Corporate Citizenship Research Unit

Corporate Citizenship and Sustainability

Sustainable Capitalism and New Economics

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Corporate Citizenship

In the last few years there has been a marked increase in interest in issues of corporate citizenship (see for example Elkington, 1997; Carroll, 1998 and 1999; McWilliams and Siegel, 2001). More and more people, individuals and groups, are increasingly calling on business to be more economically, environmentally and socially sustainable; to be accountable and transparent; to be inclusive; to be ethical and more equitable. These are some of the key issues within the corporate citizenship discussions as they have developed since the 1940s, and which have gained momentum again in the late 1990s and beyond. It is becoming clearer that the social (and environmental) has to be incorporated, not as an add-on to a company's economic activities, but as an essential, integral, more social redefinition of that company, in order to better reflect the rapidly changing post-industrial economy we now fund ourselves operating in (see Bell, 1974 cited in Beesley & Evans, 1978: 16).

Peter Drucker in his classic *The Concept of the Corporation* wrote over fifty years ago that what is needed in a redefining of a corporation as a social institution, 'is an integration of the worker as a partner *in* the industrial system and as a citizen *in* society' (Drucker, 1946: 137), arguing strongly that 'the relationship between the self interest of the citizen and the interests of society is the most fundamental question of a free society.' (Drucker, 1946:214). That argument has since been applied well beyond the individual to the corporate world, and is where corporate citizenship, as a significant way of rethinking business, most significantly functions today (see also Moon, 1995; Marsden & Andriof 1998 & Birch (ed) 1999).

David Korten challenges business, uncompromisingly, by asking 'If our concern is for a sustainable human well being for all people, then we must penetrate the economic myths embedded in our culture by the prophets of illusion, free ourselves of our obsession with growth, and dramatically restructure economic relationships to focus on two priorities:

1. **Balance human uses of the environment with the regenerative capacities of the eco system, and**
2. **Allocate available natural capital in ways that ensure that all people have the opportunity to fulfil their physical needs adequately and to pursue their full social, cultural, intellectual and spiritual development.' (Korten, 1995:50)**

Rethinking business strategy, therefore, along these lines requires a change in the culture of an organisation but it also opens up 'new opportunities to reassess other aspects of business.' (Welford, 1995:77) The challenge is to establish a corporate culture 'consistent with the concept of sustainable development'. (Welford, 1995:114).) What is needed, Welford and others argue, in order to achieve objectives like this is to work much 'smarter' (Halal, 1986) and to think more systemically than perhaps we have done before. Is Australian business engaging with this and changing itself?

Tilman Peter Oehl, for example, recognises that 'A corporation that regards itself as a corporate citizen is necessarily more political. It cannot remain neutral if something goes wrong in a society its success is based on.' (Oehl, 1993:211). To that end, Will

Hutton argues persuasively that an imperative for sustainability, and, therefore, effective, holistic, corporate citizenship, 'must be to build a free moral, socially cohesive society based on universal membership, social inclusion and organised around the market economy.' (Hutton, 1999:88) Society, therefore, at least western developed society, can no longer be considered in unitary terms - it needs to be understood as pluralistic (Drucker, 1993:51), not only in its make-up, now, but also in its expectations. But, as Charles Fombrun suggests, moral principles alone constitute a relatively fragile defence for encouraging corporate social responsibility, and he proposes that 'the argument for corporate citizenship is significantly strengthened when buttressed by two additional structural pillars, social integration and the long term sustainability of the business enterprise.' (Fombrun, 1997:35). Social integration and long term sustainability, in Fombrun's terms, cannot happen without serious redefinitions of some of the key defining imperatives of contemporary western society. To what extent, then, is Australian business defining corporate citizenship in these more holistic terms?

If we accept the premise that corporate citizenship can no longer be seen as discretionary (McIntosh et al, 1998:xxiv, see also see Birch & Glazebrook, 2000 & 2001) what is the extent to which Australian business engages with this premise? What, if any, are the levels of disclosure of information, transparency, inclusivity and accountability from Australan business; what, if any, are the more intangible social goals not generally associated with the core activities of business (see Johnson, 1979:9)?

To what extent does Australian business accept the hypothesis that business receives its licence to operate from society and ultimately should be accountable to the society for what it does and how it does it (see Anshen, 1980:6; see also Piore, 1995; Reder, 1995; Sheikh, 1996; Handy, 1997; Turner & Crawford, 1998)? And, following on from that, to what extent does Australian business embed this hypothesis into its core business activities? Is Australian business radically transforming itself to meet its social, environmental as well as its financial obligations?

In general, in Australia, some companies have taken a very decisive move in developing corporate citizenship programs and policies because of corporate citizenship debates, and at some levels of Government, Federal, State and local, interest, though not necessarily policy change, has been high. The Business Council of Australia, The Australian Institute of Company Directors and the Prime Minister's Business Community Partnership have all become involved, in one way or another, with some of the issues. But there remains considerable confusion about what exactly constitutes corporate citizenship. For many, especially as expressed in the mainstream media in Australia, corporate citizenship is generally defined as corporate philanthropy – a means of a company 'earning' its license to operate in a community by virtue of its 'good deeds'. This definition lay at the heart of the Australian Prime Minister's establishing of the Corporate Round Table, and now, its development as the Business Community Partnership. Many in business would concur with this definition.

However, at the First National Conference on Corporate Citizenship in Melbourne in November 1998, organised by the then newly established Corporate Citizenship Research Unit at Deakin University, other definitions emerged – definitions more closely linked to sustainability, long term corporate/community involvement and the powerful concept of the Triple Bottom Line, where the financial, social and environmental bottom lines come together to more strategically define corporate responsibilities beyond the single economic bottom line (Birch, 1999). What emerged from that conference, apart from the clearly developing interest in all sectors in Australia of the need to engage more fully with corporate citizenship – however defined – was to assess, as much as possible, not so much what individual companies were actually doing in terms of their corporate/community activity - but whether those companies were thinking strategically and long term about corporate citizenship issues, and if they were, whether this thinking was being translated into a business-case driven philosophy of corporate cultural change.

A very valuable survey of 115 companies in Australia, commissioned by the Prime Minister's Business Community Partnership and conducted by the Centre for Corporate Public Affairs in 1999/2000, in association with the Business Council of Australia, had answered many of the questions about the 'what' of corporate/community involvement - sponsorship, cause related marketing, business/community partnerships, matched giving schemes, volunteering, pro bono work, and so on – activities which, for the most part, have little, or no, effect on long term corporate culture (see *Corporate Community Involvement*, 2000). But what was also clearly needed was a much more defined understanding of the level of strategic thinking in the business-world in Australia about corporate citizenship and its place in the proactive development of long term core business, and not simply as a reactive short term 'feel-good' add-on, or marketing/branding device.
In a comprehensive study of the Annual Reports, CEO statements and company publications, of the top 500 companies in Australia issued between 1995 and 1999, Mark Glazebrook of the Corporate Citizenship Research Unit, found that only 37 of these companies (7% of the 500) actually viewed corporate citizenship as 'central to the strategic direction of their business', as demonstrated through their vision statements, business objectives and overall performance measures for company directors (Glazebrook, 1999:122). Of these 37 companies, 15 had only taken this step in 1999. It was clear from this study that individual companies interpreted corporate citizenship in different ways, with eight priority areas ranked as follows governance, ethics, sponsorship, stakeholders, partnerships, product stewardship, environmental responsibility, social responsibility (Glazebrook, 2000:7).

Valuable though this analysis was, and still is, Annual Reports and Vision Statements, in many cases, tend to be aspirational in the more intangible areas of triple bottom line and corporate citizenship/responsibility issues, and may not always reflect reality. Recognising this study as a useful indicator of more recent trends in Australia towards thinking about corporate citizenship, the Corporate Citizenship Research Unit decided to follow up on its findings and conduct a more detailed follow-up confidential survey of the attitudes to corporate citizenship and practices of corporate citizenship of large Australian firms. The results were obtained from a mail questionnaire sent to 500 of the largest private and public-listed firms in Australia. Overall, 93 useable questionnaires were received and processed. The results presented here are generally consistent with studies in other developed countries including Japan, the US and France (Lewin, Sakano, Stephens and Victor, 1995; McWilliams and Siegel 2001).

The survey investigated three main areas: the extent that a company understands the main terms used within corporate citizenship, the extent to which a company has incorporated the main terms and themes of corporate citizenship into its corporate culture and core business, the extent to which a company has developed strategic thinking and practices with respect to strategic corporate citizenship and its involvement with the community.

Corporate citizenship is seen by most companies in Australia as generally synonymous with corporate community activity, and is not perceived as being embedded in the mainstream core business policies and practices of a company, or the way in which the company is organised and run. Corporate citizenship tended not to be mainstreamed with environmental issues in most company cultures, and overall, environmental issues played a much more marginal role in a company's understanding of corporate citizenship than did community involvement, of one sort or another thus signalling that there is little ownership of these issues embedded at all levels. Most respondents believed that involvement with corporate citizenship and related issues was marginally important for them personally since it would be beneficial for their careers. However the largest single group felt that championing these issues was career neutral. What is important is that very few believed that championing these issues would be "career suicide". Overall a majority of respondents felt pleased with their firm's development of corporate citizenship issues.

If the common view among the respondents is that corporate citizenship embodies voluntary community involvement, what processes are in place to manage these arrangements? Overwhelmingly most firms distinguish between national versus state programs when making community investments, while an important feature was that they were sourced from global or central budgets that are approved by senior management. This suggests the agenda was driven "top-down" rather than from a grass-roots level and was therefore dependent on the vision of senior management. Community activities when they are funded are generally advertised in the annual report of the firm or newspapers. However only a bare majority of firms formally review and evaluate community investments over time.

Overall, there was considerable hesitation in positioning corporate citizenship as a proactive, long term, internal corporate culture process. The emphasis throughout the survey was generally on short-term community activities. The development of long-term business or community partnerships was not high on the agenda of most of the companies surveyed. While there is clearly a general commitment to corporate citizenship as expressed in short term corporate community investment and involvement, this is not, at the moment in corporate Australia, generally managed in a disciplined, transparent and accountable way. The level of public availability of company policies and procedures for community investment, for example, is not high, and the level of published accounts and evaluations very low. While there is clearly a willingness to engage in corporate citizenship – much of it is aspirational and not actually embedded in company policy or practice, even when narrowly interpreted as short-term community activities. Clearly, significant links have yet to be made by corporate Australia to connect the financial, social and environmental bottom lines.

The issue is how might that be done? Increasingly now, especially within a European context, these issues are more and more being positioned within the context of 'the new economy' – not, as narrowly interpreted in Australia as the IT Industry, but 'as no less than a socio-economic revolution that impacts on all aspects of our relationships with others and ourselves.' (Zadek, et al 2000a: 5).

Sustainability and New Economics

The new economy 'is fundamentally an organisational phenomenon, characterised by shifts in speed of change; the relevances of knowledge, innovation and communication; and shifting proximity.' (ibid). Corporate citizenship and sustainable development are integral to this understanding of the new economy 'in that companies will take greater account of their impact on society as a business basic,' although, as Simon Zadek and others point out, 'this does not mean that business behaviour will necessarily be better or worse.' (ibid), because there are elements within the new economy that can just as easily undermine good corporate citizenship and sustainable development as encourage it (ibid).

Seen as 'an organisational revolution', the New Economy 'embraces increased volatility and insecurity, shorter term and contingent careers and jobs, and shifts the basis on which people interact with each other as individuals and communities. But it also opens up amazing opportunities for generating economic wealth, and indeed, social and environmental gains. The New Economy, like all social phenomena, does not therefore create *necessary* goods or bads, but rather new patterns of possible outcomes that need to be variously pursued and offset, which is where corporate citizenship comes of age.' (Zadek, et al, 2000a:7)

At the heart of the New Economy, then, is a much deeper understanding of the importance of stakeholder (including shareholder) dialogue and influence. Corporate citizenship, as part of the New Economy therefore 'implies a strategy that moves from a focus on short-term transaction to longer-term values-based relationships with these stakeholders.' According to Zadek, and others, this 'is exactly what one would expect in the New Economy, where loyalty will be based on a company's ability to build a sense of shared values and mission with key stakeholders.' (Zadek et al, 2000a:8) As James Wolfensohn, President of the World Bank, says, 'The New Economy is shorthand for nothing less than a revolution in the way business works, economic wealth is generated, societies are organised, and individuals exist within them.' (Wolfensohn, 2000 cited in Zadek et al, 2000:9).

Corporate Citizenship, as an integral part of the New Economy, then, is about communication between all stakeholders in society in order to build social capital in order to build sustainable societies. To do this involves business, government and community recognising that business is a significant social enterprise shaping community values, attitudes and cultures. But, recognition of this is not enough. We need to know the extent to which business shapes culture. We need to know where the real drivers of change will come from, where they will go and what they will achieve.

As The New Economics Foundation (NEF) founded in 1984 by the leaders of the Other Economic Summit (TOES) as a challenge to the economic thinking of the G7

Summit type, makes clear in all of its work, ‘conventional economics is the story of cash-flow. It leaves out the fact that every economic activity – from the corner-shop to the multi-national economy – has an impact beyond money alone. Money’, the NEF claim, ‘is only part of the whole economy.’ (NEF publicity material).

New economics, according to the NEF ‘looks at the whole way we create wealth, and what we mean by wealth…It demonstrates the need for an economy where:

- Every economic transaction, however small, takes account of its environmental and social impact

- Every organisation is accountable to the people involved in it

- People of all; backgrounds are respected

- Production, trade and consumption operate on a more local, human, scale

- Unpaid work and care are valued’ (ibid)

But the NEF recognises that ‘building a new economy takes tools’ (ibid). These include:

- Social accounting
- Ethical auditing
- Sustainability indicators
- Social investment
- Alternative currencies

The NEF have six main areas of action research and policy work:

1. Values Count – Building Corporate Accountability
2. The World View – Reshaping the Global Economy
3. A More Civil Society – Redefining the Third Sector
4. Small is Bankable – Growing Community Finance
5. People at the Centre – Participation
6. Telling it like it is – Asserting the New Economy

It is the underlying concerns of these six areas that are likely to be the main drivers for the corporate world, in closer partnership with government, civil society, a wider range of stakeholders, and the increasing number of shareholders, especially indirect shareowners, for achieving sustainable growth economically, environmentally and especially socially, in the future.

Social Responsibility: Individual Aspiration and Institutional Change

In May 1999 Environics International Ltd, in cooperation with the Prince of Wales Business Leaders Forum (UK) and The Conference Board, Canada conducted a survey involving 1,000 citizens in each of thirty-three countries the results of which were published as, *The Millennium Poll on Corporate Social Responsibility.* Two in three respondents wanted companies to go beyond their historical role of making a profit, paying taxes, employing people and obeying all laws wanting companies to contribute to broader social and environmental goals as well. Business actively contributing to charities and community projects was not considered sufficient as an expression of corporate social responsibility.

This poll underlines what has been a growing awareness in many countries in recent years, which is that 'ordinary' citizens are increasingly insisting that the corporate world plays a more active, and strategic, role in contributing to the social and environmental, as well as the economic agendas of the societies in which they operate. Respondents were asked in particular to decide which of the following they preferred to see a company doing:

- Making a profit, paying taxes, employing people and obeying all laws (position 1)

- Exceeding all laws at a higher ethical standard than required or (position 2) or

- helping to build a better society for all, (position 3)

In Australia 8% accepted the first proposition that a company should make a profit, pay taxes, create jobs and obey all laws, with 43% arguing that a company should operate somewhere between position 1 and 2 with a further 45% arguing that companies should set higher ethical standards and help build a better society.

Overall the main findings were that business should:

- Demonstrate their commitment to society's values and their contribution to society's social, environmental and economic goals through actions.
- Fully insulate society from the negative impacts of company operations of its products and services,
- Share the benefits of company benefits with key stakeholders as well as the shareholders and demonstrate that the company can make more money by doing the right thing, in some cases by reinventing its business strategy.

The challenge, of course, is how to translate these individual concerns into real and effective institutional change. NGO advocacy has been one of the routes taken, sometimes successfully, but mostly not. Another, more effective route, which many are now exploring, is the building of Business/NGO partnerships, based on mutual benefit and not simply antagonistic relations as has often been in the past (see Birch, 2001a). Another is to better understand the thinking of shareowners and to consider those ways in which that thinking can translate into the sort of power relationship which can see effective change take place in business – not simply for short term economic gain, but for the long term building of more sustainable and socially cohesive societies, especially as shareholders, 'even when they own a majority of the shares; do not always have the opportunity to direct boardroom behaviour.' (Bottomley, 1994).

It is becoming clearer, both from studies of individual shareowners and from institutional investors, (see Shareholders' Project 2001a & 2001b) that there is a change taking place in the investment market. It shows, in the words of the Shareholder Survey (2001b) *'a tendency to pay more attention to the ethical and socially responsible dimensions of investment decisions. Among superannuation funds, this change is led by trustees; fund managers tend to be more cautious about it. The change is careful, tentative, at times uncertain, yet vigorous in some quarters and apparently gaining momentum. It is linked to changes in wider community values, particularly concern for the environment and for the decent treatment of people, as well as to increased demands for transparency and accountability. However, there is a deep divide over this within the investment community. Many – particularly among superannuation fund managers and those making decisions at large investment houses – remain sceptical about the integrity and workability of ethical or socially responsible investment. They take their responsibilities seriously. They see themselves has having an overriding obligation to do the best they can financially for their members or clients. Many say they implicitly take ethical considerations into account, but that they synthesise these with financial considerations. Some of these people see explicit ethical investment as a fad, a gimmick or a distraction. Others simply see immense difficulties in satisfactorily defining what the term means, saying what is ethical to one person may not be ethical to another.*

On the other side of the divide are those – especially trustees in union-related superannuation funds, and investment managers with a specific mandate to make ethical investments – who are strongly committed to this ideal. For them, certain principles are starting to emerge which allow them to make judgments about whether a company qualifies as an ethical investment. Some people express this as the 'triple bottom line' – concern for profitability, concern for the welfare of the people in the organisation and concern for the effects of the organisation and its products on the environment and on society.

Some people see a way of straddling this divide. These people say that the industrial, environmental and social impact of a company can directly affect its profitability, so that they do take these factors into account when making investment decisions, even though they might not dress up their decision-making in the raiment of ethical investment.

It is not clear from the evidence to date', according to the Shareholder Survey, ' how the potential conflict between maximising profitability and investing ethically will be resolved. Does it require a trade off and, if so, how much is legitimate or acceptable to member investors? Some argue that a trade off is not necessary – that good returns can be secured with a balanced portfolio, which takes into account the need to exclude some companies on ethical grounds.

Definitions are difficult, and tend to be idiosyncratic. Some think that investment in gambling is not ethical; others point to tobacco manufacturing or uranium mining or logging in old growth forests or whaling or to the use of child labour as areas of concern. Others say, yes, but where do you draw the line? Do you invest in the bank *that lent money to the casino, or to the manufacturing company that made the cigarette equipment?*

Fund managers tend not to adopt explicit ethical investment unless they are instructed to by the fund that retains them – although several are positioning themselves in the market to do so, and have fashioned products accordingly. Investment houses tend not to adopt explicit ethical investment unless mandated to do so.'

We are, therefore, faced with a twofold challenge here. The first is a reasonably clear recognition that we need to rethink attitudes towards certain industries, because of what we have learnt from environmental and to a lesser extent social debates. And the consequences are relatively easy to put in place - like not investing in a casino. The second is much more difficult as it involves having to rethink traditional paradigms of economic thinking, and the often hard-line maxims that go with them (e.g. a company's principal goal should be to maximise shareholder return) in order to be able put onto a wider social agenda less tangible moral issues, like sustainable futures, social well-being and so on. To do that requires an even more difficult exploration of how individuals *access* institutional power, which is probably the only place where real change can effectively take place.

Sustainable Capitalism

The challenge for sustainable capitalism lies in turning aspiration into real action, and we have little evidence so far in Australia to determine whether such sustainable actions are being made. Only 8% of the 46% who had actually heard of ethical investing in this particular survey, for example, had actually supported them. Nevertheless, we do know that there has been a major rise in socially responsible investment funds, and a maze of guidelines, standards and performance indicators for business to follow in order to be considered appropriate for these funds. But we have a long way to go before we can be confident in knowing that social/ethical and environmental issues are seriously embedded into corporate culture and core business (see Birch & Batten, 2001), but at least we are now asking some serious questions about it. The real challenge, however, from what we learn from these sorts of surveys, is not so much what this tells us about contemporary Australia, for example, but much more about how much smarter and more inclusive we need to be in actually using these sorts of questions and the issues they raise to better read the social future to ask questions that challenge us to actually change - to what we used to call *praxis.*

We know, for example, from the Shareholder Project survey of individual shareholders that when asked what they considered a company's top priority should be, most saw 'being a fair employer', 'making money for its shareholders', 'having a safe workplace'. 'contributing to community well-being' and 'protecting the environment', *in this order*, as important. But the significant challenge this raises is how to translate this aspiration into reality in the workplace that, while it may well share these aspirations, tends to operate on much shorter time lines with old economy short-term financial performance targets and indicators generally taking precedence over long-term sustainable issues. There is a considerable tension in place here between a new economics aspiration for how business should perhaps work in more sustainable, more people-oriented ways, and an old economics paradigm that privileges an understanding of economics as mostly financial and which, therefore, often makes it very hard for business to work differently. The challenge is how to translate individual and even institutional aspiration into effective, real-time, sustainable, socio-economic change.

Two related main themes emerge. One, what constitutes sustainable capitalism and two, what should the economics underlying sustainable capitalism look like? We know, for example, and quoting directly from the Shareholders' Project survey (2001b) that *'traditional practices persist: there is pressure put on companies to produce good returns in the short term, rather than to look to the medium or long term. Fund managers, investment managers and trustees alike speak somewhat regretfully about this, but each feels under pressure from his or her constituency or client base, and simply passes the pressure on. A few respondents said there was room for companies to take the long view, but that they needed a credible and well-articulated vision in order to carry it off in the marketplace. There was also a general consensus that companies these days had to be, and had to be seen to be good corporate citizens. If this involved sponsorships or other community-based investment, so be it. However, sponsorship needed to be done with a sense of propriety and in a spirit of genuinely adding to the well-being of the community. Done crassly, it could be damaging. A minority of respondents said that companies had no business spending their shareholders' money in this way: they should pay out their dividends and let individuals decide whether to give to worthy causes.'*

This last view is certainly not a view generally reflected in a recent survey of the top 200 corporates in Australia conducted by the Corporate Citizenship Research Unit, Deakin University, which demonstrated, across most aspects of corporate citizenship thinking, a significant commitment to corporate citizenship related issues, but also a reluctance to engage long-term, especially with corporate-community relations (see Birch & Batten, 2001). Nevertheless, the Shareholders' Project survey demonstrated that in general, companies were seen to be communicating somewhat better with their major shareholders than in the past. Whether they were communicating more adequately with their ordinary shareholders was not a question that many of the respondents felt able to answer. However, importantly, many of those who did respond said that in general companies did not communicate as well to ordinary shareholders as they did to institutional shareholders.

Business as a Public Culture

Communication is key, because adequate communication flows for growing a business (and society) in sustainable and synergistic ways is becoming more and more important. Not simply as a means of passing on information, but as a significant way of enabling a growing number of stakeholders, including direct and indirect shareholders, to actually *engage* in meaningful ways with a company – and just as importantly, for the company to engage with those stakeholders. Recognition of this engagement marks the difference between business as a private culture in old economic thinking to the beginnings of a company understanding itself as a public culture in new economics thinking (see Birch & Glazebrook, 2000 & Birch, 2001).

Charles Handy, in the *Harvard Business Review* made the important observation that

'A public corporation should now be regarded not as a piece of property but as a community - although a community created by common purpose rather than by common place. No one', he rightly points out, 'owns a community.' (Handy, 1997:26). Understanding business as community, (after all 'company' means community) in this way effectively inverts more traditional ways of thinking about a company as property and, in turn, inverts thinking about the ownership of that property. This then requires quite different ways of thinking about the ways in which the business as community is governed. Handy puts it like this: 'It requires a clearer definition of the bond between individual and organization - something that could be called the *citizen* contract - as well as of the relationships with the other stakeholders, particularly the providers of capital, who must receive their due rewards.' (Handy, 1997:27).

Easier said than done, of course, but increasingly in Australia, as elsewhere in the developed world at least, individuals, business and community organisations (and to a lesser extent government) are engaging with these issues in a way which would suggest that they are not going to go away, and that it is hoped that sustainability, of society and business, as related entities, become increasingly enmeshed. This is certainly indicated in the Shareholders' Project surveys. The challenge is how to put individual aspiration into institutional action.

What is clear, then, is that achieving sustainable success is an organic, risky, process, requiring more than just a few nips and tucks to the strategic plan of an organisation. Such a commitment, if made, accepts the view that long-term benefits (not just financial) will accrue to the business, and to the community as well. This is the base of 'sustainable capitalism'. Sustainable capitalism needs to be at the heart of New Economics – it is about investing in the long term.

Conclusion: The Cultural Politics of Change

If there is a message, then, louder than many of the others within this debate, it is the need for serious sustained and significant cultural change to take place within corporate Government and community sectors. This change is not simply to satisfy some call from left field to make business more accountable, nor is to satisfy some new ageist whim for more environmentally and socially responsible companies. This change is designed to increase the rewards for all, including financial profit, in a world that must seek sustainable success for more and more people if less and less people are to be disadvantaged and marginalised.

The challenge is to find, and act upon, serious new economics business case catalysts for change; to recognise that not all stakeholders, especially indirect shareholders, have, or are able to gain, a voice, as easily as others; that they are not always equal, and yet companies do have to prioritise stakeholder needs often at the expense of other needs. This desire for change presents challenges for business in how it manages stakeholder and shareholder priorities, while at the same time finding ways of speaking on behalf of disempowered stakeholders. Furthermore, the desire for change presents challenges in how we encourage the corporate world to disengage with those it is currently aligned with when it sees exploitation and unethical practices; presents challenges to have in place overt codes of practice; presents challenges to form partnerships only with those who match those codes of practice;

presents challenges to change the culture so that the principles of corporate change and the imperatives of New Economic thinking inform every decision from every member of the organisation at every level, irrespective of the role they perform, and everyone who, in any way whatsoever, comes into contact with the organisation.

Peter Schwartz and Blair Gibb, in *When Good Companies Do Bad Things - Responsibility and Risk in an Age of Globalisation* argue that a company's goal has to be 'in the end, not discovery of a model of social responsibility, but development of a process that will create its own living understanding of its place in the wider world.' (Schwartz & Gibb, 1999:82). But as Neil Chamberlain pointed out in 1982, '…to pretend that social purpose can simply be grafted onto the existing corporate organisation is an illusion and an evasion.' (Chamberlain, 1982:12), it requires systemic, holistic, cultural change. Activating that change requires trust, commitment and cooperation, across many sectors of stakeholder and shareholder engagement. UK commentator, Will Hutton talks of the moral economy, arguing that what is needed to redress some of the imbalances is 'a recognition that firms are formed by human beings with human as well as contractual claims upon each other and behind this social world lies the moral domain.' (Hutton, 1995:23). These are variables, still uncomfortable to many in business, which lie at the heart of a public culture approach to growing business and society in sustainable ways. British academic Richard Welford suggests the following ways of organisations – specifically business, but applicable to all - moving forward in this:

- Shift from objects to relationships;
- Shift from parts to the whole;
- Shift from domination to partnership;
- Shift from structures to processes;
- Shift from individualism to integration;
- Shift from growth to sustainability (Welford, 1995:117)

Peter Senge has made similar points arguing that business is disabling itself if it continues to:

- Think in terms of individual jobs rather than in terms of the whole organisation.
- Blame problems on people or things that are outside the organisation.
- Believe that organisations can always solve their problems by taking aggressive action against whatever external force they believe is causing problems.
- Become fixated on specific sudden events.
- Be unable to perceive threats that result from slow gradual processes.
- Believe that they immediately experience the consequences of their decisions;
- Operate under the myth that management teams interact cross functionally to solve problems when in reality these teams often spend tremendous energy defending the self-interests of individual members. (Senge, 1990:142)

It is clear, then, that we have to change the narrow emphasis upon old economy growth if we are to be sustainable in the future, and the moves, preliminary though they may be, towards socially reponsible/ethical investing; increased stakeholder and shareholder engagement and greater transparency, accountability and inclusivity in business, government and civil society overall, signalled as significant in the

Shareholders' Project surveys, are going to become increasingly important in the future. As Handy suggests, trapped though we may be in the rhetoric of an older modernist economics, 'there is a hunger for something else which might be more enduring and more worthwhile.' (Handy, 1997:73).

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