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August 4, 2009

[Julia Taylor Kennedy](#)

JULIA KENNEDY:
Welcome to the Carnegie Council's Global Ethics Forum. I'm Julia Kennedy.

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[Ethics in Business: Interview with Joseph Cahalan](#) (Audio)

I recently sat down with Joe Cahalan. He wears two hats at the Fortune 500 company Xerox. First, he's the corporation's vice president for communications and social responsibility. Second, he is president of the Xerox Foundation.

Cahalan has been at Xerox for more than 35 years and holds a doctorate in mass communications and politics from New York University.

Xerox stands out for its history of ethical business practices and a current push towards sustainability and transparency. The company works closely with the U.S. Environmental Protection Agency to develop energy-efficient products, has drastically reduced its own greenhouse gas emissions, and has won numerous awards for its efforts. The Xerox Foundation gave \$12.5 million in 2007, mostly to educational institutions.

Cahalan began our conversation by telling me about the legacy of corporate citizenship at Xerox.

JOSEPH CAHALAN: Working for a large corporation was the furthest thing from my mind. I wanted to work in politics, government, or education. In fact, the Carnegie Council would have been a great place to work, but I didn't know it existed. Maybe it didn't back then.

I answered a blind ad in *The New York Times* for a position with Xerox and did not refuse to go on the interview, because I thought it would be a waste of their time and my time. It's a long story, but I eventually went to Xerox, kicking and screaming, because I didn't know a thing about corporate responsibility or what it might entail, and that's not even why I was brought into the company. I quickly evolved into that area of the company. I have seen it change dramatically in Xerox, and I think our experience probably parallels what a lot of, let's say, progressive companies have experienced over the last almost four decades.

When I came to the company, it was 1971, four or five years after the race riots of the 1960s in most American cities. Xerox had jumped in to address that problem with both feet. They did it because the race riots in places like Rochester, New York, where the company was founded, devastated the city and were a real jolt to the conscience. So I think companies like Xerox got into that whole area of trying to do something about the inner cities in general, and African-Americans in particular, out of guilt, some good intentions, but never a thought that it might also be good for the business. It was an ethical consideration and a moral consideration.

The arc of the way that has changed over the years is that the more Xerox found out about the value of inclusion—that good talent comes in all colors and genders and religions and ethnicities and sexual orientations—the company became stronger and stronger because of it. So now we consider diversity a

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competitive strategy. It's a way to make the company better, to bring better people into the company. I think that sort of parallels the way philanthropy, corporate responsibility—all that big ball of things—has sort of changed from a good thing to do to a good business strategy as well.

JULIA KENNEDY: And, of course, you are showing the returns on that investment with your new CEO, [Ursula Burns](#). Tell me a little bit about working with her. You have been there as long as she has, longer even.

JOSEPH CAHALAN: Longer, actually, right. Ursula is a fascinating demonstration of this whole philosophy. Ursula was brought into the company as a summer intern.

JULIA KENNEDY: And, of course, I should mention, she's the first black female CEO of a Fortune 500 company.

JOSEPH CAHALAN: Correct. She was brought in in a program run by the Xerox Foundation of giving grants to schools of engineering to try to attract women and minorities into engineering. Then she applied for a summer internship, got it, and, as she likes to say, never left the company. It's not quite accurate. She went back and finished her degree and then joined the company.

That's sort of a one-off, but rather dramatic example of doing something out of ethical considerations or moral considerations and winding up, years later, with an experienced, dedicated, passionate, committed CEO.

JULIA KENNEDY: How have you seen the issues that Xerox is working with in terms of corporate responsibility change over the years as well?

JOSEPH CAHALAN: Again, a good question. I think we are much more apt now to take on tough problems with the intent of making a dent. I think there is much more of a roll-up-your-sleeves attitude to problems, like education reform, like sustainability, like diversity, rather than to just tinker around the margins of it or write checks. When I joined the company, it was considered a good thing to write a check to a university and go present it and have the picture taken and a little article in the newsletter, and that was the end of it, until a year later, when you wrote another check.

That's almost nonexistent now, at least in my experience. Ninety-five percent of the money that we give goes to organizations where people are already involved. Our money actually follows our people's commitments and desires. So that has changed. It's much more about problem solving and trying to get something done as opposed to putting a little balm on the conscience and just sending money—not that money is easy, especially in this climate, to give away. There is much more of an edge to it, a business edge of really trying to get something done.

JULIA KENNEDY: Tell me a little bit about some of the educational initiatives that you have now. That's a major push at the Xerox Foundation. Tell me a little bit about some of them.

JOSEPH CAHALAN: I think the major one I already hit upon, but I'll expand on it just a bit. It's an effort to get particularly women and minorities, but all young Americans, to consider educational degrees and then careers in the sciences, engineering, math—the so-called STEM subjects—because we are in a race with other countries, most notably India and China—all around the world, really, Brazil coming on strong. We are really in a race for talent. Until maybe ten years ago, America had the luxury of attracting students from overseas. They would come here, get their advanced degrees, typically, and they didn't have opportunities to go home to.

Now they have tons of opportunities. So although we still educate a lot of people from abroad, they don't stay here in the numbers that they used to. Visas are tougher to get post-9/11. There are a whole host of reasons that have made it critical for large companies to want more young people to at least consider careers in engineering and science and research.

So our big thrust is behind that. We do it from the high-school level up through the Ph.D. level—really focused programs to get especially young people to pause and say, "Oh, that's cool. I'd like to know more about engineering."

I always kid people that if I were king, I would have a great TV series about scientists and engineers. "CSI" and some of those shows are doing a little bit of it. There are all sorts of shows about being a doctor or a lawyer, but—

JULIA KENNEDY: Right, "The Intrigue at NIH," that kind of thing.

JOSEPH CAHALAN: Yes, yes, or "Friends" and "L.A. Law" merge into a great show about young researchers and engineers.

Anyway, we are very focused on that.

But we are also just focused on getting people prepared to enter the workforce with the skills they need to compete in a global economy and a 21st-century economy.

JULIA KENNEDY: You touched on this also earlier when you were talking a little bit about the race riots in Rochester. I'm curious about the culture at Xerox and what allows it to be one of those more progressive corporations.

JOSEPH CAHALAN: It's a very big question. I would say at the top of the list is sustained leadership with an attitude that companies—it sounds like a cliché—have a responsibility to put something back, to leave the planet better than we found it. That started with the founder, a man named [Joe Wilson](#), who lived in Rochester and really jumped into the African-American inner-city issue with both feet. Then it has been continued by every chief executive officer since. It's not just the inner cities, but whatever mark they wanted to make or that they wanted to have the company make became important.

So there is a tone that is set by leadership. I think it's a part of ethical leadership to set that tone, that this is something people care about.

I don't want to harp on diversity, but if you go back to diversity, the company started to hire racial minorities in huge numbers in the 1960s. In the 1980s, we started to hire women in huge numbers. If you do things long enough, it changes the company. Nobody at Xerox would point to Ursula and say she got that job because she's black or female. There are so many blacks in the company, so many women in the company, because the founders of the company years ago started these programs of bringing people in, and the cream rises to the top.

JULIA KENNEDY: Of course, Xerox is a large company. It has jumped into emerging markets with both feet. What are some of the challenges that that poses, to continue that culture of responsibility into developing markets?

JOSEPH CAHALAN: Again, I think when they see the leadership in the States, that's a big ingredient.

Another part of it is moving leadership around the company. They don't stay in one spot. They see other parts of the world. Our European operations are run by a Portuguese man, our research and development by a Belgian woman. Our chief of staff a few years ago was a Cuban. There is a lot of cross-fertilization. That's deliberate. Most of the leadership teams are indigenous. They are from the host country. But there is always a seeding of a few Americans there and we always have Europeans and Middle Easterners and Japanese and Latin Americans on the corporate staff. I think that's part of it—moving the leadership around.

JULIA KENNEDY: Let's talk a little bit about sustainability now. Xerox is also well known for its sustainability efforts and working with the U.S. government to develop [ENERGY STAR](#) products. How did that get started at Xerox? Why is it such a big priority for the company?

JOSEPH CAHALAN: It's a huge priority. It has been around for a very long time. The same thing—it started in the late 1960s with remanufacturing of parts for products. Frankly, I'm not sure that I could point to a thing that

started it, like the race riots for diversity. But I'm pretty sure that our Brazilian operations were a big thrust to this in the early going. We have and had manufacturing operations in Brazil. Brazil, for lots of reasons, cares more about environmental stewardship than other countries, perhaps, because of the Amazon and the forestry. So I believe that's where it got its impetus.

But it quickly became, again, a conscience matter. We were taking resources out of the planet and we should be mindful of how we do that in the least obtrusive, most sustainable way.

Then we had a whole series of innovations. We found out, every time we did something because we thought it was right to do, we made money. Remanufacturing machines saves you hundreds of millions of dollars over the years. Someone in one of the research labs came up with the idea—you'll laugh at it now because it's so obvious—of two-sided copying. Nobody was doing it. But we thought we could cut paper consumption by half. It made money. The customers wanted those kinds of products.

Now it's integrated into just about everything we do. It's a major part of our offerings to customers.

There is a bit of an irony here. A company that was founded on paper—we are part of the problem of using lots of paper—we are sort of agnostics now on whether people want to use electronic documents or paper documents. We bridge those two worlds and help our customers do away with paper.

JULIA KENNEDY: How much did you, then, in the communications department, really use this to your advantage in terms of marketing and sales?

JOSEPH CAHALAN: I went to journalism school here in New York City, at Fordham University. I had a professor that described public relations as—I'll never forget it; it took us weeks to arrive at this joint definition, which he had in his mind all along, I think—public relations is doing good and letting others know about it. He was very insistent that it wasn't telling others about it.

Our communications around things when we start to do them is very low-key. We sort of let the world discover it, and if they want to write about it, we welcome that and we cooperate with them. Then, when it sort of gets baked into the business, as does sustainability now, we promote it through marketing brochures and sales tools.

JULIA KENNEDY: So you have a soft opening.

JOSEPH CAHALAN: We have a soft opening and a not very hard ending. We don't go around crowing about it. But people find it.

The philanthropy also dovetails in here. We do a lot now around the area of sustainability from a philanthropic thrust. There are two very big grants for us currently.

One is with Rochester Institute of Technology, which is our U.S. headquarters, Rochester. We gave, I believe, a \$1 million grant—I hope I'm right about that—to Rochester Institute of Technology for a new [Golisano Institute for Sustainability](#) that looks at ways to manufacture more effectively. We have another great partnership with the [Nature Conservancy](#), also \$1 million, that is just ending. We are looking at what the next few years holds for the Nature Conservancy. They are doing a ton of work in the forests in northern Canada on sustainability, helping paper companies. We have very rigid requirements for how we source paper. They are trying to use those requirements, to broaden them to other paper suppliers and protect the forests in Canada, find out what they learn there, and then spread it to Indonesia and Brazil and other countries.

So a lot of these pieces sort of come together.

JULIA KENNEDY: You have to have a lot of people who are asking you to support their programs. How do you decide which ones to support?

JOSEPH CAHALAN: Great question. I'll answer it in two ways. One, we have a committee that screens all of the applications and then a board of trustees

that votes on grants more than \$25,000. That's part of the answer, that there is a group of Xerox people that screens them and then another group that is decision makers.

Then we have a scorecard. When we get serious, everybody gets a vote. The five things they are scoring are:

- Does it fit the strategic thrust that we are trying to do?
- Does it serve a diverse audience? If we are supporting an orchestra in a community where we have a lot of people, we'll ask them how they think about diversity and use our money as leverage to get them to recruit orchestra members more broadly or to go into schools, inner-city schools, for programs. So we are always looking for a diversity hook. It's a real big value to the company.
- We are looking at the quality of the organization and the management of the organization.
- We are looking for leverage. By that we mean, can our money be leveraged to take the organization to new heights or in new directions or start a program that might be replicated by other organizations? So we are not so interested in dropping a pebble in a pond and having no ripple.
- Lastly and very important, we are looking at whether some Xerox people are already involved in this organization. If they are not, is there an opportunity to get one or more of our people involved? We find sending the money—it's both easy and not very effective. But sending money where you have some people involved, on a board, on a committee, overseeing the money, and coming back to the company and saying, "We could use volunteers to help in this," or, "We could use resources," or, "There's some opportunity to do more here than just send the money."

I get asked a lot, what are the odds? The odds, believe it or not, are about 150 to 1. In other words, we get 150 applications for every one that we actually fund. Now, it's a slightly inflated figure, because some of them are just ones you wouldn't consider. But there are a lot of incredible organizations out there.

JULIA KENNEDY: The financial crisis has hit every funding organization hard. Xerox has had a particularly hard time in the last couple of quarters. How has that affected the foundation and the types of corporate-responsibility programs you are able to keep running?

JOSEPH CAHALAN: We're flat. In other words, we decided that we would spend the same amount of money in 2009 as in 2008, that we wouldn't cut back on our philanthropy during a tough time. That's one part of the answer.

Loyalty is a big part of our culture. We are staying with our partners that we have funded for a period of years. For new things, where we had a three-year commitment that we might never renew, we are creating a little kind of new money that we are putting into social services—places where people who are impacted by the recession would go.

It's an easy time to cut back, but not a wise time. People need it.

JULIA KENNEDY: How about on the sustainability end? I know Xerox has been spending a lot of money to try to reduce carbon emissions and move more in that direction. Are you holding that steady now as well?

JOSEPH CAHALAN: Yes. I'm a big guy on language. You said that we are "spending a lot of money." We would actually say that we are investing it, which is an important distinction. Because of that, in a tough time like this, you try to keep your investments that are going to have long-term paybacks whole. A lot of our sustainability investments are in the area of research and development of new products, new techniques, new services, new software. That's all being kept whole. It's in remanufacturing products, creating waste-free products. That's all kept whole. We just brought out a new line of color printers that use a lot fewer supplies, with less carbon footprint than

anything else on the market.

So we are continuing to push ahead very aggressively on sustainability.

JULIA KENNEDY: Actually, that leads into what I wanted to talk about, which is, from a bigger business strategy standpoint, how does Xerox hope to proceed?

JOSEPH CAHALAN: This new product line is a prime example—color printers for the office environment. They bring the benefits of color copying and printing to the office at black-and-white prices, but they reduce the carbon footprint as well. They use many fewer supplies.

We are working with customers to use electronic documents more and more. When I came to Xerox in 1971, I think it was three years later that *BusinessWeek* had a cover story about the paperless office that sent shockwaves through Xerox. Here we are, 35 years later, and the use of paper in the office continues to escalate. We are actually very, very aggressively trying to stop that flow and give customers an option. So using more electronic documents, and using them better, is part of our future.

JULIA KENNEDY: Because you have that services wing of the company, which I think a lot of people don't know about.

JOSEPH CAHALAN: Yes, which is growing. We have centers that host electronic documents for companies. We are the repository and we hold them and send them back to you.

We are working on things like erasable paper, paper that would lose its images over a period of a couple of days when you don't need them, and you can reload it and use it again.

JULIA KENNEDY: Wow.

JOSEPH CAHALAN: We are very aggressively pushing that and not pulling back on investments in that area at all.

JULIA KENNEDY: In terms of the corporate social responsibility and the foundation parts of Xerox, what would you like to see in the future?

JOSEPH CAHALAN: I would like to see us more global—

JULIA KENNEDY: In terms of organizations you support?

JOSEPH CAHALAN: Yes. I think we will continue to be more strategic. This has been an evolution in my own thinking. As a younger guy in business, I thought that if a company gave money as a pure philanthropic gesture, that somehow was better, it was purer than giving money that had some sort of an edge of bringing something back to the company. I think I've landed in a place where I feel very comfortable that a company can do both, like us. We give a lot of money, as we talked about, to education. We hope that some of the people that benefit from that will come to Xerox. We know that most won't, but maybe if our competitor is doing the same thing, we'll get some people that went to school on their scholarship, and it will all work out.

It used to be called enlightened self-interest. I don't know what it's called today. It's called strategic philanthropy, I think.

I think that's here to stay and we will get more strategic. I think that that's a good thing. When it was pure philanthropy, it could too easily be cut in bad times. If it was just pure, pure philanthropy and the recession hit, I think you would have seen a lot more cutback in philanthropy. When there was a change in CEOs, you could see a discernible shift in many companies: The museum guy is out; soup kitchen is in. It would switch and it would ricochet back and forth, depending on who was in power. When it becomes more strategic and more aligned with the business and more integrated into what the business is trying to accomplish, I think it's more solid and I think it's more enduring. So I think that will be a big change.

JULIA KENNEDY: What fabulous insights. Thank you so much for sitting down with me.

JOSEPH CAHALAN: I've enjoyed it. Thank you. I can't believe we spent a half-hour.

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