to outline in the next half hour or so, that we are at a crossroads in our evolving maturity as an economic democracy and that American business has a once in a generation opportunity to lead our country in the right direction: toward long-term sustainable growth that will strengthen our people, our communities and our country. Whether we take that opportunity depends on how business leaders and the companies they lead embrace the ethic that this business school exemplifies: excellence in execution, personal integrity and an understanding of the greater good.

I am privileged to work for a company that asks me to concentrate on these very issues and to help focus our corporate strategies on what I believe is an honest, forthright and continuing attempt to make our aspirations actionable.

I'd like to describe for you how Verizon has embraced an ethic and a strategy that we are calling Shared Success. If you will indulge me for a few minutes, though, I thought I first would share some of my personal thoughts about being at the crossroads.

Our economy is not growing. Indeed, every day we hear dire predictions of America's decline, of stifling debt, of bloated spending. Our leaders appear confused about how to respond; our citizens are angry, dispirited and convinced that the country is on the wrong track. The press calls daily for the government to "do something". At least where I come from there is an interminable discussion about who should lose their job in the next election as unemployment remains stubbornly high, foreclosures continue and poverty increases.

There is no doubt that there are things that government can do to boost consumer confidence, create investor certainty and strengthen the safety net for those who are suffering the devastating effects of the great recession. It is how to achieve those results that is being hotly debated in our fractious democracy even as we meet.

But tonight, I would like to address a different aspect of the debate. How is it that on the one hand, American business is touted as the engine for future economic growth, while at the same time it is condemned as the villain who created the mess? Numerous polls tell us that Americans believe both things at same time. What do our fellow citizens want? They want business to create jobs for themselves and for their children. They want their children to be better off than they are themselves, and for the first time in decades, they do not think that is possible. And they want to be treated fairly — as employees, as investors and as consumers. In short, they want a new compact with American business. It seems like a good time, then, to rethink what is expected of us and what would define success.

Let's start with the proposition that the creation of wealth is a necessary ingredient for economic growth. Private enterprise creates wealth that, at least in our economic democracy, is shared among owners, workers and consumers. Business and the business of business are inherently good. It creates the conditions for an ever increasing standard of living for the whole of the society. Indeed, Harvard's Professor Benjamin Friedman posits in his treatise, “The Moral Consequences of Economic Growth”, that a rising standard of living not only results in material benefits to individuals, like better health and longer lives, but in a greater moral good. Societies that experience rising standards of living, relative to their own baselines, he found, are characterized by opportunity, tolerance, social mobility, fairness and stronger democratic institutions.

In a follow up essay, Professor Friedman further argues that the corollary is true: decreasing standards of living result in a diminution of societal cohesion and in those conditions that are foundational to a moral society. Thus, he says, we should care deeply about economic growth.

If wealth creation is good, what is causing the disconnect in the current relationship of citizen to business? Jack Bogle, in his must read book, “Enough”, gives us some straightforward and compelling insights. The founder of the Vanguard Fund, who I had the pleasure of hearing at our CEO's annual senior meeting, cites profit-taking -- not profit-making -- as the source of the current financial crisis. He faults the financial sector with too much speculation and not enough investment to support long-term sustainable growth. It was the short-term risk-taking, and extravagant profit-taking of the few that wiped out the long-term value for the many. This is what broke America’s compact with business. And the damage has rippled through our entire economy and across the world. Bogle eloquently calls upon business to return to long-term sustainable value creation that is rooted in stewardship and trust. I have commented elsewhere on how this exhortation captures both the requirement for financial stewardship as well as for environmental stewardship. More on that in a minute.

Lynn Sharp Paine at the Harvard Business School has put her finger on the other cause — the disconnect between financial decisions and ethical discernment. Her book “Value Shift” describes quite accurately the kinds of value-laden decisions corporations have to make every day; decisions for which there are no written code to refer. Her discussion of an “ethical compass” has been most important in our work at Verizon in creating a culture of long-term value creation resting on actionable core values.

These thinkers and others like them here at Notre Dame and in the business ethics world, have taken us to the crossroads. They are pointing the way for the new compact and a new way for business to view itself. Michael Porter and Mark Kramer, in their seminal Harvard Business Review article *Creating Shared Value*, laid out an approach that resonates with us at Verizon. They conclude that the key to rescuing capitalism is a realignment of business interests with those of the societies in which they operate — to invest in business models and enterprises that solve the very vexing and real problems that are important to the very real people they serve. The authors are leery of “do good” programs and business philanthropy that is divorced from the focus of its business. They argue that shareholder value and stakeholder value must be aligned to realize shared value. This approach, we think, grounded on the commitment to strong core values, will restore faith and trust in the power of business.

So about Verizon. Verizon is a large, complex business. We build and operate high speed, wired and wireless networks here in the US and own and operate a significant portion of the global Internet backbone — connecting 140 countries around the world. These networks are the platforms for the digital revolution that is currently the ONLY engine for growth that is still working in the world. We employ almost 200,000 people and have invested over \$90B in the past 5 years. This is the largest investment by a company in this country and second only to Exxon in the world. We believe in long-term value creation. It’s what we do.

Verizon became Verizon only ten years ago. When then CEO Ivan Seidenberg assembled the numerous companies that became Verizon, he was very intent on continuing and deepening the values-based culture of its predecessors. But he thought it important to agree on a set of core values for all. As a result of a company-wide effort, Verizon has emblazoned on all its buildings and on all its screen savers, and printed across all its communications a statement of its core values: respect, integrity, accountability, and performance excellence. Ivan spoke to these values constantly.

Lowell McAdam took as his very first action as the new CEO of Verizon this past year the adoption of the Credo, a statement that operationalizes these values by describing the way we are to do business. We use a symbol of a thumbprint to remind us that we have our hands on everything we do and we strive to do better every day. There is a deep sense of pride in who we are — a little like this place.

Our commitment to the communities and the world in which we work is stated quite simply in the Credo: “We are good corporate citizens and we share our success with the community to make the world in which we work better than it was yesterday”. And just as our commitment to excellence in customer service, technical and financial performance, we have an integrated, actionable plan for Shared Success.

In the past year, our corporate responsibility council adopted as the focus of our initiatives this model for doing the work: we will use the power of our technology and our people to focus on solutions, service and sustainability. Each of these focus areas has a plan behind it, a timeframe and a measurable goal by which we will judge our success. Our job is to integrate both the approach and the ethic throughout the business. We believe that it is both in our business interest and our communities’ interests to work toward transformative solutions in health care, education and energy efficiency. We intend to do that through the products and services we sell and through the \$75M we give to communities who are using the technology of the Internet age to improve their lives.

Our commitment to sustainability is to improve our own energy efficiency and reduce our carbon footprint by innovations in our networks, devices, fleets and plant. We are asking for the same level of commitment from our vendors. In addition, we are working on finding sustainable technology solutions for our customers that will help them reach a higher level of energy efficiency. We think when taken together, we can and do make a difference; we can keep our promises, strengthen trust in our company and increase the pride of our people.

None of this happens without leadership, the kind of relentless attention to execution that is passionate about service, excellence and people. Verizon has strong, competent, committed leaders. They can exhaust us with the drive to do better every day, but they exhilarate us as well when the results of our work is a better world.

So, a couple of thoughts for you as you think about where you are going.

I began this talk by saying that we are facing a once in a generation opportunity to start anew. I believe that you are that generation. Unless you are a Bill Gates, and there are women and men in this room who may well be, you will spend some time as a follower. So just a few words on how you can effect change now, and by doing so, be the leaders of that new generation.

Only work for a company that aligns with your values. Imagine if every business student, every MBA graduate and every business lawyer eschewed business whose only business is profit-taking -- for those that are investing their resources, labor and capital in long-term value creation.

Second, work for a boss that is smarter than you and has a strong compass. Learn from him or her. Learn from success and learn from failures. Calibrate your own compass.

Understand what it means to be a good follower. Trust leadership but verify; think for yourself, speak up, be constructive by offering the value-based, sustainable alternative.

And don't be afraid to think that YOU are in it for the long term. Short-term risk-taking and profit-taking can kill growth for individuals as well.



I trust that at these crossroads, you will take the right path and build businesses that are meant to last past their IPO, that will respect their customer's stake in the business, that will provide good and meaningful work for their employees and whose stock will be worth something when you retire.

Thank you for your terrific attention. I am ready for some feedback.