

## **Developing the wider role of Business in Society: The Experience of Microsoft in developing training and supporting employability**

**Elena Bonfiglioli, Lance Moir and Véronique Ambrosini**

### **Case Study**

#### **Purpose**

To describe Microsoft's activities in encouraging employability and to show how these activities provide strategic advantage

#### **Design Methodology/ Approach**

We describe two of Microsoft's corporate responsibility initiatives linked to the development of employment in Europe and show how these activities have created sustainable competitive advantage for Microsoft through an analysis of industrial organisation economics and the resource based view of the firm. We then reflect on the characteristics of these involvements and point to aspects which may have wider applicability.

#### **Findings**

Involvement in societal projects can contribute intangible assets to the firm whilst delivering social value. However these projects are part of wider coordinated activities with other organisations and with government

#### **Research Limitations**

These are reflections on participation in business and hence the conclusions are not representative and the analysis is unstructured

#### **Practical Implications**

These case studies will show other businesses how to think about their CSR activities from a strategic viewpoint and will allow academics to see how business develops such strategies

#### **Originality/ Value**

These are rare descriptions of such projects which are becoming more common in business

Key words: corporate responsibility, employability, resource based view, strategic philanthropy

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One of the key problems for business is to decide how and where to focus its involvement with society. Although it is acknowledged that corporate responsibility (CR) relates to the interlink between society and business (Wood, 1991), we are still unclear about how the mechanisms of this interweaving between firms and society (Russo and Fouts, 1997). In particular there is still a great deal of debate about the impact of firms corporate responsibility activities and the enhancement of their competitiveness and economic performance. A key issue for business managers is how to respond to the wider expectations by governments and society of business in both wealth creation and creating social cohesion whilst still staying close to their core purpose. This means that business cannot move too far from its core purpose or product and so involvement needs to be strategic (e.g. Moir and Taffler(2004); Saiia et al., (2003)). Porter and Kramer (2002) argue that firms should focus their efforts where both the company and society benefit because the firm brings unique assets and expertise to address important social and economic goals. In this article we describe the experience of Microsoft in developing training and supporting employability. Using both resource-based view of the firm (Barney, 1991; 2001) and Industrial Organisation economics (Caves, 1980; Porter, 1980) arguments we suggest that two of Microsoft's CR activities namely the '21<sup>st</sup> Century skills for employability' programme and the involvement in the 'European Alliance on Skills for Employability' can be argued to be a source of sustainable competitive advantage. We also argue that key aspects of these programmes are the business-to-business and stakeholder partnerships and that these may be an effective approach to address broad and complex societal issues such as unemployment and education. Before detailing these two initiatives we first describe the socio- economic context in Europe and briefly outline the principles of Industrial Organisation economics and the resource-based view.

## **THE EUROPEAN CONTEXT**

Virtually every government in Europe is struggling to fight unemployment and create new jobs for its citizens. With an increasing ageing population, over 18 million unemployed, pressure from globalisation on traditional manufacturing industries and many national budgets increasingly under pressure, effective remedies are needed for the medium and long term health of the European Union. Labour market reform and other structural changes to increase job creation are receiving the most attention as the catalysts for creating higher employment however extending people's work life through active ageing policies, making job contracts more flexible or reforming pension systems are difficult and unpopular decisions that most governments want to introduce gradually.

These measures alone are unlikely to be enough. Policy makers are realising that people have to be equipped with skills and competencies to satisfy the changing requirements of modern labour markets. This is why governments and industry all agree on the urgent need to strengthen science and technology training in higher education. However, the broader needs further down the skills ladder must not be forgotten or penalized in favour of a more privileged sector of the workforce. Without a proper balance, the skills needed to generate competitiveness and growth through higher value-added goods and services will not be available. Services rather than manufacturing are now the keystone of our economies and their paramount need is for a workforce in which certain common, or universal, skills are readily available. These universal skills should include good numeracy and literacy, business and operational skills and, in particular, at least a degree of basic information technology (IT) capabilities. IT skills not only empower people but also translate into higher productivity and economic growth. Better IT skills and more use of computer technology demonstrably improve productivity in the workplace, especially among SMEs. At the same time, IT and related skills are tools that would allow the underprivileged in Europe access to wider employment opportunities and give them more confidence in trying to enter today's labour market.

## **GAINING ADVANTAGE**

Strategic management is concerned with how some organisations outperform others i.e. how they achieve superior advantage in the markets they operate in. Put bluntly strategy is about winning. How firms achieve advantage is complex, but there are broadly two explanations. One relates to Industrial Organisation economics and the other to the resource based view of the firm. While sometimes these two approaches of how a firm can reach superior performance are explained in opposition to each other, they actually describe different aspects of the same words and hence it may be more appropriate to consider the perspectives as complementing each other.

The basic argument of Industrial Organisation economics (IO) is that competitive advantage derives from privileged market positions. The emphasis of this theory is on the external environment. It argues that the prime determinant of an organisation's performance is its external environment, the structure of the competition and industry it belongs to. Hence the goal of the firm is to achieve optimal positioning in the most attractive markets.

The basic argument of the resource-based view of the firm (RBV) is that competitive advantage is generated from within the firm. The firm's resources are its main source of advantage, in particular those resources that are simultaneously valuable, rare, imperfectly imitable and imperfectly substitutable. The emphasis is here on internal resources, how unique and different they are in comparison to those of the competitors. The aim is to exploit these differences to achieve competitive advantage.

We now explain how Microsoft's initiative aims at improving the European situation and also how we believe that there is a convergence of interest between Microsoft and Europe's Jobs and Growth Strategy.

### **MICROSOFT'S '21ST CENTURY SKILLS FOR EMPLOYABILITY'**

One of Microsoft's initiatives helps address the greatest challenge facing Europeans and their governments: unemployment. Europe also needs a knowledge economy workforce i.e. one in which all citizens have basic IT skills and future generations gain these skills as part of their education. Europe also requires people with advanced IT skills to provide infrastructure and innovation.

Microsoft has initiated the '21st Century Skills For Employability' programme. By partnering with governments, business, the education sector and community groups, Microsoft aims to develop skills that will enable people to undertake more interesting, better paid work, adapt to innovations in business processes, and improve productivity and competitiveness at the enterprise level. In committing to 21st Century Skills for Employability across Europe Microsoft builds on a number of corporate programmes already well established across the EU:

- The Unlimited Potential programme, which has supported more than 2,000 community technology centres and reached out to over 2 million people in all parts of the EU25. In February 2006 Microsoft announced an expansion of funding to more than \$152 million in cash and software world wide. These new grants will support 126 non-profit organisations that are expanding existing programmes or opening new centres in 64 countries, bringing the total to 36,000 centres benefiting more than 15 million people worldwide.
- The IT Academies programme, which has to date supported more than 2,000 accredited academic institutions to provide half a million students with a premium education in the latest Microsoft technologies.
- The Partners in Learning programme, which supports primary and secondary schools to increase access to technology. To date Microsoft has signed Partners in Learning memoranda of understanding with 22 EU governments providing certified IT skills training to over half a million teachers.

In summary with its '21st Century Skills For Employability' initiative Microsoft and its partners help thousands of Europeans to access training opportunities that will help them to get back into the workforce.

## **MICROSOFT'S EMPLOYABILITY INITIATIVE: NEW SKILLS FOR UNEMPLOYED TEXTILE WORKERS IN PORTUGAL**

Just one example of the 21st Century Skills for Employability initiative in action is the Technology, Innovation and Initiative programme (TII). Launched in January, the TII is a unique partnership between the Technological Centre for the Textile and Clothing Industries of Portugal (CITEVE) and Microsoft, to provide unemployed workers in Portugal's textiles industry with new skills and qualifications to enhance their long-term employability prospects. Supported by the Unlimited Potential programme, TII aims to train at least 3,000 unemployed workers from Portugal's textile sector, which is being significantly affected by increasing global competition. The TII training will equip the participants with new skills needed in the local economy. CITEVE, together with the Instituto do Emprego e Formação Profissional (The Institute for Employment and Professional Training of the Ministry of Work and Social Solidarity), will also work with local companies and unions to help the trainees find new jobs or start new businesses. Helder Rosendo, CITEVE's general manager explained the problem. "The European textiles industries are experiencing a paradigm shift due to the undisputable competitiveness of Asian countries in the sector, forcing Portuguese companies to make stronger bets on research and development, design, logistics and distribution. In this scenario, IT and human resources skills and training are of great importance. A programme such as TII that aims to improve the skills and knowledge of the unemployed workers by training them in IT clearly improves their re-employment prospects either in the same industry or other industries where these skills are required". Behind every statistic there is a person looking for a new or better job to provide for his or her family. Behind every partnership there is a potential to lift someone out of dependence. By applying an innovative approach to delivering IT skills, Microsoft and its partners have already shown they can make a difference. And they are committed to continuing and furthering these efforts.

## **CORPORATE RESPONSIBILITY AS A WAY TO RECONCILE EUROPE'S TWIN STRATEGY OF COMPETITIVENESS, JOBS AND GROWTH**

The '21st Century Skills For Employability' is not the only initiative Microsoft is committed to that addresses Europe's concerns regarding competitiveness, employment and social security (Commission of the European Communities, 2006). The importance of CR at EU level and the strong link made between corporate responsibility strategies and the European Competitiveness, Jobs and Growth strategy is reflected in the latest EU CSR communication and in other EU strategies launched in the first half of 2006, including the European Globalisation adjustment Fund and the Spring Council of the European Union. They all demonstrate the vision of the European Commission to mobilise the resources and capacities of European business to make Europe a pole of excellence on CSR.

The particular initiative which looks at employability is the EU Commission Communication on Corporate Social Responsibility and the CSR Alliance which brought together mainly industry actors and the Commission. Commission Vice-President Günter

Verheugen, responsible for enterprise and industry policy said: "This Alliance will help reconcile Europe's economic, social and environmental ambitions. The Commission has opted for a voluntary approach which is more effective and less bureaucratic. Since CSR is about voluntary business behaviour, we can only encourage it if we work with business. Europe needs a public climate in which entrepreneurs are appreciated not just for making good profits but also for making a fair contribution to addressing societal challenges." Improving the climate and conditions for business in Europe creates a corresponding need for more self-discipline on the part of the business community. In this context, CSR is increasingly important for the smooth functioning of the market economy.

The other key business-led initiative which has been designed to help answer the EU's needs for investment in training and human capital is the European Alliance on Skills for Employability.

### **THE EUROPEAN ALLIANCE ON SKILLS FOR EMPLOYABILITY**

In Europe, Microsoft is a founding member of the European Alliance on Skills for Employability. The Alliance partners are the e-Skills Certification Consortium and its members Microsoft, Cisco, European Computer Driving Licence (ECDL) Foundation CompTIA and EXIN, together with Fast Track to IT (FIT), Randstad and State Street Corporation. Together this group will invest millions in both cash and in-kind to help train and provide access to technology content and certification to 20 million Europeans by 2010.

The Alliance shares a strong commitment to support the European Union's Jobs and Growth Partnership. Its goal is to facilitate the provision of skills training for employability to disadvantaged groups: young under- and unemployed workers, older at-risk workers, and people with disabilities. The Alliance will work to raise awareness on the importance of delivering skills for employability in Europe by promoting business-to-business partnerships and collaborations for sustainable growth, jobs and competitiveness. With each partner contributing its core competencies, programs and resources toward a common goal, the Alliance has the potential to offer new opportunities to millions of people throughout Europe, particularly those at the bottom of the skills pyramid. Working with government, industry and NGO partners across Europe the Alliance will be investing in partnerships that aim to support and assist today's untapped work force i.e. unemployed youth who have dropped out of education and the over-50s who need new skills, and confidence to find jobs later in life to gain basic IT skills for work and life through local community IT training centres, IT academies and online training;

As a result the Alliance will support Europe's 20 million small and medium sized enterprises, which are critical to the EU economy, by widening their recruitment base of local people able to use IT as tools for business growth and innovation.

## **MICROSOFT'S EMPLOYABILITY INITIATIVES AND SUPERIOR PERFORMANCE**

The initiatives from Microsoft and its partners certainly add social value in terms of European employability and developing social welfare but does it make sense for Microsoft's strategy in the short and long term? And, if it does make sense, why undertake such activities on a partnership basis instead of going it alone and taking all the credit? Does it make sense to commit to such broad scale initiatives if one wants to create sustainable competitive advantage, generate profits and optimize shareholders value? While there is no doubt that there are costs involved in setting up and managing such programmes we propose that the strategic benefits outweigh the cost and that the advantage for Microsoft are beyond those of enhanced goodwill and its associated marketing benefits.

### **Microsoft's Employability Partnership Initiatives and their Impact on the External Environment**

From IO economics we know that firms will achieve superior performance if they are in an industry that is attractive to them. Such an environment or competitive context is made up of four elements: factor conditions, or the available inputs of production; demand conditions; the context for strategy and rivalry; and related and supporting industries (Porter, 1990). In an environment where all the factors are favourable to the firm it is more likely to generate superior performance than in an environment where the conditions are not that favourable. We will argue just below that Microsoft's employability initiatives are key to render its competitive context attractive and as such will help Microsoft sustain long term business development.

Factor conditions relate to the availability of high quality specialised inputs such as human and capital resources, physical infrastructure, scientific and technological infrastructure (Porter and Kramer, 2002). If we relate back to Microsoft and the two initiatives we described above we can argue that the '21st Century skills for employability' and the 'European Alliance on Skills for Employability' programmes will enhance Microsoft competitive context. The programme aims directly at improving the current human resources and the technological infrastructure, i.e. it will improve Microsoft's factor conditions.

Demand conditions include the size of the local market, the appropriateness of product standards, and the sophistication of local customers (Porter, 1990). With its two initiatives Microsoft and the partner organisations are influencing the demand conditions. By providing millions of Europeans with access to technology, content, certification and training in computer technology, the Alliance is in effect creating a market and is increasing the sophistication of the customers or developing prospective customers in the medium term. Thanks to the training more Europeans are going to become computer savvy and hence are going to become potential customers. One could of course argue that they could become customers to any firms and not only those funding the 'European Alliance on Skills for Employability' but thanks to their commitment to the initiative the



companies are gaining recognition and are gaining exposure and reaping intangible goodwill benefits that competitors will not have and will not be able to exploit as the Alliance partners can. To this extent, this philanthropic initiative is similar to a medium-long terms business development strategy.

Our argument so far relating to how these CR initiatives can help Microsoft's economic objectives were based on how they will have an impact on the industry structure. We have shown that the initiatives will allow Microsoft to impact positively the structure of the industry and render it attractive. We now argue that using resource-based view argument (Amit and Shoemaker, 1993; Barney, 1991) that these Microsoft's employability CR initiatives will generate the creation of internal resources that will help Microsoft create sustainable competitive advantage from within.

### **Microsoft's Employability CR Initiatives and their Impact on the Internal Environment**

The resource-based view proposes that to be a source of competitive advantage resources must hold simultaneously a number of characteristics:

- Resources must be valuable i.e. it must allow the firm to its efficiency and/or effectiveness.
- Resources must be rare, i.e. they must not be possessed by a large number of firms.
- Resources must be imperfectly imitable, i.e. others firms cannot copy and thereby obtain equivalent resources. If the firm's competitors can copy the resource and if they were to do so the firm's advantage would be nullified.
- Finally there cannot be any strategically equivalent substitutes for them. If a resource can be easily substituted by another resource that delivers the same effect then it cannot remain a source of competitive advantage.

Resources that meet all these criteria are often called core competencies (Prahalad and Hamel, 1990).

One can suggest that competitive advantage is very often no longer dependent on investments in machinery, on products' attributes or on any tangible resources, because of the dynamic conditions of the market. Any tangible resources can be purchased or replicated. Hence, we can propose that intangible assets such as knowledge, the skills and capabilities firms are likely to be key to performance (Sobol and Lei, 1993; Bowman and Ambrosini, 2000). Basically this means people - human and social capital are the bases of success, not equipment etc. This is in accordance with the argument that what matters most in organisations are people (Pfeffer, 1995; Pfeffer and Veiga, 1999). It is in this respect that the employability initiatives can be seen as critical to the generation of corporate and societal competitive advantage. One of the outcomes of the initiatives should be the availability of a skilled workforce attracted to work for a company to whom they feel goodwill. To produce high quality products, to deliver impeccable service and to keep abreast of technological development organisations require skilled employees. They need to hire employees who are able to share knowledge and develop firm specific competences. Without skilled employees firms cannot develop core competencies

(Leonard-Barton, 1992). The core competence of the organization lies in the knowledge and skills of its people. Basic codified systems do not create competitive advantage. It is the skills and abilities of people that dictate the future of the organisation.

One can argue that another one key resource that is likely to be generated from the employability initiatives is reputation. In a cut throat environment and in an environment more and more sensitive to CR issues one can argue that firms associated with helping the community by facilitating economic development will have a sales advantage above and beyond others. Reputation is a difficult resource to build it takes time and hence it is difficult to copy. Further resources which have been created are the networks within the alliances and in particular with the European Commission. By working on developing and maintaining strong relationship with the EU commission companies are most likely to be able to influence policy making in such a way that confers an advantage (Russo and Fouts, 1997).

Finally, a key intangible asset that has been built is that of partnerships and networks. But the advantage is not just for the organisations involved, but also society. Each partner brings its own skills and adds at different levels of the value chain to provide both internal assets but also leverages that effort to the benefit of society. In particular, working at a government level, it allows projects to have sufficient scale both to be effective but also to command greater focus.

## **Conclusion and Reflection**

In this article we have described how Microsoft has gained competitive advantage from Corporate Responsibility initiatives and so how these strategies are available to all firms. But there remains our initial question of how to decide what activities to undertake and how to gain that advantage. In reflecting on this experience, we can point to the following features:

- The activities were part of the core competencies of the business, so alignment of CR activities and core business delivers impact and sustainability.
- Both society and Microsoft gained – but the social involvement wasn't only instrumental – i.e. Microsoft didn't set out to do it to make money – this is part of what business does to last and sustain business success in the long term. In fact, in today's business world it needs more than good products to be a great company.
- The activities were coordinated with civil society, industry partners and government and were part of a wider socio-economic agenda.
- Microsoft didn't work alone – it had key partners – there is a network and a new form of partnership that is emerging along the value chain that spans from “access to training to employment opportunities”.
- Microsoft's staff were directly involved and this is key in developing intangible assets and where competitive advantage is gained by knowledge
- Inevitably resources and involvement has to be prioritised and having both a strategy for social activities as well as clear targets helps set those priorities.

We may not yet understand the mechanisms that link business as part of society, but it is clear that business can be part of the solutions to some of society's problems.

#### Elements for further learning

- This venture is very ambitious but it is only at its start. The impact and outcomes still have to be monitored and measured in the years ahead towards the achievement of the targets by the end of 2010.
- Microsoft chose to bring forward a new partnership-based approach which includes industry and other stakeholders. The effectiveness, benefits and barriers of such approach still need to be evaluated. Surely it is best to look at the issue of training and unemployment with an end-to-end perspective, which mirrors every step of the value chain and maximizes the value added of each partner at every step.
- While it is essential for a company to align its CR strategies to the policy priorities, there needs to be a balance with the company's core business in order to sustain and develop the programs in the long term. In this case the three elements aligned perfectly. What would be the impact if this was not the case?
- How will the EU CSR Alliance act as an enabling environment for these types of new CR activities which are attempting to balance policy making, societal and business goals? Is this a road to redefine, modernize and guarantee the sustainability of the European social model?

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