Several years ago Charles Handy made the important observation that ‘Businesses, and indeed all institutions, are communities not properties, and their inhabitants are to be more properly thought of as citizens rather than employees or human resources’. He continued by arguing that the ‘essential freedom of the individual has been the driving force behind democracy down the ages’ and as such, ‘It is this force that organisations must now come to terms with as their individuals begin to expect from their work communities the same collection of freedoms, rights and responsibilities that they have in the wider society. People are property no more’.

Stirring stuff. But, of course, the challenge is how to make this a reality, because at the heart of this sort of thinking, and Handy is by no means alone in this, is a call for the development of a new economics — one which positions people and not commodities, financial or otherwise, at its heart. It is a call, if you like, for a new moral economics which, in the words of John Elkington, will create a more ‘sustainable capitalism’.

Central to a more sustainable capitalism is a recognition that there are many different forms of capital investment, beyond just the financial. Increasingly, business, government and individuals are starting to get to grips with what constitutes social, natural, cultural and intellectual capital and their implications for creating sustainable organisations in order to create more sustainable societies.

As Elkington makes clear, ‘Among the questions that business people will need to ask are the following. What are the crucial forms of social capital in terms of our ability to become a sustainable corporation? What are the underlying trends in terms of the creation, maintenance, or erosion of these forms of capital? What is the role of business in sustaining human capital and social capital? To what extent are such concepts as environmental justice and intra-and inter-generational equity likely to change the ways in which we define and measure social capital?’.

Social and environmental justice? Social and environmental equity?
The emphasis in this survey was on understanding corporate citizenship as community marketing, and this in turn tends to be understood as corporate sponsorship of community activities and initiatives and corporate philanthropy involving mostly charitable giving of one sort or another. The difficulty here is that while trust in a company may increase with the growing perception that a company is ‘giving’ back to the community, companies within Australia, and elsewhere, are moving further and further away from non-accountable, non-strategic philanthropy, to a position that seeks to better understand the business value of any investment in the community and a measurable outcome of any social investment of this kind.

There is still very firmly a ‘them and us’ culture in Australia (and worldwide), between civil society, generally, and business. This was demonstrated most recently with the findings of two worldwide surveys conducted for the World Economic Forum (WEF) in 2002, which questioned 36,000 people in 36 countries.

Big companies, together with legislatures and parliaments, are the least trusted entities in the world, while NGOs are the most trusted. As Karen Armstrong pointed out in the WEF annual meeting in 2003, which received this report, ‘Building trust, respecting differences and valuing one another, ie learning the art of pluralism, is no longer just a “nice idea”, but essential to survival.’

Noted sociologist Anthony Giddens at this same meeting made the important distinction between active and passive trust, saying that ‘Passive trust is built on traditional expectations, while active trust must be earned over time. Trust’, he said, ‘particularly active trust, can be destroyed in a heartbeat and might never be recaptured. A single incident could result in an irreversible, downward spiral.’ It is the lack of this active trust in business that is clearly being signalled in the sort of results emerging from surveys right now on this issue.

**Trust and corporate citizenship**

Dexter Dunphy, a leading Australian analyst of business and sustainability tells the story in *Organizational Change for Corporate Sustainability* of a distinguished European Professor (Leo Buscaglia) who, when asked for the title of a talk that other management and business academics had invited him to deliver, would, more often than not, be greeted with embarrassed silence when he would simply say, ‘Love’. As Dunphy points out, ‘Love is the matrix from which community is born…without empathy, caring, compassion, respect, tolerance and love, organisations cease to be communities, trust dissolves and all relationships become calculative’.

But it is not a term that sits easily with mainstream discourse on business and management. Yet, as Malcolm McIntosh, founding editor of *The Journal of Corporate Citizenship*, makes clear, the complexity of modern business, and ‘the challenges and opportunities that are inherent in the development of corporations as socially and environmentally responsible “citizens” at the beginning of the twenty-first century’, demand that companies, as highly complex organisations, require ‘an infinite variety of views, which have these characteristics: awe, love, faith and beauty’ all of which he asserts require ‘trust’.

How much of this sort of talk, you might ask, lies at the base of the curricula in universities and management schools around the world? Are we really teaching our future business leaders about ‘love’ and ‘awe’? Well, we’re not. But we are increasingly recognising the need to position ‘trust’ at the heart of good business and good business/community relations. As we become more aware of the complexities involved in developing a new economics thinking which positions people, rather than just money or commodities, at the heart of globalising economies, we need to recognise, as Simon Zadek makes clear in *The Civil Corporation*, that ‘the era of bottomless trust (has) come to a precipitous and painful end.’ Few of us, worldwide, now position business very highly in any ranking scales that ask about ‘trust’.

Yet, as Zadek rightly points out, ‘Corporate social and environmental performance in the New Economy depends on what people really think about business, and what is really important to them’. That being the case, then we clearly need to do something about it.

Trust is about people — reputation is about organisations. But, as Zadek points out, trust ‘is a complicated and volatile substance’. As more and more in business recognise its importance, they are also increasingly recognising that to generate, build and, more importantly, sustain trust they need to radically rethink the rationale of business society relationships. Getting this rethink onto the agenda lies at the heart of the corporate citizenship push in the last few years.

‘Trust’, as Zadek says, ‘is deeply rooted in people’s values, visions and personal experiences. At the same time it is fluid, moulded both deliberately and organically by the complex interactions of people’s internal and external worlds. At one level it can provide a stable basis on which to build long-term relationships, shared values, and pursue common aims for mutual benefit’. All of which are central tenets of contemporary corporate citizenship. But, he warns, ‘At another level, trust can be an unstable
cocktail of fact and fiction, of utopian desire and pathological hopelessness'. Such a cocktail defines quite succinctly a lot of the media commentary, corporate reputation/responsibility indices and debate about the role of business and business/society relations that have been taking place in Australia in recent years.

**Values**

If the surveys are right, there is clearly a major erosion of trust in business taking place, and with that, a clear perception that effective translation of corporate values and mission statements of social and environmental responsibilities is not perceived by many people to be happening. The route to rebuilding that trust, the WEF recommends, requires:

- **establishing accountability:** who is responsible, what are they responsible for and what are the consequences if the rules are violated?
- **increasing corporate transparency:** this entails a true dialogue with a range of stakeholder groups and a serious effort on the part of business leaders to listen and learn
- **revisiting corporate values and values statements:** this requires corporate values that are, at least to some extent, externally driven and responsive to a range of stakeholder communities
- **recovery and economic growth:** these are probably necessary, but not sufficient, conditions for the rebuilding of trust.

But this is not going to be easy outside of business when, in a 2003 survey on employee trust and corporate credibility, only 55 per cent of those surveyed **inside business** said that they actually trusted their corporate employers. As Kofi Annan made clear at the time this report appeared, ‘global citizenship, based on trust and a sense of shared responsibility, is a crucial pillar of progress’ in an age of interdependence.

But while some of the bigger NGOs in Australia are making major moves toward meeting the more business-like demands of their corporate sponsors/partners, others find it much more difficult, given the amount of time and resources (which they don’t have) that needs to be committed to doing this. As Elizabeth Cham, National Director of Philanthropy Australia, makes clear, ‘There are ways of measuring social outcomes, but most not-for-profits wouldn’t have a clue how to do it. The business community has to accept that the way we value social outcomes is different to the way you might value a business. Most not-for-profits run on the smell of an oily rag, because the thing that keeps the whole thing going is our passion and commitment, and how do you measure that?’.23

Valuing social outcomes is central to the developments in corporate citizenship in recent years, and while it is often thought that developments in Australia have been slower than in other parts of the world, there are some very effective moves being made by many in the Australian business, not-for-profit and public sectors.

**Building multiple bottom line value**

Trust is a key issue for building social capital and more sustainable societies and lies at the heart of effective interactive corporate citizenship but, as we all know, trust has to be earned. In the words of Anne Lawrence, when writing about the multinational company Royal Dutch/Shell, and the measures this company has taken to improve its social and environmental performance, earning this trust comes about ‘as the result of an ongoing process of making and keeping commitments’. It requires relationship building and that, in turn, requires knowledge and understanding from all parties involved in the relationship. It requires ‘empathy’, ‘respect’ and ‘tolerance’, despite the urgency with which some advocacy NGOs drive the agenda for immediate, often utopian, change. It requires cultural change on both sides. It requires the ability to listen, compromise and be prepared for failures and disappointments. It requires taking risks. It requires dialogue and ‘give and take on both sides’ and it requires a willingness to face the demands of the surprises, which will inevitably come along.

At the same time, it requires a willingness for all parties to understand and engage with the imperatives of an understanding of trust, which, in
the words of Peter Block, ‘comes out of the experience of pursuing what is true’.

But how we pursue what is ‘true’ is often radically different, as Francis Fukuyama made very clear in Trust: The Social Virtues and the Creation of Prosperity, published in 1995. For Fukuyama, the sort of trust that he argues has developed more effectively in East Asian economies will be a better answer to sustainable economic success in the West.

Fukuyama’s ‘truth’, in this respect, is very much about economic self-interest, institutional and old economic, whereas Peter Block argues that trust is to be found within each of us as individuals. Its real value, he said, will rely on us learning to trust each other, given that not every individual’s inner truth will be the same and, unlike Fukuyama, there is no monolithic, old economic value driving the new economy agenda. Block seeks to replace concepts like ‘self-interest’, ‘dependency’ and ‘control’, (all at the heart of the old economy thinking of Fukuyama, and others) with terms like ‘service’, ‘responsibility’ and ‘partnership’. These are exactly the new economy terms at the heart of contemporary corporate citizenship, and also at the heart of what constitutes the generation of trust between individuals, organisations and social sectors.

Despite our nervousness about using this sort of language, there is, as Malcolm McIntosh makes clear, ‘a close link between trust, truth and love’. McIntosh argues that if we are to create a truly sustainable society, what he calls ‘a shared home for humanity’, for both ourselves and for future generations, we absolutely need to develop ‘trust in, love of and belief in, planet/home’. Corporate citizenship argues that such a position is a non-negotiable, non-discretionary position for all of us to take — business, government and civil society.

Block’s position is similar. ‘Our survival,’ he says, ‘depends on our taking the idea of service to constituents and making it concrete in our governance systems’. Such a service-based governance system will mean, he asserts, ‘the redistribution of power, privilege, purpose and wealth’. Otherwise, ‘All the team building, improvement teams, and skills training in the world will not create service if the institutional questions of choice and equity never change’.

This is a challenge in building social capital. John Elkington, as we saw earlier, positions such social capital as an absolute necessity if we are to build a truly sustainable society. And he goes further by stating that, ‘the degree of trust between a corporation or an industry and their external stakeholders is likely to be a key factor determining their long-term sustainability’. ‘Distrust in a society,’ Elkington argues, ‘imposes a kind of tax on all forms of economic activity, a tax that high-trust societies do not have to pay’.

It is clear, then, that ‘The successful company of the future will be the one that has seized the opportunity opened up by today’s apparent chaos and confusion, created a market niche among previously untapped customers, and generated a unique value proposition that appeals to the hearts of all its stakeholders, from its shareholders and consumers to its employees and the communities in which it works’.

How companies create that ‘unique value’ as caring, effective, corporate citizens is one of the major challenges facing all of us right now. We may choose not to make ‘love’ a part of the language we use in doing all of this, not least for fear of scaring the corporate world into a hurried retreat into the comfort zones of old economic rationalism, but we would be wise not to lose sight of it altogether, if, at the end of the day, our aim is to build sustainable societies for ourselves and future generations, both within Australia and worldwide, based on a new economics and a new morality for business. We are, all of us, responsible for this, irrespective of the role we play in work.

As Charles Handy says, ‘ultimately, the pressures of modern business will compel us to be moral’.

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Notes

2 ibid
4 ibid, p 86
8 <http://www.weforum.org/site/knowledgenavigator.nsf/Content/D483C86505364930C>; see also World
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RISK MANAGEMENT


9 Dunphy, D, Griffiths, A, and Benn, S, Organizational Change for Corporate Sustainability, Routledge, London & New York, 2003, p 271
10 ibid, p 272
12 ibid
14 ibid, p 42
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17 Zadek, op cit, p 203
18 ibid
19 See <http://www.imakenews.com/eletra/mod_print_view.cfm?this_id=1225366u>
20 Elkington, J, ‘Trusting Values’, The Director, April, 2003, p 25
22 see <http:///.optimizemag.com/issue/013/othervisions>
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25 Block, 1993:43
28 ibid, p 27
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