

**Acting in a socially and environmentally responsible way  
because it's the right thing to do.**

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*“The greatest challenge of the 21<sup>st</sup> Century will be to change the value system underlying the global economy so as to make it compatible with the demands of human dignity and ecological sustainability.” Fritjoff Capra*

**At the beginning of the 21<sup>st</sup> Century, Sustainability, in the broadest sense, is the biggest issue facing business.** Business is, and for a long time has been, a major driving force for good and innovation in society. The conditions of life for most people in the West have improved enormously in the past 100 years. But business is equally capable of doing harm.

The influence and power of business has grown enormously. The economies of many of large corporations are as large or larger than smaller nations. National governments have to woo them in their desire to create favourable conditions for investment in their countries. They exert great influence on global institutions and world trade policies.

**The seriousness of the situation is not to be underestimated.** There is a growing understanding of the adverse effects of our Western life styles on our health, but above all on the environment and the way the West is seen by other cultures. Following 9/11 and subsequent horrors, the interconnectedness of our World is evident. Global social injustice is a major issue. Hostility to the West is a major threat to our civilisation, safety and peace of mind. Yet, many people now realise that climate change, resulting from our life style, is a far greater threat than terrorism - 3,000 people died in 9/11 but 160,000 a year die because of disease caused by climate change. As the ice caps melt, eventually we face flooding in the Netherlands, East Anglia and London.

Giving the Prince of Wales's Business and the Environment Programme lecture on 15th September, Tony Blair, preparing for his Presidency of G8 and the EU, said the world's greatest environmental challenge was "so far-reaching in its impact and irreversible in its destructive power, that it alters radically human existence".

**Growing public pressure** A vigorous, inquisitive media, especially in the West, is continuously exposing the harmful aspects of big business and less than ethical behaviour. Corporate scandals, lack of transparency, “fat cats”, the growing gap between rich and poor, lack of trust in business leaders (and politicians) corruption are daily headlines in the media.

The strength and sophistication of pressure groups and Non Governmental Organisations (NGOs) is playing a major part in informing the public and mobilising “people power”. Some NGOs have focussed attention on the environment, sustainability, unfair trade and the way global institutions such as the World Bank, World Trade Organisation, International Monetary Fund are dominated by large corporations. In particular, it is

argued that they contributing to poverty and damaging local economies and cultures by imposing free trade and so called “structural adjustment programmes” on developing countries. The debt burden from loans from these institutions is a major problem for Third World countries and despite successive declarations to give debt relief, very little has actually taken place.

The internet has played a major part in providing information and enabling people to inform themselves, participate in campaigns and put pressure on politicians and business.

**The reaction.** Part of the reaction to this situation has been the Corporate Social Responsibility (CSR) industry about which there is growing cynicism because so much of it appears to be about defending reputation rather than dealing with issues and changing the reality. A current example of this is the food and drinks industry, which appears extremely reluctant to change and is facing increasing pressure.

Many people involved in CSR, believe that Sustainability and social responsibility needs to be at the heart of the corporate strategy and the life-blood of an organisation. They believe this is true of very few organisations. They also believe that Sustainability needs to be defined much more broadly. It is not just about the environment, corporate governance and charity but needs to embrace social and international issues. Only then are we likely to enjoy a global society in which most people have the opportunity of a healthy, safe and fulfilling life.

This will require a fundamental shift in awareness, attitudes and values. Business leaders will need to act in a socially and environmentally responsible way because it’s the right thing to do. Given the complexity of the situation and the focus on short-term financial performance, this is easier said than done!

**Seeing the big picture** To build a sustainable society and sustainable businesses, we need to see the big picture and try to understand it. It is equally important to be balanced **and** face the seriousness of the situation. It’s a wonderful World, full of possibilities. For many people, especially in the West, life has improved immeasurably compared with a few generations ago. There have been huge advances, for example, in the fight against disease.

But let’s speak plainly; globalisation isn’t working – not at least in its present form. Globalisation works, though perhaps not at a spiritual level, for a tiny minority of very rich and powerful people but not for the mass of the 6 billion human beings throughout the world, 85% of whom live on \$5.98 per day (World Bank) and one billion on less than a dollar. Despite the fact that slavery is now illegal in every country in the world, there are now more slaves than ever - an estimated 27 million. 4 million women and children are trafficked every year; 1 million for prostitution.

In the period from the 1930’s until the Eighties, the gap between rich and poor was closing. But, for the last 20 years, for many in rich countries and most people in the poorest, things have got worse. Even in the US, the median wage has fallen since 1973, if you discount for inflation. In the US many people are worse off or at least very little better off while the rich are vastly richer.

We face a global ecological crisis. We risk ecological change, which could be massive, unpredictable and irreversible. Climate change, extreme weather and instability are increasing. Seas are rising. The scientific consensus is that gas emissions need to be cut 60% by mid-century. If Kyoto is implemented, they would still rise by 30% in the next 10 years. Yet we are complacent.

Biodiversity and the ecological system are severely affected. Species and forest habitats are declining and disappearing rapidly. There is growing water scarcity. If every country on the planet followed the example of the American lifestyle the consequences would be horrific.

The international social, political and economic situation is equally unstable.

We are killing ourselves and causing avoidable disease and injury: pollution in all its forms, unhealthy food and drink and lifestyles, tobacco, excessive alcohol consumption, road accidents (3000 deaths per day worldwide, 25M in the past century), genocide, civil war and war.

Finally, private tax evasion and corporate profit laundering are diminishing the tax revenues of the state to run public services, which are essential to our society. Every year an estimated £20 billion pounds of corporate profits is being evaded, mostly by using offshore interfaces, companies setting up offshore trusts where they declare their profits. The value of assets held offshore, either tax-free or subject to minimal tax, is estimated at €9.2 trillion; over one-third of global GDP.

The non-payment of tax has led to governments giving up on trying to collect tax from businesses and thus the decreasing tax rates for business have followed in the past 30 years, the tax receipts have been filled up with consumption taxes, and private income taxes, ones that fall on poorer parts of the population disproportionately.

Of course, it isn't globalisation that is not working. Globalisation has existed for centuries and has brought rich benefits to humanity. It is the economic system in its current form, the doctrine of free market capitalism, consumerism and continuous economic growth - that is not working.

The horror of 9/11 made it clear that no country, however rich and powerful, is safe from terror. The "war against terror" is unlikely to work fully because there can be no peace without justice.

We live in one world, **a living system** in which everything is interconnected, vulnerable and unpredictable. What happens in other cultures and the less economically developed world affects us all. We all have to be world citizens if we are to enjoy a sustainable future. If we do not respect the planet Earth and all the diverse peoples, cultures and living creatures in it, ultimately we are likely to suffer. If we do not learn, the Universe can be harshly punishing.

But let's look on the bright side!

**Seeing the Opportunities in the Big Issues** Business is a powerful source of creativity. Think of the effect on the World of the Thomas Newcomen, who invented the first

successful steam engine in 1712, Henry Ford, Marconi, Boeing, Bill Gates, to name just a few. The past century has been full of innovations benefiting our health and chances of surviving diseases that were fatal in the nineteenth and early twentieth centuries. Today's issues are increasingly global, ethical and ecological. Many innovative companies, including SMEs, are prospering by responding to these issues.

Calling for a "new green industrial revolution", Tony Blair, at the lecture mentioned above, said British scientists, innovators and businessmen could lead the world in ways to grow and develop sustainably. There are immense business opportunities in sustainable growth and moving to a low-carbon economy.

A shining example of "*Seeing the Opportunities in the Big Issues*" is an alliance of business, labour, environmental, civil rights and political leaders in the United States have laid out a vision for a "New Apollo Project" to create 3.3 million new jobs and achieve energy independence in 10 years. It aims to unify the country behind a 10-year program of strategic investment for clean energy technology and new infrastructure. It has received support from 17 of America's largest labour unions as well as a broad cross section of the environmental movement, including the Sierra Club, the Natural Resources Defense Council (NRDC), the Union of Concerned Scientists, and Greenpeace. It would also position the United States to take the lead in fast-growing markets, dramatically reduce the trade deficit, and more than pay for itself in energy savings and returns to the U.S. Treasury.

Dr. Ray Perryman, economist advising the project says "*If economists agree on anything it's that inventing new technologies and creating whole new industries is what America does best. We are a creative economy, not a commodity economy. The New Apollo Project would keep us on the cutting edge of manufacturing emerging technologies and secure our long-term prosperity.*"

**Corporate Social Responsibility** Essentially CSR is about acting in a socially and environmentally responsible way because it is the right thing to do. This means withdrawing from harmful activities and identifying opportunities and markets for new or improved products and services that are sustainable.

Instead, CSR has turned into a bandwagon, often more about looking good rather than doing good, profitable business and avoiding harm. Three levels of Corporate Social Responsibility are demonstrated by companies:

1. **Saving money through ethical practices** (eg recycling, avoiding prosecution)
2. **Ensuring that the company and its products don't get vilified** by taking actions that improve corporate reputation and protect brands.
3. **Acting in a socially and environmentally responsible way because it's the right thing to do.**

Increasing numbers of companies are actively pursuing the first two levels. The problem arises at the third level because the costs of behaving in environmentally and socially responsible ways may impact the bottom line – then the company may be punished by the market.

**Seeing the System** It helps to see the underlying system. We need to address the system and think outside the box.

*"Problems cannot be solved at the same level of consciousness that created them."*

**Albert Einstein**

Here is my understanding of the key elements:

- **Values** The underlying value that moneymaking, profit and share value, should be valued more highly than human needs and rights, democracy and the environment. Power, wealth, consumption, heroic top down leadership and belief in military solutions are closely linked to our model of what it is to be a successful male and the woman who has attitude, one of the boys.
- **The consumer society and glorification of material consumption** turns humans into obsessive workers and consumers.
- **Obsession with GDP** as a measure of progress rather than meeting human needs, and supporting human dignity. There are other measures such as the Index of Sustainable Economic Welfare (ISEW) constructed by the New Economics Foundation.
- **Racism and lack of respect for difference are at the root of global issues.** This enables us to justify exploitation and mistreatment of others who are different. It manifests in the way we value some lives more than others. We have problems with people who express contrary views. It is paralleled by lack appreciation of the importance of ecological diversity.
- **Almost all the money we use (except the 3% which is notes and coins) is created by commercial banks**, who charge interest, not by central banks and government. We need to look afresh at the debt-money system. The need to earn enough to repay large amounts of interest and debt drives the pursuit of continuous and unsustainable economic development. This impoverishes us all in the broadest sense – not just the money but the pressure and distortion of life style. Could money be provided in other ways, particularly for investment in public services — transport, health, education, water, sewerage and affordable housing — and small businesses?
- **Company ownership** We need to explore fresh legal frameworks for company ownership and financing that do not tie them to the pressures and unpredictability of the stock market, and enable them to focus on serving customers (providing good value), employees and the community. The John Lewis Partnership and St Luke's Advertising are examples. In USA, ESOPs (Employee Share Ownership Plans) go far beyond the Anglo-Saxon model of ownership by stock exchange shareholders or pension, saving and insurance funds. ESOPs cover more than 9 million workers in more than 10,000 firms.
- **Company law needs to be modernised.** The current perception is that the primary duty of directors is to shareholders — to maximise profit and share value — rather than all stakeholders such as the environment, society as a whole, local community, consumers and employees. Corporations have globalised – but the rules haven't. Rabbi Michael Learner and others call for a new charter for large corporations that requires them to be granted a license to operate. This would require them to justify their continued license to operate on their record in acting with responsibility.

## **An Agenda for Corporate Leaders.**

Corporate leaders need to take on the challenge of changing the system and become activists.

Because of its power to change the World, Business needs to take a much higher level of responsibility in the 21<sup>st</sup> Century! Public interest needs to be elevated to be something of fundamental importance. Companies need to be proactive, rather than defensive, and put human needs at the top of their agenda – eg food and drinks. To make it easier for them to do this, they need to be active in getting systemic issues addressed.

Here is an agenda for business leaders to take action in their own companies or campaign for change:

1. **Promote awareness and understanding of the big picture** - the ways in which the global system is not working, the damage it is causing and the future threat to human society and the planet. Trouble is, many corporate leaders are insulated from the situation of the mass of human beings in the world.
2. **Prioritise company values and purpose** Make Social Responsibility and Sustainability, widely defined, the centre of the organisations values and belief system. Get CSR into the life blood, at the heart of the company.
3. **Reform and democratise global institutions** - the World Trade Organisation (WTO), World Bank and IMF. Focus on **fair**, not free trade, and the promotion of human welfare.
4. **Explore alternatives to the debt-money system**, alternative ways of providing low or zero interest finance for public services, infrastructure, environmental projects, small businesses and economic development in poor and developing countries where debt is crippling.
5. **Get City analysts to take Socially Responsible Investment seriously** - they continue to ignore the evidence that it is a sound investment strategy
6. **Regulate financial markets and explore and implement measures such as the Tobin tax.** The Tobin Tax proposes a simple sales taxes on currency trades across borders which would This would discourage short-term currency trades, about 90 percent speculative, but leave long-term productive investments intact.
7. **Corporate social responsibility starts by paying the taxes that the company should pay under the law and create accountable accounting systems.** Declaring in the CSR statement that this company will refrain from using offshore financial vehicles would be a bold step, similar statements have been made regarding financial speculation by the Co-operative bank.
8. **Close down tax havens** through which half of global trade flows go through, exposing the massive profit laundering of corporations, money laundering of criminal and terrorist leagues, and tax evasion which is depriving states of their capacity to provide health and education for citizens. Assets held offshore, either tax-free or subject to minimal tax, are estimated at €9.2 trillion, over one-third of global GDP.
9. **Regulate global corporations.** Create a new legal charter framework for licensing large corporations.

10. **Create a new legal framework for the duties of company directors** including strengthening the powers of non-executive board members to monitor sustainable and ethical performance and call directors to account.

It is in the long-term interests of everyone, including companies, company directors and CEOs. There are already plenty of examples of corporate leaders taking action on of global issues – we need more.

*“Activism is my rent for living on the planet.”* **Alice Walker**

Amongst the obstacles are lack of awareness, complacency, vested interests in the status quo and the pain of change. We all have this problem – it’s part of our psyche. All of us need to accept responsibility and stop blaming. We have to start where we are and take our own personal actions.

The way human beings learn is messy. When things are not working, something else emerges. Things transform whatever we do. It is up to each of us, to decide what unique part we want to play, where our energy lies, where our passion will take us and what we will do.

**What can people in HR, Training, HRD, Development, OD or Internal Consulting do? What relevance does this have for us?** The fact is, we all live in the same boat. Also, we are in an especially good position to influence, particularly in the areas of mission, values and purpose and whether or not company actions are fully in line with their espoused mission. HR Directors have access to and the respect of fellow board members, where these issues arise constantly. They are in a good position to both facilitate and challenge. Are the board walking their talk? Is CSR and Sustainability at the heart of the business, in the blood stream and understood by everyone? There is a good business case for ethical business.

*“The ethically committed group had an average 18% higher profit as a percentage of turnover – strikingly similar to the percentage increase that the Co-operative Bank has attributed to its ethical policies”* **Financial Times article on Institute of Business Ethics Report, Does Business Ethics Pay? 3-4-2003**

These days, more and more people, especially the most talented, want to work in good workplaces. Personnel policy is an important aspect of the sustainability policy of a company. However, to be a good workplace, it is not enough to have good people management, that people are treated well and the company supports the community and gives to charities. In a good workplace, the core business has to be doing good and avoiding harm for such people to feel dedicated to it. Otherwise there is a serious contradiction people feel uncomfortable with.

People at a practitioner level in HRD, Training and Development and in Internal Consulting usually know hundreds of people and are trusted. We are in an amazingly strong position to quietly influence the people at every level who need to implement CSR or Sustainability policy. These are the experts in the application of policy on the ground. Often they do not know enough about corporate CSR policy or are not convinced of its

importance to the company. We are in a position to partner with CSR people and help them get it across.

It is nice if we can facilitate. But sometimes we need the courage and wisdom to use our credibility and challenge people.

*“The right way to do things is not to persuade people you’re right but to challenge them to think it through for themselves.”* **Naom Chomsky**

Challenge is tough love – caring enough to take a stand and stick our necks out. Usually that earns respect. A lot of people are simply unaware. Awareness transforms attitudes and motivation. People need to be given the challenging facts. It is for us to educate ourselves and have the relevant facts about global issues. Ten years ago, I was relatively unaware.

If we care about future generations and our own, peace and stability, in the West and people in the rest of the world, we need to take on the challenge.

*“Whatever you do may seem insignificant, but it is most important that you do it.”*

**Mahatma Gandhi**

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