In *Great Company*, Mike Smith shares profound insights into the DNA of good business, in every sense. His easy, narrative style makes these insights both accessible and persuasive. A thoroughly recommended read for all those who care about a better business ethos.

Professor Roger Steare FRSA,
Corporate Philosopher, Cass Business School, London

Michael Smith and Initiatives of Change have been pursuing an urgent conversation on the new leadership for longer than most companies have realized that they needed it. He's clear-eyed about the scale and complexity of the challenge and impervious to the truisms, jargon and clichés with which most solutions are proposed. If you want to understand where leadership in the business world is going, you could ask for no better global guide.

Margaret Heffernan, Texan entrepreneur, Huffington Post blogger and best-selling business author of 'Wilful Blindness' and 'A Bigger Prize'

The role of the corporation, and the harmony of its existence with community and society, has come into sharp focus in management thought and practice. Michael Smith has tackled a key subject of the future—very credibly and creditably.

R Gopalakrishnan, Director, Tata Sons Limited, India

To echo Michael Porter of Harvard Business School, 'We need a more sophisticated form of capitalism, one imbedded with a social purpose. Not out of charity, but out of a deeper understanding of competition and economic value creation.' The Trust and Integrity conferences in Caux have addressed this challenge for many years. In *Great Company*, Mike Smith shares stories and reflections on this important theme in his eye-opening book.

Goran Carstedt, board member of IKEA, 1990 - 1997, and Chairman of Natural Step International

Every time I work with Mike Smith and Initiatives of Change I come away strengthened in my belief that business can and must be a force for good. People forget that inside every CEO there is a human being trying to climb out. As this book testifies, Mike has a rare skill in providing CEOs with ladders and platforms!

Mark Goyder, Founder-Director, Tomorrow's Company and author of 'Living Tomorrow's Company—Rediscovering the Human Purposes of Business'

A resilient, sustainable and successful business is build on trust and integrity, amongst all stakeholders on the inside and between them and those on the outside. This is hard work and often comes face to face with adversity and tough decisions. In the end, however, society will respect and uphold those who work with the interest of the common good in mind. *Great Company* succeeds in bringing this message home through the interplay of the Initiatives of Change dialogues at Caux with the stories of women and men who chose for trust and integrity over compromise, irrespective of the cost. The value of values is indeed both precious and priceless.

Arnold Smit, Director of the Centre for Business in Society at Stellenbosch Business School, South Africa

Michael's book is packed with real examples of real people in the real world changing the way that their own business and communities are making real and positive social impact across the whole globe. This is a quite wonderful book. It is written with a gentle humility. It contains real inspiration.... I would sincerely recommend that you read Mike's book.

Philip Birch, author of 'Ethiconomics—principles and practices of ethical business for the 21st century', writing in www.the3rdimagazine.co.uk

Smith's new book *Great Company*... updates that 80 richest people own more wealth than what is owned by one half of the human race and very soon just one per cent of people will own wealth which equals what the 99 per cent rest of us would have. Could the collective wisdom of business, governments, regulators, investors, leaders and people of all types bring about better distributive justice?

Anant Nadkarni, The Times of India, 2 June 2015

[The book] is aimed squarely at convincing... 'a generation of young entrepreneurs... to put into practice the highest moral and ethical standards' in their lives. Or to state it another way, 'to encourage the emergence of an equitable society and humane world'. In this narrow sense the book comes close to being a sustained assault on materialism, the profit motive and the 'me, more, now' culture of today's developed world. The result is a sometimes uncomfortable, if challenging, read.

Robin Knight, founder KnightWrite Ltd, and former Senior European Editor, US News and World Report

Great Company

Trust, integrity and leadership in the global economy

Michael Smith

Initiatives of Change
2015

By the same author:
Beyond the Bottom Line, The Industrial Pioneer, UK, 2001

Globalization & Social Commitment: the factor of human motivation (booklet), Caux Initiatives for Business, 2002

The Sound of Silence (booklet), Caux Books, Switzerland, 2004, fifth printing 2010

Trust and Integrity in the Global Economy, Caux Books, Switzerland, 2007; St Paul Press, India, 2009

The Fullness of Life, Initiatives of Change, UK, 2012; St Paul Press, India, 2014

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Contents

Preface

The stories and perspectives in this book have been inspired by the annual conferences on Trust and Integrity in the Global Economy (TIGE), held each summer at the Initiatives of Change centre in the Swiss Alpine village of Caux, overlooking Montreux. They also draw on the Asian work of Caux Initiatives for Business (CIB) and its international conferences held biennially at Asia Plateau, the Indian centre of Initiatives of Change, in Panchgani, Maharashtra. My own involvement in both is as Head of Business Programmes for Initiatives of Change UK, a position I've held since 2010. In declaring this interest, I hope I have approached the stories in this book with a certain degree of objectivity, though I unashamedly admit to an advocacy of the values and virtues that Caux and Asia Plateau stand for.

This is my third book on this theme and the first since the financial crash of 2008. Since then, the evidence of the extraordinary power of human and, indeed, spiritual motivation to change things for the better has been surprising, as I have drawn these stories together. Not all of them can be attributed to the influence of the two IofC centres but they do all reflect the same ethos. Caux and Asia Plateau tend to act as a magnet for like-minded individuals and organizations in the business and corporate world, and part of the role of the two centres is to 'connect the dots'—to bring people together in coalition as catalysts for wider change in society and the global economy. Caux and Asia Plateau act in a way similar to the term used by Dr Katrin Muff, Dean of Business School Lausanne: a 'collaboratory'—a powerful space for educating, enabling and engaging at the individual, organizational and societal levels (see chapter 9). The two centres are transformative and can leave a permanent mark on those who visit them.

Any errors in reporting the stories in this book are entirely mine and not due to the subjects of the stories themselves. They themselves are the inspiration for this book which is written in tribute to them. I hope readers will find their stories encouraging and inspirational.

Michael Smith
January 2015

1

Creative connections

As Kofi Annan, Chair of the Kofi Annan Foundation and Secretary-General of the United Nations from 1997 to 2006, enters the main hall of Mountain House, the former *Belle Époch* Caux Palace Hotel, in the Swiss Alpine village of Caux, the conference audience breaks into spontaneous applause. The platform speaker, Lawrence Bloom, who is well into his speech, wonders what he has said that has prompted such a warm response, before realizing that they are not clapping him.

Annan settles into his reserved seat and Bloom continues with his talk. It is the closing plenary session and climax of a five-day conference on Trust and Integrity in the Global Economy (TIGE), in July 2013. It is the eighth annual such conference which each year attracts participants from some 30 countries to the Initiatives of Change centre in Switzerland.

Bloom, in fact, has the audience in the palm of his hand as he tells his story of a change of direction in his business life—personal transformation as he prefers to call it. Such personal transformations amongst business leaders and other economic players, leading to organizational, economic and global changes, is a hallmark of the TIGE conferences. Bloom's story impresses Kofi Annan who, when he gets up to speak, says that he will be more informal and spontaneous in his remarks as a result of listening to Bloom.

What is it that has so impressed Annan, on his second visit to the Caux conference centre, 1,000 metres above Montreux with its breath-taking views over the Lake of Geneva and east towards the Dents du Midi mountain range?

Bloom's story is remarkable by any standards. The grandson of East European émigré Jews to London, who had escaped the anti-Semitic pogroms, he had made his fortune by his early thirties as a chartered surveyor in the commercial property market in the City of London. In 1974 he bought his seven-bedroom mansion in Hampstead Garden suburb, north London, and had his 500 SEL Mercedes parked outside. Yet they didn't satisfy him. 'Is that it? Is this all there is to life?' he asked himself.

'Have I arrived at the place where everybody aspires to be, and considers they're a little bit anxious because they haven't got there yet?' he tells the conference. 'Now I'm here and I'm still as anxious as I ever was. I realized that anxiety was like a coat hanger and the clothing I had hung on it, up to the moment I had bought the mansion, was, "Will I ever make it?" and the clothing I hung on it after I made it was, "Will I ever keep it?" That was a trauma for me because I realized something very deep about human nature, that there's a part of us—the ego—that is continuously feeling unsafe.'

At first, to compensate for this hollowness, he went on a binge drinking spree which lasted for three years. 'It wasn't very efficient or effective—nearly ruined my liver—but it brought me to a few home truths,' he says. 'And the home truths were that there's part of me that wasn't being nourished. I call it my soul, other people can call it what they like. But it's something deep inside us that needs to be nourished. I realized that this reality is a dance between the material and the spiritual. So what was my soul asking me to do? It was much less concerned with me being unsafe as it was with me being in right action. And ever since the alcohol haze of the three years cleared that's how I've intended to live my life.'

Switching his career, in search of his 'right action', he joined the executive board of the Intercontinental Hotels group, at the time Japanese-owned, from 1988 till 1993, where he was in charge of their $3 billion global real estate portfolio. There he also created their three-volume environmental manual.

Just three paragraphs in the manual were to have a profound effect on the global hotel industry. It offered hotel guests the choice of having a clean towel every day, or keeping the same towel. Such a simple idea revolutionized the hotel industry, cutting its laundry bill, detergent and water use, and the environmental impact. This is now standard practice in over five million hotel bedrooms worldwide. As Bloom tells this story there is more spontaneous applause. But he adds that the board's decision was not an easy one. He had to fight it through in the teeth of fierce opposition from fellow board members.

'It was a huge opportunity but the idea wasn't very popular,' he explains. 'We're talking about 1992. The Chief Financial Officer would say, "Lawrence, shareholder value. Don't talk to us about this fluffy sustainability nonsense: shareholder value." And the Chief Operating Officer would say, "Quarterly bottom line, Lawrence, talk to me about quarterly bottom line; you're here to increase the value of our properties, not to come up with fluffy ideas." But I knew an environmental manual was needed and I was sick every morning into the sink when I woke up, knowing how they were trying to marginalize me on the main board to stop me pushing this through. I could lose my position on the board and my job. For three months every morning I got up feeling terribly unsafe but knowing that it was the right action. Luckily I got the support of the CEO and after three months of me being sick in the basin, we created the manual which we then offered to all the other hotel companies, much again to the anger of the remainder of the board.'

Bloom later explains in more detail what actually happened. At first other hotel chains were not interested. No thanks, we'll write our own, they said. Fearing that this would undermine the environmental impact, Bloom approached Prince Charles, who promptly invited the CEOs of half a dozen hotel chains to meet with him at Highgrove, his country home in Gloucestershire. He presented to them what became known as the Prince Charles initiative and they could hardly refuse. A further aspect of the hotel environmental initiative is the standard plastic door key, inserted in the bedroom wall to connect the electricity, thus preventing guests accidentally leaving their lights on when they leave their rooms.

In 2013, Bloom, now founding CEO of Be Energy, was staying in the Novotel Beijing, owned by the French Accor hotel group, when he read about Accor's new environmental initiative. For every three towels not washed they would plant a tree. Their aim is to plant a billion trees. Bloom is delighted to discover this knock-on effect of his original concept.

Bloom's story, told from the platform in Caux, equally delights Kofi Annan. When he gets up to speak he has the audience laughing as he tells of what happened when he retired from the UN. Annan and his wife, the Swedish lawyer Nane Lagergren, who live in Geneva, desperately needed a long rest and a holiday. In a remote village in the northern Italian lakes district, they are spotted by tourists. One of them approaches him with great enthusiasm, and asks for his autograph: 'Please, Mr Freeman'. Evidently, the poor man has mistaken him for the Hollywood actor Morgan Freeman. Annan does not let on and obligingly signs his name 'M Freeman', knowing that he can't and shouldn't forge the actor's full name!

In his wide-ranging keynote speech, Annan emphasizes that healthy democracies need three pillars: peace, economic development and respect for human rights. He tells a story of his initiative, when at the UN, that has saved millions of lives blighted by HIV/AIDS and other diseases:

> We established the global fund to fight HIV/AIDS, malaria and tuberculosis. When I signed off on the fund, I had hoped that we'd get contributions from governments, from individuals. In fact the first contribution came from me. I had been given an award by a group, so I gave the cheque to start the fund, hoping it would encourage others. In the end most of our money came from governments. Believe it or not the first cheque given to me came from George W Bush's Administration. He gave me $200 million for the fund. The American NGOs were very upset saying that the President should have added a few zeroes. There should have been two billion instead of 200 million. A week before I went to George Bush to ask for the money, I explained to Bill Clinton why we were setting up the fund, with millions dying and the medication available but which the poor couldn't afford. Without batting an eyelid, Bill Clinton said, 'You know what, this may be one of the most important things George Bush does throughout his time, so I hope he listens.' George got it; he was the first to give us a cheque.
>
> At that point the medication per person cost $15,000 a year. There was no way people in Africa, Asia, and Latin America could afford it. So Dr Gro Brundtland and Professor Peter Piot, who was then Head of UNAIDS, and I, convened a meeting in Amsterdam where I brought together the chairmen of the seven

> largest pharmaceutical companies, to urge them to make it possible for the medication to reach the poor. It was a fascinating discussion. The first chairman who spoke said, 'I don't even know why I'm here, I could be taken to court.' I said, 'For what?' He said, 'For price fixing.' I said, 'Price fixing is when companies collude to maximize profits. I've invited you here to lose money, to reduce your prices, which will cost you money, and to do good and to help the poor.' Another one said, 'Well my lawyer is not here, I don't know whether we should.' At that time they were suing [Nelson] Mandela in a South African court because Mandela had threatened to use compulsory licensing to produce a generic version of the medication for his people. So I told them, 'I am not a public relations expert but when you see Mandela in a South African court on an issue like HIV/AIDS, if you win, you lose and lose and lose and if you lose of course you lose. You'd better take the case out of court and settle privately,' which they did.
>
> But what was interesting was that they responded, despite the argument that if we sell cheaper in Africa it would undermine a different package in Europe and America. But they responded. Today the medication is $150 per person and at that point they were even giving away Naverapine which was to prevent mother-to-child HIV transmission, the cruellest of all transmissions. So the things they started by saying couldn't be done, they did. They saved millions of lives and the operations are still profitable. None of them has gone bankrupt as they feared.

In his speech, Annan expresses his deep concern for the over 70 million young people, often graduates, around the world who are unemployed at a time of economic recession:

> How have the governments used their revenues to ensure that they improve the livelihood and well-being of people? Have we invested the revenues in education, in health, in infrastructure, in areas that will really benefit the people? And of course when I look over the financial crisis, as you may have guessed, I'm not worried for the banks, I'm worried for the impact on the people and governments and individuals. I travelled the world and I talked to people. And people are angry. I have been quite pleasantly surprised that we haven't had more

> social conflict in societies around the world. We've seen demonstrations in Spain, Greece, Italy, in other parts but it's been reasonably peaceful. It's not been violent, it has not been aggressive.

But the situation is something to be worried about. He appreciates the conference's emphasis on new models of integral and inclusive economics and ownership, from social enterprises and employee owned companies to benefit corporations, as being 'extremely important and something that has to be pursued'.

Above all, the Caux conferences aim to change attitudes, motivations and behaviours, as Bloom's story graphically illustrates. Both Lawrence Bloom and Kofi Annan have inspired and encouraged the audience.

I first met Lawrence Bloom across a boardroom table in the City of London in March 2013. We were there with 15 others for a morning's Mindfulness exercise, invited by the practitioner and trainer Rohan Narse. A few days later, Bloom phoned me at the London centre of Initiatives of Change, and asked if he would be allowed to take part in the Caux TIGE conference that summer. Not really knowing him, I invited him for lunch in a Turkish restaurant in Victoria. I feared that he was a typical corporate, bottom line player. I couldn't have been more wrong. As he told me his story, I said to him, 'Lawrence, this is what you need to tell the Caux conference. Share your story. It is exactly the ethos of Caux.' He was surprised and said that he hadn't expected that response from me. He would speak from his heart. It was this that so touched the audience, including Kofi Annan. I later discovered that Bloom had received a previous invitation to Caux from a Mexican colleague and fellow conference organizer, Juan Carlos Kaiten, who also knew him.

Narse had acted as an unwitting intermediary. His story is equally intriguing. Narse comes from a humble background in the Mumbai suburb of Chembur. He graduated in engineering in 1987 and gained his MBA from the prestigious Indian Institute of Management in Bangalore. By sheer hard work and thanks to a capable mind, he spent 23 years in such firms as the Tata Group, KPMG, PwC and Goldman Sachs, where he became an investment banker. Successful at the material level, he brought his family to live in the salubrious suburb of Putney in South-West London.

But he was burning the proverbial candle at both ends. He had been exploring different forms of meditation for many years as a way of dealing with the angst of a life unlived. While returning late at night from one such camp in Dorset in 2009, he fell asleep at the wheel of his BMW as he drove along the M25 London orbital motorway. As he drifted onto the hard shoulder and into a head-on collision with it, a passing truck missed him by centimetres. It would have surely killed him. That was a wake-up call for Narse as he looked at his crumpled BMW and the deep blue sky above. He reflected that the drive for greater wealth and prestige was not giving him satisfaction, happiness or fulfilment in life. He was running an investment advisory firm by then for investors from the UK and the USA and was in the midst of expanding the investor base. His relationship with his business seemed untenable and he decided at that very moment to leave the corporate world. He was already on a personal quest to find lasting peace, which the accident highlighted as being 'time-dependent'—and as one that had a safety net tied to its exploration. It was then that he decided to drop all that he knew as his own, his past, and venture out, without the need to return to the safe climes of his home.

During the months and years that followed, Narse visited Varanasi (otherwise known as Benares), one of India's oldest cities and a famed place of pilgrimage on the river Ganges. There he found the time and space for deeply reflective moments to ponder the direction of his life. He subsequently wrote an engaging book, *In Search of Silence* (2011), and trained in the practice of Mindfulness, which he delivers through his company, Rohan Narse Associates, to senior executives in the City of London's boardrooms and elsewhere.

One of Narse's school classmates, Satej Kulkarni, had become a chief cook at Asia Plateau, the IofC centre in the hill resort of Panchgani, south of Pune. Kulkarni invited Narse to visit there. Impressed and intrigued by what he saw, Narse took up a suggestion to visit one of the engineers who had helped to build the centre in the 1960s and 1970s, David Young, now an elderly man living in retirement in Brighton. After meeting Narse, Young phoned me to say that I really should meet him. And so we met in London and got to know each other.

Narse is a courteous man in his late 40s, with a centredness and calm to his life that is very appealing. He practises what he preaches. And he takes a real interest in people. He lives in the 'now' moment with his full attention on the person he is meeting. He is also a great networker, and I find myself pleasantly encouraged by the range of business leaders he knows and who hold him in the highest regard. Part of his pursuit of personal integrity was to admit to himself that his arranged marriage to his wife was unworkable. They are now separated and share their time with their 18-year-old daughter and 14-year-old son.

Narse has found kindred spirits in the networks of Initiatives of Change, not least thanks to its emphasis on the need to take time out each day for silent reflection in order to connect with our true selves and the sources of spiritual wisdom within.

It is thanks to Narse's introduction that Bloom took part in the 2013 Caux TIGE conference.

Another of Narse's friends is Anita Hoffmann, a highly-regarded international personal coach to top business executives. She runs Executiva, a leadership search company which works alongside organizations to attract and develop socially, ethically and economically-aware global leaders in the energy, infrastructure and sustainability sectors. Hoffmann is Swedish by birth, Danish by passport and a Londoner by residence for over 30 years. Narse describes Hoffman as his 'soul sister'. My wife and I first meet her at a dinner party given by Narse, now living in south Wimbledon. We meet someone with a cheerful disposition and a ready laugh. Hoffmann, in turn, agrees to be the chair of a plenary session during the Caux TIGE 2014 conference. She also has a forgiving nature, as a communications gap between the conference organizers means that no one confirms with her about her conference role till it is almost too late. As it turns out, she chairs an engaging plenary session of a potpourri of speakers.

Such person-to-person links, such creative connections, in the chain of events, in the great scheme of things, are what IofC's founder Frank Buchman saw, from his faith perspective, as being the workings of the spirit of God. 'People,' he would urge his colleagues, 'are your strategy.'

Of course you have to know what your strategic objectives are, what you want to achieve in the world, whether it is organizational and environmental sustainability and tackling climate change, or job creation and greater economic fairness in society, or addressing social exclusion and inhuman deprivation, or the social purpose of business in a world of great disparities. But justice in economic relationships and structures, and human wellbeing, are built on human relationships, person by person. Have a deep care, indeed love, for individuals and your strategies for changing the world will emerge. That was Buchman's insistent message. You could say, in today's language, that he was a great networker. But there was much more to him than that. He loved souls. He cared for people, and wanted to encourage them towards their best contribution to the world. He believed, as do those who have since run with his baton, that the worst of human nature could be transcended by the best in human nature. For some this is seen as a divine impulse. The downsides of raw human nature can be supplanted by new and more altruistic motivations.

This sometimes leads to the kind of profound changes of direction in life that Lawrence Bloom, Rohan Narse and countless others have experienced. Some of their stories are told in this book.

As visitors to Caux travel up from Montreux in the steep mountain railway to the Caux station, the two-coach train passes through the Valmont Tunnel. For first-time travellers, it offers a weird experience. Emerging from the tunnel, all that was on your right hand side now appears on your left hand side. The Lake of Geneva below appears to have shifted position. The train, in fact, has passed through a semi-circle inside the tunnel, without the traveller realizing. Our perspectives have been changed. Things have been turned around. The train journey acts as a metaphor for the Caux experience, where participants are, likely as not, to experience a change of perspective on their own lives and on society as a whole. People's lives are turned around on their journey in life.

Lawrence Bloom urges us TIGE organizers not to lose sight of this experience, this 'magic of Caux' which those who have been there talk about: the unique atmosphere and spirit in its human relationships. The TIGE international website describes it as 'a community and a global movement driven by the best in individuals' motives. It is a platform for all stakeholders in the global economy who wish to inspire, connect and encourage businesses and individuals to act according to their core values, and contribute to an equitable society and humane world. TIGE is a story of change witnessed throughout the world.'[1] But in the light of Bloom's urging, we draft a further statement that spells out its core purposes explicitly:

> *TIGE is a global community which aims to practise trust and integrity in public, corporate and private life. At the heart of Initiatives of Change, and its TIGE initiative in Caux, Switzerland, is the provision of a safe haven for individuals from the business community, and all economic stakeholders, to explore a journey of personal transformation, leading to organizational and global transformation, with an outcome of human wellbeing.*
>
> *The journey begins with encouragement towards inner reflection, to see where change starts personally. It is informed by the values of honesty and integrity. It seeks to clarify purity of motive in defining the true purpose of our organizations, beyond just the profit motive. It urges equity across all stakeholders—a sense of stewardship and service; and love for people, planet, peace, prosperity and future generations.*
>
> *IofC and TIGE provide the opportunity to combine the sharing of ideas and experience with times of silent reflection in order to centre on our true selves, our consciousness and awareness, our contribution to society and the true purpose of our organizations. IofC and TIGE believe that change in the world starts with change in the individual. This encourages not just Corporate Social Responsibility (CSR) but also Personal Social Responsibility (PSR).*
>
> *The methodology of TIGE is through inner reflection, shared experience, story-telling and putting these values into practice.*

FOOTNOTE

1 www.trustandintegrity.org; www.uk.iofc.org/tige

2

Conscience capitalism

Beyond the Conscious Capitalism movement which has taken off amongst business leaders in the Unites States and elsewhere, the world needs a conscience-based market economy, a considerate capitalism—considerate of the needs of others and not just its own self-interest as owners, producers and service providers. An economy that is fuelled by empathy for others and for human wellbeing. The world needs considerate, conscience-based decision-making in business and economic life. In a globalized world, the need is to globalize ethical values.

This is hardly a new thought. Following the crash of 2008, it was more than ever clear that capitalism, the market economy and business in general needed a moral basis. David Cameron told the 2009 World Economic Forum in Davos that 'it is time to place the market economy in a moral framework.' The last chapter of Gordon Brown's book, *Beyond the Crash* (2010) is headlined 'Markets need morals'. Pope Francis called, in the summer of 2014, for a 'moral capitalism' to serve the common good. The US business author Stephen Young had also called his book *Moral Capitalism* (2003). Even George W Bush said, after the collapse of Enron, that 'capitalism without conscience leads to corruption'. The consensus was coming from both right and left of the political spectrum.

It is one thing to say so. It is another to put such sentiment into practice, especially when organizational and economic structures all too easily militate against 'doing the right thing'. It also begs the question: from where do individuals draw their sense of conscience?

The precedent, in the market economy context, comes from the moral philosophy of Adam Smith, the founding father of capitalism. This went far deeper than just the 'invisible hand' of the market—the notion that the common good would be served if we each pursued our own self-interest: 'By pursuing his own interest he frequently promotes that of the society more effectively than when he intends to promote it,' he wrote.

Seventeen years before he published *The Wealth of Nations*, Smith wrote *The Theory of Moral Sentiments* in 1759, when he was Professor of Moral Philosophy at Glasgow University (1752–1764). In it he spoke about the Impartial Spectator which acts like 'a demi-god within the breast', and which encourages the human emotions of sympathy and compassion. He believed that 'if, in the pursuit of wealth injustice is done then the Impartial Spectator changes sides.' In other words the pursuit of wealth could not be condoned if it led to greed and social injustice. He also talked about the 'man within' which acts like the 'vice-regent of the deity'—in today's language the conscience.

Moreover, Smith wrote in *The Theory of Moral Sentiments*: 'How selfish so ever man may be supposed, there are evidently some principles in his nature which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it.' Another way of expressing empathy.

On 17 July 1990, the bicentenary of Adam Smith's death, Alan Ryan, then Professor of Politics at Princeton University, wrote that Smith 'was an important figure in the history of moral philosophy. His *Theory of Moral Sentiments* was—to the extent such a thing is possible—a breakthrough in the subject. It steered a delicate course between reducing morality to mere feeling, and making moral judgment an implausibly rational business.' Smith's moral philosophy, Ryan wrote, 'relied on the thought that sympathy is a key emotion in restraining selfishness,' even if it was 'robust and sensible about the limits of any such mechanism: he noted, for instance, that no man has much intuitive sense of the pains of childbirth.'[2] Smith's philosophy—his belief in a 'vice-regent of the deity' and a 'demi-God within the breast'—suggests that, 'there's a divinity which shapes our ends, rough-hew them how we will,' as Shakespeare's Hamlet puts it.

Of course people don't have to have a religious affiliation to have a sense of personal or social conscience. What are the well-springs of inner motivation, which can vary from self-interest to altruism? Motivation, say psychologists, is concerned with exploring what underlies our actions. Motive comes from the Latin word *movere*, meaning to move, and denotes that which energizes and gives direction to people's behaviour. The psychologist G A Miller said: 'The study of motivation is the study of all those pushes and prods—biological, social and psychological—that defeat our laziness and move us, either eagerly or reluctantly, to action.'[3] I would also add to those 'pushes and prods' the words 'ethical' and 'spiritual'. In other words, motivation results not just from personal need but also from altruism and an informed conscience—about the state of the world, the state of people in it, and the state of ourselves. This begs the question: how is conscience informed? To which I would suggest by information and knowledge, an awareness of the true state of things, by listening to others, by empathy and 'emotional intelligence at work', by turning the searchlight in on ourselves and by silent reflection. All of these are part of the methodology of TIGE, through 'honest conversation', through group discussion, and through individual reflection, inspiration and insight.

Inner motivation can also spring from a deep personal spiritual or religious experience or conviction and can determine our behaviours at a very personal level, with profound results. The Nottingham businessman Richard Hawthorne tells how a travelling theatre group from India, which visited London in the late 1960s, had a profound impact on his life. One particular song, *Will we have rice tomorrow, Dad?*, made a deep impression on him. Sitting in his car on the Thames Embankment the next day, he felt an inner call to 'open my heart to people whom I had kept at arms' length and to newcomers to Britain who were treated as second class citizens'. An Anglican, Hawthorne felt he was being urged to 'the biggest task that God was asking of me and not to restrict myself to things I felt I could undertake without making a fool of myself.'[4] This inner experience affected the direction of Hawthorne's life's work. He was a founder of an independent partnership council in Nottingham which brought together community leaders in one of the city's most deprived inner city neighbourhoods and was later decorated by Queen Elizabeth for services to community relations.

Others also derive their conscience values from their faith tradition. Ex-British Army officer and 'ethicability' practitioner Peter Neville Lewis, for instance, who comes from a Roman Catholic background, emphasizes the need for the cardinal virtues of prudence (or wisdom), justice (fairness), temperance (restraint) and fortitude (courage) in the business and organizational context.

I was travelling with Lewis in Switzerland when his briefcase, containing his laptop, was stolen from the platform at Montreux Station. Several years earlier, my family's large suitcase was taken off the train at Lausanne station without us knowing. I reported this to the police at Geneva Airport and duly put in a claim for £700 to our travel insurance company. Several weeks later, I took a phone call from Swiss National Railways who said, to my astonishment, that they had found our suitcase on the platform in Lausanne. What should they do with it? Evidently it had been taken off the train by another group of travellers by mistake. Swiss Railways agreed to get it to Swiss Air at Geneva Airport, who delivered the lost suitcase to our home in London without charge. That very same day, we received a cheque for £700 from the insurance company. I phoned them to thank for the cheque and told them that I was returning it. The woman on the phone laughed and said that many would have simply cashed the cheque. They would have been none the wiser. Not long afterwards I read an article reporting that, at that time, one in seven insurance claims in the UK was fraudulent, which meant that insurance companies had to push up their premiums. There is a cost to society of the collective accumulation of individual dishonesty. Sadly Lewis never retrieved his briefcase and laptop.

Adam Smith's values turn out to be as relevant today as when he first articulated them, and the capitalist system lost something by overlooking his moral vision. As Stephen Young writes, 'The separation of Smith's two texts has given us a distorted notion of how capitalism should work.'

So why the conference and campaign title of Trust and Integrity in the Global Economy? It implies a process, a means rather than an end, an emphasis on values rather than outcomes: the *how* rather than the *why*. This is deliberate. In stressing the values of integrity which build trust in society, the TIGE conferences stand on its head the old Machiavellian notion that the ends justify the means. They stress that the means *determine* the ends. The way we do things is as important as *what* we do, as this often determines outcomes. This was patently the case in the lead up to the financial crash of 2008: dishonest, hubristic and materialistic means, aided by the opportunities given by complex instruments and technologies, led to disastrous outcomes. Its nadir was the collapse of Lehman Brothers in the USA, then the USA's largest corporate failure, on 15 September 2008, and the near collapse of Royal Bank of Scotland following its disastrous take-over of the Dutch bank ABN Amro.

Since then reservoirs of trust in public institutions have been seriously drained: the public's loss of trust in politicians, in the UK through the scandal of corrupt expenses claims and elsewhere through adversarial politics and corruption; in the media through illegal phone hacking, leading to the closure of the Murdoch-owned Sunday paper the *News of the World*; in big business due to corruption scandals and huge boardroom pay rewards and bonuses, disregarding the performance of their organizations; in banks and financial institutions since the crash of 2008, leading to an all-time low in the public's trust of banking; and in historical conflicts between nations, ethnic groups and religious perspectives, where each side feels to be the victim of the other side. Such loss of trust breeds a deep-seated cynicism. The roots of trust, and trustworthiness, lying in the values—the virtues—by which people live and act, are a key emphasis of the global Initiatives of Change movement, highlighted by its strap line: 'Building trust across the world's divides'.

With the 10th annual Caux TIGE conference in 2015, it remains to be seen whether or not the same title will continue in future years. But the ethos of encouraging the integrity which builds trust is embedded like the lettering through a stick of seaside candy rock. First held in 2006, the conferences were given a spur by the banking crash of 2007-08. They are held in parallel with similar global biennial events organized by Caux Initiatives for Business (CIB), the Asian business arm of IofC based at Asia Plateau, the Initiatives of Change centre in Panchgani, India. In the UK, the annual TIGE conferences have also led to the spin-off one-day 'TIGERoadshows', held at business schools and other locations. These bring together speakers who address values in business, banking and social entrepreneurship, under the theme 'Business as *un*usual—because the values are as important as the value'.

The TIGE conferences in Switzerland could never have happened without the leadership and team-building skills of Mohan Bhagwandas, an Australian IT expert of Sri Lankan origin living in Melbourne. He had been employed for 15 years in a senior position in business strategy by a global Information Systems company, where he applied his considerable leadership skills. The role required him to make high-risk decisions, develop strategic and operational plans and adapt to a global work place, coping with major change. In 2007 he left his job and, at the invitation of the Caux Foundation, the trustee owners of the Caux centre of Initiatives of Change, he took up a part-time role as International Coordinator for IofC's business programmes, particularly developing its TIGE conferences in Caux. It was he and a young London-based social entrepreneur, Joe Swann, who came up with the name of TIGE. Swann was training other young entrepreneurs, often from deprived backgrounds, in basic business skills such as book keeping and marketing. One East London team he trained won a contract with the Metropolitan Police to renovate and sell all the unclaimed lost or stolen bicycles that the police recover from four London boroughs each year [see chapter 8].

A TIGE organizing team now comprises young entrepreneurs from countries ranging from Russia and India to Brazil, Italy, Latvia, Malaysia, Mexico, the Netherlands, Spain, South Africa and the UK. They are largely volunteers and the TIGE conferences are run on a shoestring budget, relying on the goodwill of participants and corporate sponsors.

In their academic book, *Integral Development (Transformation and Innovation)* (2014), Professors Alexander Schieffer and Ronnie Lessem describe how Bhagwandas responded 'to the call of economic renewal':

> Mohan Bhagwandas... had been associated with IofC since the 1970s. At the age of 21, he joined the movement, attracted by its guiding motto 'first transform yourself, then transform society'.
>
> Experiences of poverty that he witnessed around him during his childhood left an indelible print in his heart. Seeing people living in unbearable circumstances in the slums of Colombo,

and observing the hardship of people working in unimaginable conditions in Sri Lanka's factories, seeded his passion to dedicate his own life to uplifting such people. IofC was for him the place to put this passion into reality.

After 15 years of professional work as an IT consultant in Asia and Australia and an equal time spent committing himself on a voluntary basis to the IofC network, Bhagwandas felt prepared to respond to IofC's call to develop an active engagement platform to contribute to the moral renewal of global economics. It was out of that spirit that TIGE was born.

Bhagwandas can well be described as one of those rare, mature personalities where a strong inner moral compass is matched with a persistent, calm dedication to service through action. Guided by a strong rootedness in values and a deep spirituality, combined with a sense of duty and pragmatism, he brings clarity to the people and contexts he engages with. Frantic pace and agitation are alien to him, as much as the need to push himself to the front row of life. Equipped with a strong presence, he acts more in the background, nurturing and mentoring the people working with him.... Bhagwandas is a prototype of a 'servant leader'.

Having worked in the ICT industry and as a business consultant for many years, Bhagwandas understands the implications of ICT on the economy, and in particular on the financial industry. For him, money, which originally was a means towards an end, has increasingly become a mere 'product' to be traded with, on newly created and rapidly expanding financial markets. He argues that the commoditization of money may well be one of the core root causes of the crisis we face today. Responding to this crisis is for him a matter of moral renewal. For him, the biggest global challenge is the question of 'Trust and Integrity' at the core of the world's micro- and macroeconomic institutions.

Bhagwandas is convinced that processes of inner renewal on the individual, if not also institutional, level is so crucial, because the technological revolution allows not only for widespread participation in economic processes, but also gives individuals and small institutions enormous leverage. The more power is distributed into networks (politically and economically), the more important, so maintains Bhagwandas,

> becomes trust and integrity on an individual level. Thus Trust and Integrity in the Global Economy came into being as a theme of a conference, platform and programme—inaugurated in the summer of 2007. Since its inception it has attracted, unlike usual business conferences and networks, not only corporate participants, but also students, academics, not-for-profit organizations, and simply people representing many walks of life—altogether interested in bringing about renewal or alternative economic practices.
>
> It is important to see Bhagwandas not as an isolated driving force behind TIGE. He is supported by a team of energetic, young social innovators, by other Caux veterans, as well as by his wife Daya, an educator dedicated to the development of children, with a profound interest in organizational and societal change. Bhagwandas and his wife first met in Caux and share the overall values base of IofC that gave rise to TIGE.

Schieffer and Lessem highlight the younger leaders from around the world who 'co-creatively design and orchestrate' the TIGE programme: 'Mexican social architect Juan Carlos Kaiten, Indian development economist Rishabh Khanna, Russian development economist Tatiana Sokolova [who with her husband Rishabh has now taken over from Bhagwandas as the conference coordinator], Swedish social entrepreneur Fredrik Hallberg and Australian environmental scientist, urban planner and film director Tom Duncan.'

To these names can be added Cristina Bignardi, an organic farmer from Bologna, Italy; Latvian TV and radio journalist Artjoms Konohovs, who oversees the technology of the TIGE conferences; Talia Smith, a South African-born Londoner who spent four years in Cambodia and Laos working with a non-governmental organization that rehabilitates girls rescued from sex trafficking, and who is now Project Manager for IofC UK's business programme; Joe Swann, a graduate of Sheffield Business School and a social entrepreneur in his early 30s who founded and ran My Social Innovations in London from 2009 till 2014, in order to train budding young entrepreneurs in business skills; and Merel Rumping, a Dutch social entrepreneur, 'project incubator' and gifted singer who has worked in Spain, France, Morocco, and Colombia. Her volunteer work there with street children and former child soldiers encouraged her to 'always strive for a human-centred approach'.

They are a merry crew who, when not too stressed, enjoy each other's company and laugh a lot. They are great company.

The same *esprit de corps* applies at Asia Plateau in Panchgani, a mountain resort south of Pune. There the CIB organizing team is led by Sarosh Ghandy, a former Resident Director of Tata Engineering (TELCO, now Tata Motors) in Jamshedpur who later became the Managing Director of TELCO Construction Equipment Co Ltd (TELCON) in Bangalore. He runs the Centre for Training in Ethical Leadership (CENTREL) in Panchgani, while his colleague Kiran Gandhi, also a former senior Tata Motors executive, leads the team that runs a series of regular three- or four-day courses on the Heart of Effective Leadership (HEL). Among the companies from Pune, Mumbai and all over India who send their executives and managers on the HEL courses is the Siemens corporation in India, which has sent 500 of its senior executives to be trained in ethical decision-making. Other companies that have taken part include the Tata Group, Indian Railways, the state-owned Bangalore Electricity Supply Company (BESCOM), Daimler-Benz and the Forbes Marshall engineering group based in Pune.

From 2007 to 2009, 90 senior BESCOM executives and 300 assistant managers went on training courses at Asia Plateau. Then in 2010, BESCOM sent its entire workforce of 11,700 to training courses in Bangalore organized by Initiatives of Change. The emphasis was on listening to the 'inner voice' and the core values of honesty, purity of motive and behaviour, unselfishness and love, presented in practical and interactive ways—including anger management. The result was that hundreds of the staff gave up smoking and alcohol, taking charge of their health. Thousands decided to take up regular exercise and sport. But the most important consequence, from the company's point of view, was the newfound dialogue between senior management and the workforce. Managers began listening to the employees about the problems they identified, such as theft of electricity, mismanagement and lack of respect, equipment breakdown and poor safety procedures. The productivity gains were palpable, as were the levels of trust.[5]

I first met Sarosh Ghandy in Jamshedpur in 1993 just at the time of the first reforming budget of the then Finance Minister, Manmohan Singh. TELCO was India's leading truck and bus manufacturer and, according to one academic study, the output from this one factory was believed to have created four million jobs throughout India, such was its knock-on effect. The company was running a series of Human Relations at Work training programmes for its 20,000 employees, implemented by Ghandy and his colleague Kiran Gandhi and inspired by the values of Initiatives of Change at Asia Plateau. I was in Jamshedpur to report this for a magazine in London. The company also ran quality circles, known as 'small group activity', whereby groups of shop floor workers would meet for an hour each week to talk through production problems, giving feedback to the management, as well as addressing between themselves issues such as alcoholism, absenteeism and communal tensions. All this led to considerable cost savings and productivity gains. Some 100,000 suggestions to management each year saved the company about £2 million. The *Financial Times* wanted a report on a particularly Indian approach to total quality management and carried my article under the headline 'When quality is a way of life'.[6]

Ghandy is a Parsee like many of the leaders of the Tata group of companies. He is a big hearted, patrician figure, held in the highest regard by his colleagues. He signs off all his emails with the sentence 'Only love is real', to which I reply with the title of the Beatles' song, 'All you need is love'!

Like Caux, Asia Plateau in Panchgani is an oasis, 4,000 feet high in the mountains with a spectacular view over the Krishna river valley below. There the appeal is Gandhian and there is a strong emphasis on the 'inner voice' of conscience and the need to 'make God your guru', which is well received by people of India's various faith traditions. Satish Mohapatra, a Chief Manager at Siemens India, is quoted as saying: 'This programme wakes you up from the slumber of comfort and selfishness. It convinces you that all change begins with oneself.' R Ramesh Shankar, head of Human Resources for Siemens Group, India and South-East Asia, concurs: 'I have personally attended this programme along with my entire HR leadership team in June 2011 and found it of immense value. It has helped me transform myself and helped me build a winning team.'

So what do we understand by 'trust' and 'integrity'? The TIGE title could of course be the other way round: integrity in business and economic decision-making is what builds trust between individuals and organizations, and in society as a whole. Integrity implies a sense of seamless wholeness and consistency—that individuals do what they say they are going to do. They are true to themselves and their values, and towards others. They are honest and trustworthy. They are integrated personalities, without deliberate or wilful shadows of contradiction.

When it comes to trust, a brain storm amongst 20 business people in a 2011 Caux TIGE workshop came up with some 30 words in English all beginning with the letter C to describe the values and notions that build trust, C representing the Culture of organizations. The words range from contracts, compliance and customers, to colleagues, community, conscience and care.

In his short book *Rebuilding trust in business* (2006), Nick Spencer of the Theos think-tank in London emphasizes two aspects of trust: its contractual basis, derived from the rule of law, and including written and signed agreements, which have to be honoured; and the 'covenant' basis of trust, based on the promises that individuals and groups make to one another. Am I sufficiently trustworthy to carry out my promises? 'Covenants differ from contracts in that they are open rather than closed,' writes Spencer. 'Whereas both establish mutual obligations and privileges for the parties involved, contracts define responsibilities and rights that are specific and temporary. Failure to discharge the relevant duties usually leads to the dissolution of the contract. Covenants, on the other hand, encourage attitudes rather than define actions. They describe rather than prescribe duties and are marked more by shared vision and purpose than a detailed list of conditions.'

It is probably fair to say that there are elements of both contractual and covenant trust in most workplace relationships and conditions of employment.

When it comes to the former, banks lost trust in each other's ability to lend, following the crash of 2008, leading to the credit crunch. Regulatory bodies also have a particular role to play in maintaining the public's trust in organizations. The credit rating agencies, for instance, came under fire for their role in the financial crash after giving strong ratings to weak asset-backed securities. Equally, auditing firms were blamed for inadequate evaluations of companies' financial strengths and weaknesses. Arthur Andersen in the USA collapsed after being found guilty of criminal charges in relation to its auditing of the Enron energy corporation.

The covenant basis of trust is echoed in the notion that used to prevail in the City of London that 'my word is my bond'. If this has gone out of fashion, the City Values Forum, supported by successive lord mayors of London, has tried to revive it. The forum saw the launch, on 15 October 2013, of a new short City Obligation, a personal pledge to uphold values, aimed at 'giving contemporary relevance' to the old notion of 'my word is my bond'. The City Obligation reads simply:

'I will always treat others as I would wish to be treated with honesty and integrity in the spirit of the traditional City principle that "My word is my bond".'

Presenting it, Patrick McHugh of the City Values Forum said that 'in our everyday lives people expect honesty—trust, loyalty and honesty—what economists call externalities.' Later, in July 2014, the think-tank ResPublica issued a Bankers' Oath, as part of its Virtuous Banking report [see chapter 6].

Simon Webley, Research Director at London's Institute of Business Ethics, advocates the Golden Rule—'Treat others as you would like to be treated'—as a fundamental principle of business. 'If the principle of the Golden Rule could be applied to all business relationships, real change in the financial industry's culture could begin to take effect,' he writes. 'Commerce', he says, 'has always depended upon trust and goodwill—the word "credit", after all, has its origins in the Latin *credere*: "to trust, entrust, believe". It follows that business must be conducted in an open and honest manner—otherwise trust is eroded and businesses fail.'[7]

Trust, then, is fundamental to human relationships and the good working of organizations and society as a whole. Trust implies honesty, integrity, purity of motives and the mutual care of individuals.

But fine slogans hardly cut the ice. Such 'externalities', such sentiments, need to be internalized by individuals and then lived out. The gap between rhetoric and reality needs to be bridged. That is what the Caux and Asia Plateau conferences aim to do.

FOOTNOTES

1 www.trustandintegrity.org; www.uk.iofc.org/tige

2 *The Times*, London, 17 July 1990

3 Gross, Richard, 'Motivation', *Psychology—the science of mind and behaviour*, 2001, Hodder & Stoughton, London, p118

4 'Game plan' by Michael Smith, *The Guardian*, 17 January 2001

5 Suresh Mathew and Dilip Patel, Global Update, January 2011

6 *Financial Times*, 25 August 1993

7 *Financial World* magazine, London, Aug/Sept 2014

3

Five pillars of trust: purpose, sustainability, stewardship, cooperation, integrity

'Creating a desirable, sustainable future is the leadership challenge of our time,' says the Swedish businessman Goran Carstedt. He means the sustainability of the planet as much as organizations. As a senior executive of Volvo and then board member of Ikea (1990-1997), including President of Ikea North America (1990-1995), Carstedt implemented sustainability policies as part of the business plan in both those companies. He went on to chair the non-profit sustainability organization, Natural Step International.

'Something old is dying and something new is trying to be born,' Carstedt told the 2011 Caux TIGE conference. The old was the industrial, mechanical worldview, where 'we, humanity, thought we were in charge—in charge of other people, in charge of nature. And of course that was an illusion. The new is borderless, global, digital—and brutal in many ways. It is interconnected in a completely new, radical complexity.'

The challenge, he said, was how to create a 'transformational change in our institutions'. This was more than environmental sustainability, important as that is. Many nations have also become worried by the sustainability of their school and healthcare systems. Organizations were simply not capable of dealing with the complexities of today's situations on their own.

Change, Carstedt asserted, is 'less about reorganizing, restructuring and re-engineering and more about reconceiving. That is what leadership is about.' And learning, he continued, is dependent on 'becoming part of a meaningful community'. That is what he saw Caux trying to create. The future, he told Caux, 'is not a road to be discovered; it is a road to be created. And isn't that very hopeful? So what future do we like to be a part of creating?' What could be more meaningful and desirable than 'co-creating a sustainable future? To develop products and processes and services that are in harmony with nature, and by liberating human creativity. To give their best, people need a meaningful cause to believe in that will bring forth the passion needed.'

Afterwards, he told a documentary film interviewer that 'everything happens in conversations. We have to create space for that kind of very honest, open conversation. Of course bring in bright ideas and bright people for that journey. That is why I am not afraid at all of staying in questions.' Conference organizer Mohan Bhagwandas told the same interviewer: 'Reconceiving the future means that we co-create our future together.'

Sustainability is not just a private sector issue, either. Emma Ihre, who was then Special Advisor to the Sustainable Business Department for Sweden's Ministry of Finance, told the Caux TIGE 2014 conference that the nation's 50 state-owned businesses are driving a sustainable business approach. And it works, she said. The state sector is Sweden's largest employer and supports a business perspective of risks and opportunities, with a focus on seven key areas of sustainability: diversity, environment, human rights, labour conditions, anti-corruption, business ethics and gender equality.

The Ministry recruits directors who have strong ethical values and a corresponding attitude. 'We dare to have high expectations and a focus on transparency and cooperation,' Ihre said. The state is a proud owner of its companies, setting high expectations and levels of transparency. Ihre explained that 'sustainability within business isn't something that is a side aspect of otherwise more important matters. First on the agenda when the state meets with the boards of directors is to review its implementation.'

Another Scandinavian initiative is World Values Day. Students, who launched the idea in Caux in July 2012, host full-day and monthly workshops in Stockholm and elsewhere 'to inspire the leaders of tomorrow to find our core values and to act in line with these, both professionally and personally.' The idea is not to be prescriptive. Instead, 'discovering your authentic core values is an inner journey.' The events offer training for future business leaders. 'The world needs more value-driven individuals,' they say.

'Values are a source of motivation and engagement and build the very foundation for our thoughts and actions.' The kind of values that we adopt, therefore, is critical for the future, personally, organizationally and globally.

The need for 'open, honest conversation' that Carstedt talks about is advocated by the political philosopher David Marquand in his book *Mammon's Kingdom* (2014). In it he gives a robust call for a public debate on how to create a 'moral economy'. We live in a more unequal society than ever, he argues. London has more billionaires than any city on earth. Yet the poorest fifth of Britain's population are among the poorest of all the EU countries, he claims. The benefits of growth are not evenly distributed. The UK is mammon's kingdom and 'no large Western democracy has been more devoted to money worship than Britain.' We have lost what Adam Smith called 'the bonds of sympathy' and we need to create a 'decent society' that doesn't humiliate people through unemployment, zero-hours contracts, lack of housing, alienation and poverty.

While Carstedt believes that sustainability, and co-creating a sustainable future together, is the leadership challenge of our time, Lawrence Bloom believes that 'this is not an age of change; it is a change of age'. 'What I mean by this,' he told Caux in 2013, 'is that the rules, the cultures, the understandings of the last 400 years won't serve us anymore. They've served us very well up till now. They've been like the booster rocket of a spaceship. The booster has a function. The function is to reach the escape velocity of 17,500 miles an hour and then its job is done. The skill in a space shot is to blow the explosive bolts and to enable the booster to fall back to earth, otherwise it will jeopardize the mission. The last 400 years has given levels of wealth and freedom to over a billion and a half people whose parents, let alone grandparents, couldn't imagine. But it won't take us any further. And so on a billion and a half of us rests a great responsibility for the future.'

So, while the booster rocket has helped to give unprecedented levels of wealth to over a billion and a half people, what about the rest? India is a case in point, where economic growth has benefitted many but left millions of others still in grinding poverty. Jean Dreze and Amartya Sen point out, in their seminal book *An Uncertain Glory: India and its contradictions* (2013), that much of the nation's growth has only benefitted its four wealthiest states. There is still a huge need for investment in both physical and social infrastructure: from transport and energy supplies to health care and education. Above all there is a far greater need for what Dreze and Sen call 'participatory growth' whereby the benefits of economic growth are more evenly distributed. And growth in India, the world's most populous democracy, was critical to the target set by the UN's Millennium Development Goals of halving global poverty by 2015.

It was an issue addressed by Anup Mukerji, former Chief Secretary of Bihar, one of India's poorest states, during the biennial Caux Initiatives for Business conference in Panchgani, in November 2013. Bihar was becoming a safer state to live in and its infrastructure was improving, claimed the senior Indian Administrative Service officer. Mukerji was described by one political writer as 'the best IAS officer of India'. He is a man of renowned personal integrity, who has been compared by his fellow IAS officers to Gautama Buddha, thanks to his frugal lifestyle. So his word could be taken at face value. In Bihar, 'access to education for the poor, particularly the girl-child, and empowerment of women, have all contributed towards creating a trend of participatory growth,' Mukerji claimed.

But the rich-poor gaps are still enormous, and not just in the developing world. Oxfam, on the eve of the 2014 World Economic Forum in Davos, Switzerland, published the rivetting statistic that the world's 85 richest people had a combined wealth equivalent to that of the poorest 50 per cent of the world's population. By January 2015, that figure had fallen to the world's 80 richest people. Moveover, Oxfam reported to the 2015 Davos forum that by 2016, on current trends, one per cent of the world's richest population would own more than the other 99 per cent. Anyone with assets of over £500,000 fell into the top one per cent. It's a sensational figure, and Oxfam urged governments to adopt a range of measures to close the wealth gap. These included clamping down on tax dodging by corporations and individuals; sharing the tax burden fairly, shifting taxes more towards capital and wealth and away from consumption; introducing minimum wages and a 'living wage' for all workers; and equal pay for men and women.

An important question is what those 80 people are doing with their enormous fortunes. Bill and Melinda Gates, for instance, have invested over $30 billion in two decades to eradicate diseases through their foundation.[8]

More disturbing is the widening gap between top boardroom pay and mean wages inside organizations, a gap which seems to have grown exponentially, and which fuels disaffection in society as a whole. According to the UK campaign group One Society, the pay gap between the boardrooms of Britain's top companies and the shop floor nearly doubled between 2000 and 2009. And research by Income Data Services showed that total earnings for directors of FTSE 100 companies increased by 49 per cent in 2010, far outstripping pay claims for employees outside the boardroom. In the USA, according to the Economic Policy Institute, CEO compensation from 1978 to 2010, including stock options realized, increased by about 875 per cent, more than double the stock market growth and 'substantially greater than the painfully slow 5.4 per cent growth in a typical worker's compensation over the same period.'

The Northern Irish businessman Peter Brew, who ran the Asia-Pacific regional arm of the International Business Leaders Forum from Hong Kong (2008 – 2011), highlighted 'the quite obscene levels of remuneration within the business sector', in his public Caux Lecture in July 2013. 'If you invent something and you put all of your resources behind it, then you deserve to gain the benefit of that. But the vast majority of business leaders are short-term trustees of the companies in which they are operating. They usually don't stay for more than five or six years and yet they receive benefits that are far beyond any rational level of payment. Back in the 1970s, the ratio between the CEO and the average pay was something like seven to one. It's now in the order of 500 to one.'

Such gross disparities fuel anger in society, at a time when, according to the authors of *The Spirit Level*, Richard Wilkinson and Kate Pickett (2009), the more that societies are equal the better and more satisfying they are for everyone. The alarming alternative, in grossly unequal societies, is the cry of the anarchists at the time of the Russian Revolution to 'loot the looters', as they seized the property of aristocrats. This, in effect, is what happened to banks and retailers during street riots in London and other

British cities in the summer of 2012. Reflecting on this, Kofi Annan told the Caux conference that he was surprised there hadn't been more violence on the streets of European capitals, given the appalling levels of youth unemployment, especially in southern European countries.

Remuneration committees, too often in a cosy relationship with the board rooms they serve, have to bear responsibility for taming the gross, and often unfair, rewards that they award to top executives. It is an issue which builds—or undermines—trust in society.

It also cuts to the very heart of status—how do I compare with my peers?—and human satisfaction in life. When John D Rockefeller was asked, 'How much is enough?' he is said to have replied, 'Just a little more'. The demand for more becomes insatiable. The American Chairman of one of the world's leading medical technology companies told me in Caux that he had done very well out of the US stock market and that he was now concerned about how to use his wealth for social purposes, including what charities to support. 'After all, I can only sail one yacht at a time,' he remarked!

There are, of course, renowned organizations such as the John Lewis Partnership that have deliberately limited the ratio between boardroom pay and mean wages.

So what role does business have in building a fairer, more just society? Milton Friedman's notion that the sole purpose of business is to maximise the profits for shareholders is thoroughly discredited. New models of ownership are emerging, from social enterprises, employee owned companies and 'benefit' corporations (B corps). In India, individual companies in the Tata group, one of the world's most reputable companies, are publicly quoted, whilst the parent company is 60 per cent owned by its charitable trusts. The company can never be subject to a takeover bid.

New boardroom motivations are emerging in the 'stakeholder economy', which serve the interests of all stakeholders, from owners, customers and employees to wider society and the legacy for future generations yet unborn. The latter was confirmed for me when I interviewed the late Ryuzaburo Kaku, the former Chairman and CEO of Canon Inc of Japan, over dinner in Caux. He spoke about the need for *kyosei*, a Japanese word meaning symbiosis, but which he interpreted as 'living and working together for the common good'. By this he also meant the legacy left for future generations, and particularly the environmental impact of business activity on society. It was why he opened a factory in China, employing 300 people, solely for the purpose of recycling Canon's products such as printer ink cartridges. Kaku's emphasis on environmental concerns was born out of his traumatic experience in Nagasaki, where he was a 19-year-old conscripted shipyard worker when the atom bomb fell. Having studied nuclear physics at university, he knew immediately what had happened, and urged his colleagues to remain underground for three days to avoid the effects of radiation, so saving their lives.[9]

New company laws are also being enacted to strengthen boardroom's responsibilities towards all their stakeholders—their 'fiduciary duties'. Perhaps these would have addressed the grossly inadequate due diligence investigation carried out by Royal Bank of Scotland into the state of affairs at the Dutch bank ABN Amro, during RBS's ambitious and disastrous takeover in 2007, a situation which should never happen again.

At the global level we should not be pessimistic, either. In the choice between capitalism and centrally-planned command economies, especially since the fall of the Berlin Wall in 1989, the former seems to have won the battle and be delivering the goods. According to Douglas A Irwin, the spread of capitalism is the 'ultimate antipoverty program'. Irwin quotes a World Bank report of 9 October 2014, indicating that 'the share of the world population living in extreme poverty had fallen to 15 per cent in 2011 from 36 per cent in 1990. Earlier this year, the International Labor Office reported that the number of workers in the world earning less than $1.25 a day has fallen to 375 million in 2013 from 811 million in 1991.'

'Such stunning news,' Irwin continues, 'seems to have escaped public notice, but it means something extraordinary: the past 25 years have witnessed the greatest reduction in global poverty in the history of the world.' [10]

To what could this be attributed? Irwin asks. 'Let's be blunt: the credit goes to the spread of capitalism. Over the past few decades, developing countries have embraced economic-policy reforms that have cleared the way for private enterprise.

'China and India are leading examples. In 1978 China began allowing private agricultural plots, permitted private businesses, and ended the state monopoly on foreign trade. The result has been phenomenal economic growth, higher wages for workers—and a big decline in poverty. For the most part all the government had to do was get out of the way. State-owned enterprises are still a large part of China's economy, but the much more dynamic and productive private sector has been the driving force for change.

'In 1991 India started dismantling the "license raj"—the need for government approval to start a business, expand capacity or even purchase foreign goods like computers and spare parts. Such policies strangled the Indian economy for decades and kept millions in poverty. When the government stopped suffocating business, the Indian economy began to flourish, with faster growth, higher wages and reduced poverty.

'The economic progress of China and India, which are home to more than 35 per cent of the world's population, explains much of the global poverty decline. But many other countries, from Colombia to Vietnam, have enacted their own reforms.' Irwin acknowledges similar progress in African countries too.

Stephen B Young, the global executive director of the Caux Round Table group of business executives, writes that Irwin's commentary 'reminds us why it is important to work towards a moral capitalism, one that serves humanity's material needs and its desire for more equality of opportunity and possession of wealth, while also serving a more transcendent desire for justice.'

Indeed, far too many people still live in degrading poverty and the threat of killer diseases such as ebola. For capitalism, and the companies and organizations that work within its paradigms, five ingredients are still needed—purpose, sustainability, stewardship, cooperation and integrity.

Purpose

Thomas Carlyle said that 'someone without purpose is like a ship without a rudder.' The same could be said of organizations too, though of course their purpose can change over time. The Conscious Capitalism movement in the USA advocates a clearly articulated purpose for a business or organization–its contribution to society–other than just making a profit: 'purpose maximization' rather than profit maximization leading to 'firms of endearment', as Scott Allshouse, Mid-Atlantic Regional President of Whole Foods Market puts it.

In September 2014, a forum on 'corporate governance for a changing world' at Cass Business School in the City of London, which I attended, kicked off a series of round-tables around the globe on the purpose of corporations in the 21st century. Hosted by Cass, the forum was initiated by Frank Bold, the public interest law firm, one of whose lawyers, Filip Gregor from the Czech Republic, had taken part in the Caux TIGE 2104 conference two months earlier. One of the aims of the forums is to reform company law in the UK and the European Union.

Its post-forum report states boldly: 'The popular conception that corporations exist principally for the purpose of maximizing shareholder value has become so enmeshed with the narrative of business that the issue is rarely given serious consideration. This popular conception is based on a model of the corporation which bears very little relationship to the reality of 21st century corporate activity and is implicated in a range of unintended consequences including an inappropriate focus on the short-term, potentially (and paradoxically) sub-optimal returns to shareholders, excessive executive pay and a range of negative social and environmental externalities. There is also significant evidence that it is fundamentally inconsistent with sustainability. Mounting empirical evidence suggests that shareholder primacy and the overarching goal of maximizing shareholder values contribute to short-termism, inequality, and limit companies' ability to address social and environmental damage.'

The report continues: 'From a company law perspective, the question of for whom the organization operates is paramount. The popular perception amongst business leaders is that the purpose of the corporation is to maximize shareholder value. Yet this is based on a fundamental misinterpretation of company law. The Panel agrees that such a narrow interpretation of corporate purpose is not embedded in company law, but it is rather a result of market forces and an inadequate structure of incentives—both on the demand and supply sides of equity capital. If we step away from the myth of maximizing shareholder value, we must ask what purpose to put in its place to restore social trust in business.

'What makes a good company? The Panel agrees that it is one that provides goods or services that are socially and economically responsible, while generating sustainable profits. It is clear that business must return a profit to survive, but there must be a balance between making a return and a company's responsibility to broader environmental and social concerns. Great businesses exist to provide goods, services and employment. If a business sets out to help people then it is more likely to be successful, both in terms of achieving its mission and generating profit.'

So, essentially, companies need a purpose beyond profit. As the young eponymous hero in the film *Hugo* puts it: 'If you lose your purpose it's like you're broken.' Like machines, everyone, every organization needs a purpose.

The notion of good company purpose is well illustrated by James Miller, Chairman and Chief Executive of Abermed occupational health company from 2001 to 2011. Addressing the Caux TIGE conference in 2013, he said:

> I joined the company in 1999 and took over the leadership of it in 2001. It was a small business employing 12 people; turnover of about £800,000 or $1.2 million then, providing medical services to the oil and gas industry. There's a lot of oil in the North Sea; there are platforms and rigs with people living on them. The role of the business was looking after the health of those people; making sure people were healthy and able to work, and caring for them if they were ill or injured. We had medics on the rigs running a sick bay and doctors on call for emergencies. Over 10 years, the business grew so that by 2011 the turnover was about £22 million or $33 million. In the world's terms that would have been seen as its success. But that's just money. But what about the application of the purpose and working to its core values?
>
> In the early days, when there were 12 people, we got together to talk about our purpose and core values. We wanted to make a positive contribution to society, always to behave with honesty and integrity and complete openness, to promote creativity, learning and personal development. We worked out what the business was about: to protect, maintain and improve the physical, psychological and social well-being in the workplace. Physical, psychological and social well-being was the World Health Organization's definition of health. So,

that was embedded in the business and we believe that was a very important factor in the growth of the business in those years. It's what we believed and did, and we explained that to everybody who subsequently joined us. It was also what we talked about to our clients. That was very important because we were working with an industry that can be hard-nosed and money orientated, but was becoming concerned with health and safety of its people. So, developing trust was really vital. We had to live what we said. We had to demonstrate integrity. As a team we worked out our core values:

We should be the best at what we do best. *It wasn't about being the best at everything we do because that's impossible but we focused on what we were good at and then we focused on excelling at it.*

We should serve our customers and patients with unconditional integrity.

We would demonstrate empathy and respect for all people—*staff, patients and our customers.*

We wanted to make a positive contribution to society.

We would care for one another.

[See also Chapter 10]

Stewardship

'Wise stewardship, good governance and concern for the common good need to be core values of any market economy,' says the Caux Round Table group of senior business executives in their 'Bangkok Agenda' on 'reshaping capitalism to ensure sustainability', published in October 2013. 'In other words,' their statement says, 'a rich set of ethical principles for doing business should underpin all business activity.' This means managing their 'off balance sheet risks and opportunities, as well as those on the balance sheet' and the current value of a company 'depends on its future intangible advantages in customer loyalty, employee productivity, supplier quality, credit worthiness and community approval.' The CRT's Principles for Responsible Business were first published in 1994, and their 20th anniversary was marked in a talk given by Robert MacGregor from Minneapolis, one of the original authors, during the Caux TIGE 2014 conference.

In his keynote talk to the same TIGE conference, Mark Goyder, Founding Director, and now CEO, of the agenda-setting think-tank Tomorrow's Company, emphasized the notion of stewardship as essential to business success and longevity. 'We have been working with institutional investors and challenging government and regulators,' he said. 'We have now achieved a "stewardship code" which is officially recognized.' Institutional investors sign up to the code to say, "We will be good stewards".' Goyder admitted that it needed further strengthening but it was a beginning. Tomorrow's Company's definition of stewardship of the company, or any asset, is that 'you inherit something and you feel an obligation to pass it on in better condition than you inherited it.' It was that principle of stewardship which could be witnessed in the best businesses.

Goyder illustrated stewardship from the Japanese experience: 20,000 Japanese companies have existed for more than 100 years; 600 companies have lived more than 300 years; 30 companies have lived more than 500 years and five companies have lived more than 1,000 years. What did they have in common? 'Leadership driven by clear values, vision, mission, strong sense of legacy, vision of the long term, emphasis on the value of people, commitment to society, customer orientation, innovation and continuous improvement,' Goyder said. His statistics come from the book *Timeless Ventures* by Haruo Funabashi (2009). A Tata executive in India, Anant Nadkarni of the Tata Council for Community Initiatives, had encouraged Funabashi to write the book and had suggested its title.

Goyder also quotes Tomorrow's Company's definition of stewardship in his own book *Living Tomorrow's Company* (2013) as: 'The active and responsible management of entrusted resources now and in the longer term, so as to hand them on in better condition.' There is a role here for both directors and investors/owners: 'The rights and duties of shareholders give them the stewardship role alongside that of directors in protecting the long-term health of the company and promoting the long-term value of the investment. Directors are the effective controllers of companies. They are entrusted by shareholders with the management of the company on a day-to-day basis and are accountable—and can be influenced by—shareholders. This idea that the core responsibility for stewardship is shared between shareholders and directors is, we believe, very important.'

Goyder says that stewardship needs to be promoted by legal frameworks as well as people's behaviours. He outlines four principles of stewardship:

> *Setting the course for an organization, with a clarity of purpose* [which also reflects Conscious Capitalism's emphasis on purpose];
>
> *Attention to continuous improvement* [also reflected in the Japanese concept of kaizen or 'good change'];
>
> *Sensing and shaping the landscape* [by which Goyder means 'looking outwards' to the world around in order to build trust with customers and communities];
>
> *Planting for the future with coherence over time* [by which he means striking the right balance between the short and long term; the implication is that quarterly reporting should not trump longer-term interests.]

Goyder launched his book during a CIB conference at Asia Plateau, Panchgani, in November 2013. Subtitled *Rediscovering the human purpose of business*, it has a foreword written by Sarosh Ghandy. In it Goyder writes about the Indian concepts of *Niti* (codes of conduct, instruments of law and normal behaviour), *Nyaya* (delivery of justice), and *Niyat* (voluntary standards and behaviour, the outcome of inner convictions). 'The Bhagavad-Gita concept of leadership,' writes Goyder, 'emphasizes reflectiveness, selflessness and service. Confucian philosophy too is holistic, rather than linear. The Daoist tradition speaks of harmony with the environment, and balance with integration with nature.'

Goyder cites an heroic example of stewardship and trusteeship applied in practice, when staff at the Tata-owned Taj Mahal Hotel in Mumbai protected and saved the lives of hotel guests during a terrorist attack on the hotel on the night of 26 November 2008. Thirty-one people were killed in the attack of whom half were hotel staff. One hotel guest said afterwards: 'Over the period of 11 hours, the staff saved my life several times.' They chose to put themselves in harm's way, for their guests, and in so doing paid the ultimate sacrifice.

At a further launch event for his book, in the IofC centre in London (24 April 2014), Goyder emphasized that business needs to be seen as a 'force for good' in society. Those companies that 'do good' have a positive consequence on their performance. 'One recent study of 50,000 brands across the world found that companies that put people's lives at the centre of all they did outperformed the stock market average by 400 per cent over 10 years,' he said.

David Marquand also argues for an 'ethic of stewardship'. 'The question is no longer, "What's in it for me?" It is, "How can I best honour the generations that have gone before me and discharge my duty to distant generations that I will never know?"' This includes the environmental legacy for future generations: 'The imperative is sustainability.'

Marquand says the need is 'to master capitalism'. In his view, 'the decent society [he borrows the phrase from the Israeli moral philosopher Avishai Margalit] is incompatible with today's untamed capitalism and the proliferating humiliations that are its hallmark.' He writes: 'The old elites tamed the capitalism of the 19th century in the name of an overriding public morality. In the last 30 years their achievements have been undone.' And 'capitalism's helter-skelter untaming in the last 30 years has made it indecent.' He hardly needs to reference Margaret Thatcher's big-bang deregulation and all its untamed, if unforeseen, consequences.

Marquand acknowledges the role of the Abrahamic faiths in promoting the private and public virtues needed to master capitalism: 'Good capitalism is impossible without good people living good lives.'

Sustainability

While Goyder, Marquand and others emphasize stewardship and its sister concept of trusteeship, Peter Brew speaks, like Goran Carstedt, of the need for sustainability, which is also promoted by good stewardship. Brew emphasized, in his 2013 Caux Lecture, four pillars of sustainability: economic, environmental, human and ethical.

'Business has no divine right to exist,' he said. 'It will only exist and be sustained if it meets the needs and plays its part in society. It's not enough just to be pious and talk the talk. Business has got to walk the talk in terms of sustainability. The sustainability agenda is not just about the environment. Companies have to be economically sustainable. I'm the first to say if you're not profitable you won't survive. Profits are important and vital.

'There is an environmental dimension as well. There's a human dimension. Companies have to be concerned about their employees, about the employees down the supply chain, about the communities in which they're operating, and they must make sure they are making a positive contribution to the well-being of their colleagues. And there has to be an ethical dimension. We have got to do what's right. As business people, we have got to say there is a moral dimension and we believe in a moral dimension.'

He called for business, governments, civil society and academia to work together on the sustainability agenda and to create the space for dialogue. 'Somebody must be the facilitator. Perhaps it's in this room,' he commented, laying down a challenge to Caux. Now he, Lawrence Bloom, Dr Katrin Muff, the Dean of Business School Lausanne (see chapter 9) and others are doing just that by bringing these sectors together, with young entrepreneurs, in dialogues on 'impact leadership' in Caux.

Giving a keynote Caux Lecture at the 2010 TIGE conference, Shri Gopalakrishnan, Group Executive Board member of Tata Sons from India, emphasized how the notion of sustainability benefits all stakeholders. 'When a business is run with the sole purpose of serving society,' he said, 'it encompasses all the elements of sustainability and ensures that all stakeholders benefit from its operations. Thoughts on sustainability, triple bottom line [financial, environmental and social] are written about frequently in contemporary management journals as new wave thinking, but they are not.' Based on his many years of experience with Tatas, and drawing on other examples of industries from East and West, Gopalakrishnan claimed that if firms focus on stakeholder value, profits follow. 'Some of the most profitable firms do not sport direct profit-orientation,' he said. 'They simply do the right things and end up being nicely profitable.' A company 'is an organic part of society. When businesses put social responsibility at the core of their activities, other "lag" measures like profits will automatically follow.' The central purpose of business is to serve society, he asserted.

Rajeev Dubey, member of the Group Management Board of the Mahindra & Mahindra automotive and tractor company, also addressed sustainability issues in his Caux Lecture on 'Transforming capitalism with trust and integrity' in July 2009. He told how the leading Indian corporation is 'going green' to meet environmental and climate change challenges. The group was also committed, he said, to the education of disadvantaged children, particularly girls, as part of its social commitment.

'Sustainability and corporate social responsibility are embedded in the group's DNA and form an integral part of its core values and vision,' claimed Dubey, Mahindra group's President of Human Resources for after-market and corporate services.

M&M is the leading farm equipment manufacturer in India, with a 42 per cent market share, and now the world's largest tractor manufacturer. The $8 billion company, with 108,000 employees in 47 countries, had recently taken over the scandal-hit Satyam IT company, after Satyam's founder and CEO was charged with falsifying the company's profits. Dubey saw Mahindra Satyam as 'a litmus test in our commitment to trust and integrity', in pulling the company back to profitability.

'A sharp focus on sustainability is in line with customer and community sensitivities across the globe,' Dubey said, claiming that the Mahindra group 'had a unique and compelling story to tell', particularly in its environmental policies. The company sought to 'create new standards in natural resource conservation'. It was one of the earliest companies in India to set-up, in 2001, a bio-diesel plant, as part of its alternative fuel and propulsion technologies programme. Since then, the company has introduced tractors which use five per cent and 10 per cent bio-diesel and was field testing vehicles that are 20 per cent and 100 per cent bio-diesel, 'in the most challenging conditions, from the deserts of Rajasthan to Himalayan terrains'.

The company had also pioneered the world's first hydrogen powered three-wheeler, with near zero emissions, and was developing with other partners a hydrogen powered internal combustion engine vehicle 'as part of our vision of making hydrogen an important fuel of tomorrow'. Meanwhile its electric three-wheelers were launched in 1999. And the company showcased its first hybrid electric vehicle at the Delhi motor show in 2006.

The company is also pioneering 'green buildings', as the first residential building developer in India to receive the LEED (Leadership in Energy and Environmental Design) pre-certification. The same focus, including water and energy efficiency, is incorporated in the company's new factories and at its 'Mahindra World City' R&D plant in Chennai, which opened in 2010. This includes rain water harvesting, waste-heat recovery, solar panels and turbine air ventilation replacing electric ventilators.

All this is reflected in the company's Mahindra Rise branding and marketing, as it aims to meet the challenges of the rising new India, and as a 'provider of profitable and affordable improvements in the quality of life,' as Dubey put it. 'We dare to dream that we can make a positive difference to the communities and nations we live in and operate in, while achieving sustainable business growth and profitability. We are determined to do this with *satya, prem* and *seva*—truth, compassion and service in our daily actions at a personal and professional level.'

Tania Ellis, the Anglo-Danish author of *The New Pioneers*, shifts the emphasis of CSR, Corporate Social Responsibility, towards Corporate Sustainability and Responsibility. The financial downturn had 'widened the trust gap between business and people,' she asserted at a forum in London, in May 2011. Bridging this gap had encouraged companies to invest more in their social dimension, 'allying sustainability and meaning', she said. Changes in mentalities had evolved to create a critical mass of people who put values such as ethics, responsibility, sustainability and meaning at the centre-stage, she believed. This social megatrend—a global consciousness movement—has triggered big changes in business and elsewhere. 'A lot of people want to make a difference, get involved in NGOs (Non-Governmental Organizations) and voluntary work or simply change their buying habits.' These changes put pressure on companies to act responsibly, thanks to the increasing number of conscious consumers and investors. 'Companies realize they need to operate with more than one bottom line and integrate social and environmental issues as part of their business strategies,' Ellis said.

Addressing the Caux TIGE 2012 conference, Ellis cited the case of an IT consultancy in Norway which, she said, works with 'zero financial goals' and bases all its activities on two core values:

competence and empathy. Even during the financial crisis it had grown by 20 per cent each year despite its refusal to set financial goals. She also told about her friend who had transformed a Danish island into a carbon neutral community which exports 20 per cent of its green energy. When he talked to an Arab the latter laughed, saying, 'This is two housing blocks in Dubai.' His immediate reply had been, 'Well this is probably where you need to start.'[11]

Cooperation

While stewardship and sustainability are two pillars of good business practice, the third is cooperation. This is counter-intuitive. The received wisdom is that a competitive free market drives down costs and fuels efficiencies; it encourages quality and the pursuit of excellence; it offers consumer choice. All this is true. But taken to extremes, the competitive market can have negative consequences.

Margaret Heffernan, the Texan businesswoman and best-selling business author, gives a devastating critique of excessive competition—in education, sport, scientific research, factory farming and business—in her book *A Bigger Prize* (2014). Her earlier best-selling book *Wilful Blindness* (2011) was shortlisted by the *Financial Times* and Goldman Sachs as one of the world's six best business books of 2011.[12]

Ruthless competitiveness can be bad for the body and the soul, from sport to education to pharmaceutical and scientific research, Heffernan argues. The win-at-all-costs mentality in sport from childhood, rather than the sheer joy of playing, fuels a largely undetected drug-abuse culture and turns American football from a contact sport to a collision sport, with long-term detrimental health consequences. Competition in science leads to excessive secrecy, fraud and plagiarism, to prevent competitors getting there first. Employees' competition for success within large corporations prevents sharing of information and leads to a climate of fear that militates against the very creativity for which they have been originally recruited. No one dares step out of line. Competition drives down wages to exploitation levels and destroys trust.

Competition creates a culture of cost cutting that turns out to be deadly dangerous, as BP found to its great detriment in Texas and the Gulf of Mexico. Competition to be the biggest in the world, fuelled by an overweening hubris, led to the debacle that was the Royal Bank of Scotland's takeover of ABN Amro, for which UK tax payers are still paying the price. Banks are simply too big. Competing for size has led to factory farming of pigs and other animals which creates unforeseen health hazards, including MRSA.

We do better not by competing but by cooperating, Heffernan argues. This leads to the bigger prize which should be the world's new paradigm. Heffernan tells engaging stories to support her thesis. Ocean Spray cranberry sauce and juice—good for health—has become a global brand because the New England farmers decided they would cooperate together, sharing information about their crops, rather than competing against each other. This and other cooperatives and employee-owned companies have consistently outperformed the economy as a whole. They reward 'mutual assistance and support, openness and honesty'. Another fine example of this is Gripple, the prize-winning international, inventive company founded by Yorkshire businessman Hugh Facey, where everyone owns shares in the company and a spirit of inventiveness is positively nurtured.

Mapping the human genome has depended on thousands of scientists collaborating together, though even here a profit-driven science firm, Celera, became a fly in the ointment, patenting 6,500 genes. Even Adele's massive hit album *21* depended on a team of 100 creative people who each had an input into its success.

Perhaps the most inane competitive league table is that of nations' GDP, which, Heffernan points out, simply measures all economic outputs, whether they are healthy or detrimental to nations' wellbeing. And anyway, economic growth is far too often unevenly distributed within nations. Instead what is needed is the Boston-pioneered Sustainable Economic Development Assessment; and 'trickle up' by which employees are paid a fair, living wage which helps to stimulate the economy as a whole.

It is, of course, hard to see how business organizations can move beyond the competitive spirit which drives efficiencies, cuts costs and offers consumer choice. But Heffernan redresses the balance. As she argues, 'Trust is valued more highly than secrets because giving away ideas is what makes them proliferate.'

Keen not to promote herself as a paragon of virtue, Heffernan nonetheless resisted corrupt practice when she was a young, junior employee at the BBC. Submitting her taxi and other expenses claims one day she was told by the accounts department that she should inflate her claim. Everyone else did. Aghast, she realized that there was a rip-off culture going on amongst BBC staff. 'I just couldn't do it,' she said. She still has her taxi receipts as a reminder. I tell her that she couldn't write the books she does now with any sense of moral authority if she had compromised at that point.

Another strong advocate of cooperation is Professor John Carlisle of Sheffield Business School, who was an advisor to the UK government on large-scale infrastructure projects. He spells out the need to bring all contractors together around the table in a spirit of cooperation at the very beginning of such large investment projects, especially in the construction industry which is, notoriously, one of the world's most corrupt business sectors. His company, the John Carlisle Partnership, renamed Cooperation Works, was able to help deliver the Hong Kong rapid transport system, 30 per cent under a reduced budget, saving $1.5 billion, and completing it four months early. It also helped to relocate the Johannesburg stock exchange on time and within budget. Carlisle told a one-day TIGERoadshow, on trust and integrity in the global economy, held at Sheffield Business School on 12 September 2013: 'The best business model is not to cut the cost but to improve the quality. The new order can be established straight up through working with your suppliers.'

Integrity

Throughout this book so far, I have highlighted the essential role that integrity plays in building trust in organizations and society as a whole. Can companies act in a 'fair' way? Can they thrive by doing the right thing? The Anglo-Swiss businesswoman Jane Royston thinks so. But it means being true to one's own sense of integrity first, as she told me during the Caux TIGE conference in August 2011.

Royston remembers vividly the moment when her business career took a dramatic turn. It followed a champagne buffet party in Paris in September 1986. She was 28 years old and head of IT in France for the US chemicals multinational DuPont. Originally from England, she had been with the company for six years following her graduation in pure maths from the London School of Economics. She was being fast-tracked for the top—one of those with CEO potential.

The evening party was being thrown by DuPont's European chief, who congratulated the staff for record growth and record profits. In order to achieve such continuing success in the following year, he remarked casually that 20 per cent of the global workforce were going to be sacked. Others at the party hardly demurred, recalls Royston. She felt incensed. Whether or not the threat would actually be carried out, the mere fact that he had said it was enough to enrage Royston.

She went home and that night had a vivid dream, about setting up a company that worked on the basis of fairness. 'I woke up and said to myself I can't stay in DuPont anymore.' That day she resigned.

She returned to her parents' home in Geneva. There she set up her own IT company, NatSoft SA, to provide IT solutions for big companies in Switzerland and elsewhere. It would be a fair company with consensual or inclusive decision-making, where management involved staff in the decision-making processes.

For the first six months she visited IT managers all over Switzerland with hardly any response.

Then in March 1987 she took a phone call, in her parents' basement, from the Social Security Department of the Swiss government. They asked if her company could update their entire IT systems. 'Yes, we can,' she replied immediately. She set about frantically recruiting skilled staff. 'It turned out to be a massive contract, installing mainframe computers and database systems,' she recalls.

Following that initial contract other clients followed: Roche, Nestlé, Dow, private banks, the World Health Organization, and even for Vietnamese boat people under the auspices of the United Nations High Commission for Refugees.

The company grew to be the largest IT provider in French-speaking Switzerland, with 120 employees representing 27 nationalities, and a turn-over of SwFr 15 million. Fifty per cent of profits went to the employees in bonuses. She was voted the Veuve Clicquot Swiss Business Woman of the Year, 1993-94. In 1995 NatSoft received the Strategis award as the best managed SME (small and medium sized enterprise) in Switzerland, given by the financial monthly magazine *Bilan*, the Swiss equivalent of *Fortune.*

'I set out to do good and I ended up doing well,' she comments. One of her commitments to doing good was to take on staff from the long-term unemployed. With Royston at the helm, the company received 3,000 CVs from job seekers each year, interviewed 300 of them and took on 30 per year. Five of these had been out of work for as much as two years or more. She found that they were highly motivated. Once they had secured a job they were keen to retain it. They were the ones who would be at work promptly by 7am. She needed people with good IT skills but also with EQ or emotional intelligence—'those who were good at understanding people's spoken and unspoken needs'.

'It was not only the decision making that made NatSoft different,' Royston says. 'It was also that we kept our word with everyone, and never took advantage of anyone. For example, many other companies pay new immigrants less because they don't know any better. We were transparent in all aspects including salaries. They were common knowledge because I felt that if I couldn't justify why one person was getting more than another then they probably shouldn't be!'

Royston asserts that 'it makes good business sense to do the right thing: by treating employees right, you save money because you have a much lower employee turn-over, which is one of the plagues of the IT industry; by taking decisions consensually, you get immediate buy-in and save time persuading people to reluctantly do what you say; by being on time and on budget each time, you save money on marketing and client acquisition because of all the repeat business you get.'

Indeed, the company's reputation for excellence of service meant that NatSoft achieved 95 per cent client retention from one year to the next. 'We never let a client down. We were always on time and within budget, even if it meant working through the night or at weekends. When you get a reputation like that you retain customers.'

Nonetheless, after her husband left her she sold the company in 1996 to Cambridge Technology Partners in Boston. She had two pre-school children and couldn't look after them and the company.

'I had to make a choice and chose the children.' Cambridge paid 'turnover times one', she quips. She had run NatSoft for 10 years and 10 days. At first she stayed on at their request. But 'it was like rearranging a house you have lived in. I couldn't stand it.'

She left and for six months did nothing whilst she thought 'long and hard about what I enjoyed doing: people, selling, strategy and projects for clients but not operations.'

At first she helped people on a pro bono basis to start up their own businesses. Then the Swiss President asked her to go to Bern to advise him and the government on the new economy, based on the Internet.

In 1999 she was appointed the chair of entrepreneurship and innovation at the Federal Institute of Technology in Lausanne. She held the post of professor there till 2005. 'It was a brand new chair, first of its kind in Switzerland.'

Within four years she was teaching at other major universities in Switzerland: Zurich, Basle, St Gallen and Geneva. At the same time she set up a European Task Force for Entrepreneurship. Then in 2004 the federal government's department of economy asked her to design and set up a National Entrepreneurship Centre in Berne.

She now sits on the boards of several companies and foundations, including being the chair of PRO (Private Social Enterprise foundation) which employs over 250 handicapped people in Geneva. Royston says they are particularly skilled at doing repetitive work that requires zero per cent defaults, such as packaging cosmetics and assembling electronic devices.

Royston says that her proudest achievement at the macro level was to build up NatSoft. And at the micro level she was glad 'to act very quickly' to abort a coup d'état within the company when her business partner tried to set up a rival company pinching her customers and employees. 'He made the strategic mistake of resigning. Our employees' best interest was to stay with us.'

Like the English Quaker industrial pioneers, whom she trumpets, she affirms that businesses can thrive by doing the right thing for employees and customers alike.

John Place, the founder and CEO of American Slate from 1978 to 2006, one of the world's largest slate mining companies, based in

Santa Fe Springs, California, also has a strong sense of 'doing the right thing' based on trust. Now retired and living in Melbourne, Australia, he told the 2013 Caux TIGE conference how he built trust in doing business with the Chinese:

> In 1980 I received a call from the office of the US Secretary of Commerce. President Nixon had opened up trade links with China. They had a delegation from China interested to know about the construction products business. I decided this would be a good test of getting to know people and setting up trust. I met with them at San Francisco Airport and decided to tell them that we were going to spend two days sightseeing. I thought this was the best way to get to know them. It would give us a chance to talk casually while we looked at the Golden Gate Bridge and other places of interest and give them a chance to relax and get over jetlag. We spent 10 days seeing products and after a week they started to talk together and with me and it seemed to open a door of communication.
>
> Months later, I received an invitation to visit the People's Republic of China as a guest of the government. On arrival at Beijing Airport, two officers of the People's Liberation Army picked me up. I was taken to meetings and visited many plants. I met with the Vice-Minister of Trade and many officials.
>
> One of the managers stated to the Vice-Minister that I was impressed with the visits and should place an order of a hundred 20-ton shipping containers of product to commence the trade. I was asked to reply. I stated that the visits had been very helpful to understanding the potential which I believed could be very large. However, at present the quarries and plants were not producing the quality of products that would sell in the US without training and introduction of modern practices.
>
> The interpreter would not translate. Nothing negative could be stated to the Vice-Minister. Amidst the silence, the Vice-Minister turned to me and stated, 'It is fortunate for both of us that I do speak English.' He stated that, with what I had said to them at the meeting and my reply, he knew it to be the truth and he would have trust in what we were going to do together.
>
> At a meeting in 1985 the Minister of Trade, with others

> from the Ministries of Rail, Foreign Trade, and Metals and Minerals, stated that the trade I had established was worth more than other trade. He advised that my company be given exclusive long term rights to all main quarries in China for North America, which was later extended to include the United Kingdom.
>
> Last June, one of the managers in the government I had worked with in Beijing came to California; they had a problem with a company in Kentucky and would like my assistance to try to resolve it. He stated that they had worked with my companies for 28 years with trust and friendship. They wanted to continue with larger business now with the United States and Australia into Asia-Pacific.
>
> I have five degrees hanging in my office and the one that is vital to success is not there, namely the contact with Initiatives of Change, outlining moral standards, a daily 'quiet time' way of living and the truth of integrity guidelines. As my friend in China stated, the success over 28 years in the business was based on our trust and friendship.

John Place had developed his sense of personal integrity growing up in South Africa, the son of a Methodist minister, before moving to live in California.

These five pillars of trust are by no means comprehensive in building the whole temple of trust. One might add, for instance, 'character'—an enigmatic word. We refer to someone fondly as 'being a character' when we sometimes mean an odd-ball or even a 'shady' character. Alternatively, a person's character includes courage, fortitude, honesty and all the moral quality which add up to that person's reputation—a moral force in society. In this sense, character means being put to the test and found fit for purpose—morally, mentally, intellectually, emotionally, physically and spiritually. The same could be said for the reputation and character of organizations.

Character, says the *New York Times* columnist David Brooks in his book *The Road to Character*, is formed by the choice between 'Adam I and Adam II' in each of us. 'While Adam I wants to conquer the world, Adam II wants to obey a calling to serve the world,' he writes. 'While Adam I is creative and savors his own accompliments, Adam II sometimes renounces worldly success and status for the sake of some sacred purpose. While Adam I asks how things work, Adam II asks why things exist, and what ultimately we are here for.' Life, he says, is 'essentially a moral drama, not a hedonistic one.' In this moral drama, 'Character is built in the course of your inner confrontation. Character is a set of dispositions, desires, and habits that are slowly engraved during the struggle against your own weakness. You become more disciplined, considerate, and loving through a thousand small acts of self-control, sharing, service, friendship, and refined enjoyment.'

So, character is built through thousands of accumulated daily choices and habits of a life-time. Character helps to shape our destinies. In the business context, character could be said to be the culture of an organization: what is accepted and acceptable and what is not tolerated. It is the tone that permeates through the whole organization. It builds trust.

What is clear is that all these pillars of trust—including purpose, sustainability, stewardship, cooperation and integrity—all make sound business sense. They pay dividends, even though that is not their primary purpose.

FOOTNOTES

8 'Beat poverty. Get the brain of a billionaire' by Tim Montgomerie, *The Times*, 13 November 2014

9 See obituary of Ryuzaburo Kaku, by Michael Smith, *The Independent*, 10 July 2001

10 *The Wall Street Journal*, 2 November 2014

11 www.taniaellis.com

12 www.mheffernan.com

4

Beheading the snake of corruption

Over 1,100 people were killed when the Rana Plaza building collapsed in Dacca, Bangladesh, on 24 April 2013. It was the world's worst industrial disaster of this century and the world's deadliest garment factory accident in history. Those who died were garment workers making clothing for Western companies such as Primark, Mango, Monsoon Accessorize, Matalan, Benetton and Walmart. The clothing industry is Bangladesh's single biggest export earner with 80 per cent of the country's production going for export. The trade employs some four million people, earning a minimum wage of $68 a month. It is worth £15 billion a year, second only to China, and exports were growing annually at the rate of 15 per cent. Production was going at a frantic rate to meet the West's demands for cheap blouses, shirts and trousers. Shifts would work till 2am.

The eight-storey building, constructed originally as five storeys, would never have collapsed if the license to build the extra three floors had not been awarded, apparently corruptly, to the building's owner, Sohel Rana, a clothing boss who had influence with the ruling political party. A BBC TV documentary about the disaster commented: 'The necessary licenses were a formality for a man with his connections.'[13]

Power generators were installed in the new floors but the construction pillars couldn't support the extra weight. When cracks appeared in one of the concrete pillars and the reinforcing iron rods protruded from the pillar, workers refused to enter the building. Local TV reports and a newspaper article, published on the morning of the disaster, warned about its safety. A bank on the ground floor closed and kept its staff away. But the garment workers were threatened with loss of wages and their jobs if they didn't continue working. When the power generators were turned on, the building shook. It took less than 90 seconds for the building to collapse in the middle of the morning rush hour. It was a massacre. The final death toll was 1,129, while 2,515 badly injured people were pulled alive from the building. Sohel Rana, who went on the run trying to escape across the border into India, was arrested by the police. He had apparently ignored safety advice and paid bribes to add the three extra floors. Corruption, and lax building regulations, had led to devastating loss of life.

Yet Bangladesh's garment workers say, 'Don't take this work away from us. It is all we have.' Primark donated $9 million to the victims'families. By mid-2014, an online petition campaign was urging Matalan and Benetton to give a similar sum.[14] The disaster raised the issue about the responsibility of Western retailers in overseeing the working conditions of their supply chains' employees. Leading figures in the Bangladeshi clothing industry say that all that is needed is an extra five cents on the selling price in Western markets, to secure the lives and safety of the garment workers.

Out of the ashes, a small cooperative of garment workers emerged, called *Aporajeo* (Undefeated), determined to give employment to some of the survivors. It operates in a single-storey ground-floor building in Dacca.

Corruption kills and it creates poverty by stealing resources that might otherwise be invested in hospitals, schools and other vital infrastructure. It destroys reputations—such as that of FIFA, football's world governing body, where top officials have been accused of taking bribes and money laundering. And it undermines trust.

'Formal definitions of corruption range from the decay of society to the single act of bribery,' writes the anti-corruption campaigner Laurence Cockcroft in his book *Global Corruption* (2014). Corruption always involves 'the acquisition of money, assets or power in a way which escapes public view; is usually illegal; and is at the expense of society as a whole either at a "grand" or everyday level. Personal enrichment is nearly always a key objective, although corruption may be engineered by a group with the intention of achieving or retaining political power, so that these motives can become closely entwined.'

'The case for combatting corruption relentlessly,' Cockcroft continues, 'is that it is a force which drives poverty, inequality, dysfunctional democracy and global insecurity. Its most consistent victims are the poor who constitute a majority of the population in low-income countries; its most dramatic victims are the subjects of human trafficking. Its everyday victims are the citizens of the many countries where their voice is lost in the rush by elected politicians to pay off their backers. Corruption feeds failed states, the trade in nuclear weapons and their components, and the perpetuation of hunger even where harvests are plentiful. Unless checked, its major legacy will be an unjust and unstable world, tipping the outcome of uncertainties about the future in an ever more dangerous direction.'

Leaders in many walks of life, Cockcroft writes, need to 'grasp a snake which will frequently respond with poison, and will only die with repeated attack.'

Nowhere is the snake more poisonous than in the mechanism of 'transfer pricing', or deliberate mispricing of products, traded through intermediaries registered in the world's 'offshore' tax havens, on behalf of multinational companies. This tax dodge undervalues goods in an exporting country when invoiced to a buyer in an importing country or a tax haven. The prices quoted may be less than 50 per cent of the true market price, with the difference in value being profit which can be externalized. This, says Cockcroft, gives the purchasing company the opportunity to hold its inflated profits in a low or zero tax environment, bringing them into the domicile country over time or not at all. US companies use tax havens in the Cayman Islands, and UK companies use tax havens in the Channel Islands and elsewhere, for this purpose.

'The British Virgin Islands is the global capital for the incorporation of offshore companies,' writes the British development and environmental journalist Paul Vallely. 'Though it has a population of just 22,000, it has 823,502 registered companies which make vast amounts of money through the wonder of transfer pricing.'[15]

According to Raymond Baker, founder of Global Financial Integrity (GFI) in Washington DC, the estimates of such illicit flows from developing countries to Western banks amount to at least US$1 trillion per year. This exceeds aid flows of US$100 billion from the West to developing countries by 10 times. Thus, appallingly, the net flow of funds is from the poor world to the rich world by a factor of 10 to one.

Vallely argues that there is no moral case for tax havens. 'The moral case against is clear enough,' he writes. 'Tax havens epitomize unfairness, cheating and injustice. They replace the old morality embodied in the Golden Rule of reciprocity—that we should do as we would be done by—with a new version that insists that those who have the gold make the rules.'

When colleagues and I met Raymond Baker in his Washington DC office in March 2014, he claimed that GFI had been able to put this issue on the media's and governments' agendas, with coverage in *The Wall Street Journal*, the *Washington Post*, the *Financial Times* and elsewhere, an issue of which they had previously been totally ignorant. David Cameron has spoken strongly against tax havens but strong words don't amount to legislative action.

Meanwhile, London has become the world's money laundering capital, asserts Alexander Lebedev, the Russian-born owner of *The Independent* and the *Evening Standard* newspapers. Terrorism thrives on the back of those who fund it, he writes. 'Not enough is being done to tackle their backers. Now, more than ever, we need to stop the flow of funds, to cut off their financial pipeline, to end this dirty money.'[16]

Lebedev gives astonishing figures for the level of corrupt flows of funds. 'Between 2000 and 2011, just from China $3.97 trillion is thought to have disappeared, much of it the profits of corruption, channelled into secretive offshore financial havens. From Russia the figure is close to $1 trillion. In the EU the total lost is put at $1.2 trillion ($150 billion from Italy alone). Many of the perpetrators have been able to move abroad and draw on the expertise of what I term the "financial services oligarchy", of international banks, law firms and accountants, to ensure they can continue to live off the proceeds of their crimes. Sadly London is at the very epicentre of this web. Much of the illegal profits flows through the City.'

Lebedev calls for a new international anti-corruption force, along the lines of Interpol, 'to defeat these financial services oligarchs'. He estimates it would need to be backed by $70 million a year—a small sum when set against the potential to 'cut across national borders to seize people and assets'. 'It would have to have real teeth and at its head I would appoint someone of global credibility and stature. [Lebedev doesn't suggest who.] The point would be to tackle corruption and to be seen to be tackling it—in the hope that that those planning to deceive their countrymen, to steal valuable funds, would desist.'

Research by the EU Commission shows that corruption costs the European Union over £100 billion a year, and over three quarters of EU citizens believe that corruption is widespread in their own member states.[17]. The EU's accounts have not been signed off by auditors for over two decades. This breeds a deep cynicism and Euro-scepticism amongst citizens. 'Corruption undermines citizens' confidence in democratic institutions and the rule of law,' says Cecilia Malmstrom, EU Commissioner for Home Affairs. 'It hurts the European economy and deprives states of much-needed tax revenue. There is no "corruption-free" zone in Europe.'

While the worst offending states are Bulgaria, Romania and Greece, according to the research, the most common field for small bribe-paying is in the public health services of Eastern and Southern Europe. Fourteen percent of people in Poland, Hungary and Slovakia say they have given 'extra payments' and presents to medical staff. Patrick Colquhoun who initiated the medical aid charity, Medical Support in Romania, and who has made 75 trips to that country since 1990 from his home in Cambridge, UK, calls this 'medical terrorism'. Patients too often feel 'informal payments' are expected by medical staff if they are to get good treatment. One anaesthetist even threatened not to wake a patient up after the operation if he did not receive money beforehand. Patients often feel that doctors expect 'informal payments'. This is little short of terrifying. This kind of corruption, Colquhoun says, is 'most horrible in health care because it threatens and terrorizes people when they are at their most vulnerable.'

Any emphasis on building trust and integrity in the global economy has to address the dishonesty and greed that fuels corruption.

The Global Compact, the UN convention for best business practice initiated by Kofi Annan, spells out nine business commitments which cover human rights, the rights of labour, and the environment, and a 10th commitment which was added to address corruption: 'Businesses should work against corruption in all its forms, including extortion and bribery.'

Sir Mark Moody-Stuart, the former Chairman of Shell and then

Anglo-American, who is the Vice-Chairman of the Global Compact, tells how he and his colleagues fought for this 10th commitment to be added. 'Corruption is at the root of many of the other evils and in many ways is the most pervasive and corrosive of all evils,' he writes in his book *Responsible Leadership* (2014).

Moody-Stuart says that corruption is 'the biggest market failure of all'. He writes:

> It is often said that climate change is the result of the biggest market failure of all time. I would argue that corruption is in fact an even greater distortion of markets and to date has done more economic damage than climate change. Corruption is a pervasive evil. While some would say that so-called facilitation payments, small payments that encourage officials to do something that is their duty, are not damaging, I would disagree. This is merely the most common form of a very infectious disease that slides readily into making a payment to encourage an official to neglect his or her duty. However, it is true that the major damage comes not from facilitation, but from the awards of contracts on the basis of corruption. In those cases, not only is the price of purchase inflated by kickbacks, but also the product or service delivered is often useless or in a location designed purely to win political favours.

It was this second aspect, perpetuated by Western businesses, that so incensed Peter Eigen, when he was a senior World Bank official in Kenya, that he resigned to found the global anti-corruption organization Transparency International. Mark Moody-Stuart's late brother, George, (who died in 2004) was the head of TI in the UK and it was through him that I first met Sir Mark. It was thanks to TI's campaigning that the OECD, the economic and cooperation body of the world's rich industrialized countries, introduced its convention to outlaw the bribery of foreign public officials, supported in legislation by member countries. TI's annual Corruption Perception Index has become the global reference for ranking countries according to their susceptibility to corruption.

So can businesses and individuals make a stance against corruption? The answer is yes, but not necessarily without considerable personal cost—and a great deal of courage.

The South African whistleblower Wendy Addison asks her audiences if any of them believe in the saying, 'Life sucks; then you die.' There was a time when she thought so herself following the traumas she went through, though she courageously bounced back. She paid a heavy personal price when in 2000 she exposed the 'endemic fraud and corruption', as she puts it, of the two CEOs in the publicly listed South African fitness company LeisureNet, better known as the Health and Racquet Clubs. Her whistleblowing led to South Africa's biggest ever corporate collapse. The CEOs were colleagues and friends of hers in a company where she was the Group International Treasurer. She became known inside the company as 'Wendy the wildcard' when she discovered wholesale embezzlement. Millions of rand were being secretly transferred to an offshore bank account in Jersey. The company's auditor, Deloitte, was also involved.

The CEOs ousted her from corporate and social life to become an outlier, as she puts it. But she is a rare breed with the moral fibre to speak out and report malpractice in the workplace. Wilfully refusing to turn a blind eye to corruption, Addison's whistleblowing story unfolds like a Hollywood movie, including the chilling, sociopathic behaviour of 'death threats via email and anonymous calls'. These forced her to uproot into self-imposed exile in the UK with her 12-year-old son; thanks to her British parents she had UK citizenship.

'I had lost my job, my career, my reputation but I wasn't prepared to lose my life,' Addison says. In South Africa, where corruption is rife, 'whistleblowers are shot and killed and people die for less,' she states. Her parents urged her to drop the whole thing for the sake of her wellbeing. But she is made of stern stuff and refused to do so.

At first she was offered two high-flying jobs in London, as a senior accountant with Channel 4 television or with a renowned leisure and transport group. She chose the latter, where she received the highest appraisal in her job assessment. But then she was summarily dismissed 'in a very Kafkaesque way', when it was discovered that she had been the LeisureNet whistleblower. Her new employer, it turned out, was in a bid to take over LeisureNet.

'What followed for me was an extremely dark period in my life,' Addison continues. 'I had no purpose anymore.' With her livelihood gone and a career smeared like 'mud that sticks', survival meant living in squats and begging on the streets of Kingston upon Thames, south-west London, for six months, when she had no food left in the fridge and no means of paying her rent. 'You can't imagine what it is like to go from a fifth floor plush office to begging,' she says.

'I found that the English love animals. So I got two dogs to increase my revenue stream!' She could also trade her accountancy skills with her fellow beggars, drug addicts and the homeless who became her friends. In the past, success for her had been defined by acquisition: Jimmy Choo shoes; a luxury holiday. Now she found that her inner sense of resilience was like 'graphite in a pencil'. 'What had been projected onto me was that I was valueless in society. Yet I elected to like my best self, to be my best self.' She refused to define herself by the particular point in time that she was enduring. She also learnt that the most difficult question in such circumstances is, 'Can you help me?'—a question we all need to ask in life at one time or another.

Her begging ended when she was recalled to South Africa to act as a witness in the trial of her two former bosses. She was eventually vindicated when they were sentenced to jail after an 11-year battle. The two executives, Peter Gardener and Rodney Mitchell, were found guilty of fraud, involving six million rand each, by the Western Cape high court. They were sentenced to seven years in jail but were released in December 2012 after serving only 19 months.

Addison says: 'I am often asked about how I explained my circumstances to my son and how he accepted my explanation at that time, as a 12-year-old. I kept it simple. "Do you trust me? Have I ever let you down? Just imagine we're on a rollercoaster ride. We've been right at the top and now we're hurtling downwards. With that momentum we will be able to ride to the top again if we choose. Trust me again." Is this not what a greater power might say to us, especially when we are fearful and vulnerable? I know my son took what I said on board and had enough faith in me to move through the quagmire of despair. Although I almost faltered in my own belief at times it helped to believe in something greater than myself. Do we have that same faith in who we put our trust in?'

Addison has indeed ridden up again and now runs SpeakOut SpeakUp. She is a compelling public speaker. Addressing a forum on resilience in the St Ethelburga's Centre for Reconciliation and Peace in the City of London, she said, 'For me resilience is like dancing in the rain.' We all need to 'embrace our own metamorphoses'.[18]

'Wendy is at the forefront of a major shift in business, that of being open, honest and authentic and operating with integrity,' says Colin Smith, Director of *The Listener* magazine. But what means by far the most to Addison is that her son, now aged 26, says she is his hero. 'My story will be his legacy,' she says, rather than bricks and mortar.[19]

While Addison was eventually vindicated, another whistleblower, Genevieve Boast, also risked her career by exposing theft in the electronics supply company where she worked. I first met Boast, a vivacious woman in her 30s, when we shared a speaking platform in the City of London in 2012. Her story was so compelling I urged her to tell it to a Caux TIGE conference. Born originally in Colorado, she grew up in England when her parents moved there when she was six. She had a rollercoaster ride as a teenager. Getting caught up in the drugs culture at the age of 17, she was arrested for shoplifting and put into jail. A tall police officer came to her cell and sat next to her. He made a single remark to her: 'Gen, you are worth so much more than this.' Then he left. Boast has never met him since then and to this day does not know his name. But his remark completely turned around her life. From then on, she says, she determined to live a life of personal integrity. With a criminal record, blowing the whistle in her company was all the more risky as she wondered who on earth would ever employer her. She came to the 2013 Caux TIGE conference and riveted her audience:

> I fell into a job, working nights, at a logistics company in Sheffield, where I was at university. It was a horrific shift: four in the afternoon to four in the morning. It was one of those places where it was an incredibly traditional, male-dominated environment. It was a warehouse, so it was pretty much all guys. It was run on fear and the dictatorial management style of the people at the top. But it was also a place where

anybody who had a spark, passion and enthusiasm got promoted very quickly. So, I quickly found myself working on days. Within a year, at the age of 21, I was running a team of 17 people, all older than me, not having a clue about leadership, but finding my way having jumped into the deep end. My team was responsible for all of the stock in the warehouse that belonged to our customer, the biggest satellite television network in the UK.

One thing I discovered that I loved about leadership was forming real human connections with people. Not only did I do that with my team but I also formed an incredibly close friendship with my counterpart at our customer. About a year into this I was doing some investigation in the warehouse, looking at stock, and I started to discover that, where it was saying on the system we should have lots of boxes of satellite dishes belonging to our customer, there were just big gaping empty holes. So I started asking questions: 'Where is this stuff?' I was told by the warehouse, 'Oh it's just a system problem, don't look at it.' But it was my job to look at it. So, I started asking questions higher up: 'Where is this stuff?' I'm going to get asked by the customer, 'Where is it?' They said, 'Oh, no, just don't look at it, it's an audit fault.'

But the more I looked into it, the more I found these boxes were showing up in places where they shouldn't be. Through my investigation over a couple of months, I found that the company had lost, stolen, misappropriated about £1 million worth of our customer's stock.

So I was faced with the decision, at a very young age, what do I do? And I was scared. I had pretty much been told to shut up by the company I was working for. I knew what the right thing to do was. But I agonized over it for about three days.

The stories I created in my head, from the basis of fear, overruled that quiet voice of my intuition, knowing what the right thing to do would be. I made up every story in the book: you'll lose your job, no one will give you a reference, you'll have no credibility, you'll have to go back to digging in the field and make no money (I used to be an archaeologist).... It sounds very biblical now when I tell it, but for three nights I agonized over this decision and on the morning of the fourth

> day I walked back into the office, took my phone and locked myself in the computer server cabinet. I called my friend, our customer, and said, 'I've got something to tell you.' And I did! There was silence at the end of the phone. Then he said, 'Wow, Gen, thank you so much for that. You know I'm going to have to have this conversation but I'll try and protect you.' And I was thinking, 'Thanks... but you're not going to be able to protect me.'
>
> I'd been asking questions for months. Everybody knew it had to be me but couldn't prove it. My life at work became a living hell. I felt alienated, I felt victimized. Every meeting was painful. It got to the point where it was almost unbearable. I thought, 'Okay, so now I'm faced with another decision. I know I've done the right thing, I can sleep at night. My conscience is clear, so now what do I do?' I was gonna leave. This is the only thing I can do if, at best, I can get a reference.
>
> I started looking around and got some interviews. I called up my friend at our customer and I said, 'Look, mate, I'm going. I can't stand this anymore.' He said, 'Don't move, someone will call you back in half an hour.' I starting thinking okay, fine, intrigued. In half an hour somebody did call me back. It was the newly appointed Head of Supply Chain at the customer, a guy called Euan Smith. He said, 'Gen, I'm so impressed with what you did, I want to create a job for you with us. I'm going to pay you more money and I want you to come up and head our entire stock division, and I want to call you Stock Integrity Manager!'
>
> That opened the door to my career in the media. For the next seven years I had several different jobs there. The positive ripples of that into my career spread wider and wider.

The story gets better still. Five years after joining the broadcasting company, Genevieve found she wanted to work more in leadership with people and on environmental concerns. So she moved into the corporate social responsibility team.

There she found herself on a flight from Scotland 'with Euan in the seat behind me, laughing and joking and pulling my hair like two kids'. They were both going through divorces, following impetuous and broken youthful marriages. Genevieve had by now trained in psychology and said to Euan, 'Why don't I coach you and you coach me and we'll see where we get to?' In June 2013, they made their sacred vows to each other on the side of a volcano in Hawaii. Genevieve comments: 'I honestly cannot believe the magic that has happened in my life as a result of that one decision to stay in integrity.'

In 2014, Boast returned to Caux with Euan, who was by now running Product and Operations at the German sister company. In a platform interview he confirmed that the contract with the Sheffield logistics company had been quickly terminated. He told the TIGE conference why he had decided to hire Boast from the supply company:

> There was this little beam of sunshine in the corner (in Sheffield). That was the first time I met Gen. It was a two-second interaction before I got back in my car and wondered how I was going to change this whole logistics operation. It was a big amount of stuff to lose—over a period about 10 articulated lorries full of kit. You don't lose that amount easily. It was a natural no-brainer (to hire Genevieve). Most people would run away from a whistleblower. I chose to run towards her, because if there is one thing you need it is somebody who, one, was the only positive, smiling face in an otherwise very disappointing day for me, but, second, you are trying to make sure that you've got on your team someone who cares where every single piece of stock is and lives with it passionately. The person who is prepared to put their entire career on the line because they have that principle—that is the person I needed on my team. You can train the skill. You are looking for the spark—the spark that says, 'I care about doing the right thing.'

The Italian priest Fr Tonio Dell'Olio never travels alone for security reasons. The priest, who founded the Libera Terra Association (Free Land Association) in 1995 in order to seize back land illegally held by the Mafia, says that they have to be careful about the security of its members and volunteers. 'Organized crime is a globalized reality,' he said, addressing a food and sustainability work stream at Caux TIGE in July 2012. 'The Mafia has benefitted from globalization' as well as from the financial crash of 2008. Globalization means that the stereotypical image of the Mafia no longer matches the reality of how it operates around the world.'

Illegal smuggling of 'narco-traffic'—drugs—and illegal substances has generated so much profit that the Mafia has been able to reaffirm its economic influence, he said. 'The role of the Mafia is badly perceived: its business is less based around fake goods, toxic waste or drugs, but mainly orientated around money laundering. It operates on the blurred lines between what is considered legal and illegal. Nowadays it is almost welcomed. The word Mafia was created in Italy but now there are foreign groups of Mafia—Chinese, Bulgarian, Japanese, Russian and many others. There are no conflicts between these different groups. They share out territories, so their main interests are in the regions where they work. The Mafia is not just a criminal organization but a whole system. They produce their own mentality; they find that there is fertile ground between them.'

Dell'Olio referred to the Argentine footballer Diego Maradona's 'hand of God', an illegal hand-ball goal which had helped Argentina to beat England in the 1986 World Cup final. 'Maradona breached the rules,' he said 'and this was made possible thanks to the complicity of the referee. The Mafia breaks the rules as well. They do this because there is no efficient, repressive system against them. The "hand of God" becomes normal.'

Now Libera Terra is fighting back. 'One of the main aims of the Mafia is to control land and territory,' Dell'Olio explained. 'So we proposed a law approved by the Italian Parliament. We demanded that the Mafia's goods be sanctioned and that their various properties—companies, buildings and land—should be used for social good. Our association was created in March 1995. We went to schools and taught children that the Mafia could be controlled. We asked other organizations to come together and work with us against the Mafia. We also wanted to train journalists. We didn't want them to limit themselves to reporting the facts but rather to investigate them.'

Since the law was passed in 1999, 4,500 properties—apartments, villas and land—have been confiscated from the Mafia and converted to community use, in Sicily, Calabria, Campania, Puglia and Lazio. The land is used to produce cooking oil, wine, pasta, taralli, legumes, preserves and other organic foods. All the products are marked with the Libera Terra quality and civic responsibility assurance. Some of the land is run by cooperatives and Libera Terra wants this to make a fruitful contribution to society. 'In Italy, 6,000 young people now work in these fields,' Dell'Olio said. Libera Terra makes sure that the land is registered properly and that organic farming methods are used.

'In Italy, particularly in the south where the Mafia originated, when we ask someone how rich he is, we don't ask about the amount of money that he has but the amount of land he owns. If people lose their land, they lose face; they lose their power. We wanted to give back this land, which the Mafia had gained illegally, to civil society.'

Libera Terra not only changed the law; they implemented food cooperatives on the confiscated land in order to foster a sustainable economy.

Dell' Ollio also emphasized Libera Terra's more recent activities promoting responsible tourism. For instance, the organization had confiscated land from Giovanni Brusca (a big Mafia boss) where tourists can now visit. The mayor was part of this initiative to show his determination to struggle against 'pork-barrel' spending—the appropriation of government spending on local projects to boost the electoral chances of politicians.

Libera Terra is not only successful in Italy but also aims to invest in other countries affected by crime, including in Latin America. The recycling of illegal land is made sustainable as the next generations are encouraged to take up these initiatives. During the interrogation of a member of Cosa Nostra (the Sicilian Mafia), a judge insisted that an educational programme for children be implemented to spare them from the Mafia.

Dell'Olio said he firmly believed in the importance of nonviolence to make society sustainable, and always working in a group, never alone. He assessed his organization's success by insisting that the Mafia had tried to strike back against these confiscations but was not able to stop them. The Mafia does not want to kill people engaged in social activity, he said, because they fear attracting the attention and hate of the population against them.

India, according to the corruption perception index published annually by the anti-corruption organization Transparency International, was ranked as the 94th least corrupt country out of

177 nations in 2013, in the league for paying bribes in the public sector. At number one, the least corrupt country was perceived to be Denmark, whilst the most corrupt was Somalia.

The issue of corruption in India came to a head on 5 April 2011 when the anti-corruption activist Anna Hazare began a hunger strike in New Delhi. The chief legislative aim of his movement was to tackle corruption in the Indian government through a proposed Jan Lokpal Bill (Citizen's Ombudsman Bill). According to *Time* magazine, it was one of the top 10 global stories of 2011. Successive Indian governments have declared their determination to tackle corruption with little success, hardly surprising when a third of MPs have been charged with crimes of corruption, vote rigging or violence. No wonder that civil society groups, campaigning for a bar on candidates with a criminal record standing as MPs, have found it impossible to get the necessary legislation through parliament. The Right to Information Act, passed in 2005, has given citizens the power to hold public officials accountable for their public spending. Nonetheless paying bribes remains endemic. By the summer of 2014, nearly 30,000 people had posted comments on the 'I paid a bribe' website, detailing bribes they had been forced to pay or how they resisted paying.

In the private sector, some businesses have gained a reputation for holding a line against corruption, most notably the giant Tata group of companies.

Sudhir Gogate, Executive Director of an international joint venture in the automotive components industry based in Pune, tells how early on in his career he used to pay bribes to customs officials in order to release component stocks. After he became involved with the Asia Plateau centre in Panchgani, and its Heart of Effective Leadership (HEL) training programme, he decided to quit paying bribes. At an HEL course in 2009, he drew a large box on the whiteboard and divided it into four segments. One was marked 'legal and ethical', the second 'legal but unethical', the third 'illegal but ethical', and the fourth 'illegal and unethical'. The participants were encouraged to shout out what examples they would put into each box. It led to a lively discussion, not least on the difference between what is allowed under law but may be totally unethical in practice—and the other way round.

While a corrupt tone at the top of organizations can lead to disastrous results, as Wendy Addison and Genevieve Boast found out, equally a tone at the top which sticks to integrity in decision-making is justified by the results, as the following two stories from Indian businesses illustrate.

Suresh Vazirani, who I have known since he was an engineering student in the early 1970s, is the founder of the award-winning Mumbai-based medical technology company Transasia Biomedicals. He grew up in a refugee camp, as his parents were victims of the conflict between Pakistan and India at the time of Independence in 1947. He is part of the Sindh community which his wife, Mala, describes as 'addicted to working and finding solutions without expecting too much outside help'. Vazirani, a pioneering entrepreneur, fits this description well. The couple told their story to Caux TIGE in 2012.

Three considerations led him to set up Transasia, one of India's leading niche enterprises in manufacturing medical healthcare technology. Firstly, during his nine years of voluntary work based at the IofC centre in Panchgani, he was on the faculty for training business people in values of honesty, purity of motive and care for people. There he would urge businessmen not to be corrupt. That's all very well, they would reply, but you've never run a business. You don't know what it's like. As a result, he felt challenged to see if he could live what he preached to others. Secondly, he realized that, for demographic and economic reasons, it was impossible to supply the healthcare needs of India through Western-produced machines and that India itself needed to make them. Thirdly, he decided that 'by the time I retire, I wanted to look in the mirror, and say, "Well done, I achieved something for my country".'

He began the enterprise with 250 rupees ($4), which was only enough to register the company's name. It now employs 1,500 people and exports to over 100 countries. Initially a friend offered him a loan which financed a six-month trip around the world during which he visited over 40 enterprises and learned as much as possible about biomedical techniques. Returning to India, he became a successful distributor of Japanese machines.

'I don't sell you my product,' he used to tell his clients, 'I sell you myself'—meaning his skills and service. 'If there are any troubles, this is my phone number.' His approach has never changed.

Transasia sets the standard for Indian companies in other areas too. There are no strict recall rules in India, but when one Transasia product seemed not to be working properly, he recalled the product despite the cost. Customers have stayed with Transasia for 20 years, an indication of the positive effect of this kind of principle-based decision-making.

The defining attitude of Vazirani's business values is revealed in his tax payments. In India, he says, it is easy to pay low taxes. Even the field agent of the tax department tried to advise him to pay less—on the condition that five per cent of the savings would go to the agent. But Vazirani insisted: 'No, I want to pay my taxes. I should be happy to pay taxes to the state.' It means that he has a much better idea of the true value of the company than other companies do.

His philosophy is also reflected in the way Transasia treats its employees. His company provides healthcare insurance to all family members of the employees including their parents. It provides interest-free student loans for employees' children, to encourage them to overcome the limitations of the Indian caste-system. All employees participate in an orientation programme, where they are introduced to the company's ethical values. Compared to other companies, Transasia's employees are considered the most reliable, willing to go 'above and beyond' to serve customers. In one case, they went into a conflict zone where bullets were flying to explain to doctors how to use the machines.

Vazirani is often asked why his income isn't ten times more: 'Are you not tempted to increase your salary?' 'No, earning money was never my goal,' he answers. According to Mahatma Gandhi, businessmen should not consider themselves as owners of their properties, but as trustees of the wealth of society, he says. This is why 95 per cent of Transasia's profits go back into the business. He is often accused of working too hard: 'You have a nice living standard, sit back and relax.' His reply? 'My mission is far from accomplished.' The Vaziranis' home, an apartment overlooking Juhu Beach in the salubrious area of north Mumbai, is open to all comers and a visitor there will find others from Europe or Japan staying with them.

Vazirani has a mission to provide affordable healthcare for all Indians. Seventy per cent of the population are without health insurance, higher than in Bangladesh or Sri Lanka. More than 20 per cent of the population earn less than one dollar a day. For them, affording European-produced technology is a fantasy. To meet this need, Transasia first set up a research department, but progress was slow. The next tactic was to buy technologies, which was not easy. So they decided to buy European and American companies close to bankruptcy in order to inherit their technology. Their companies in Germany, Italy and the USA have all survived and improved. Transasia can produce technology more cheaply due to lower labour costs, but the main difference comes through product simplification. Vazirani still sees a long way to go in improving the healthcare system in India. 'This won't happen in my lifetime,' he says. This doesn't deter him from putting all his efforts into the project.

Change is still needed, Vazirani notes—people and the system becoming honest. An American senator had told Vazirani that there is also corruption in America. 'Last month a consul went to jail for corruption,' the senator said. 'Well,' Vazirani replied, 'this is exactly the difference: in India those people go court-free. But I have full faith that one day we will succeed in overcoming corruption. Honest business in India is possible.'

It is a conviction he is putting into practice himself. What especially marks out the Vaziranis is their courageous and dogged stance against corruption. At one point he employed two lawyers full-time to fight the cases that arose. When, for instance, he wanted to install a fountain in the lunch area, two government officials demanded a $100 bribe for a license. Yet no such licenses had been issued for 20 years. It took his lawyers four years in the courts, costing $4,000, to deal with the case. But Vazirani feels it is worth making a stand on such issues, as his company's reputation for integrity is paramount.

Early in the development of the company, he risked losing a DM20 million sales contract to Germany because a customs officer wanted a bribe to release vital imported components. Rather than paying up, Vazirani left the components in the warehouse for three months. He went to the top customs officials, arguing that if Transasia didn't get this order the country would lose. 'We appealed to their sense of national pride.' The components were released just in time for Transasia to win the contract.

Then there was the time when a politician suggested to Vazirani that it would be 'an opportunity' if they each pocketed part of the World Bank aid the politician had received to improve health care. 'Yes, and is it an opportunity if we land up in hospital needing urgent care ourselves?' replied Vazirani. At this, the politician realized that Vazirani was not to be bought and hastily changed his tune. He even promised to increase state aid to hospitals.

'Corruption is a big road block to progress,' Vazirani says. 'Because of it everything goes wrong. The intimidation leads to wrong decision-making. Transasia can be an example. But many more companies need to be.'

Another Mumbai company making a stance against corruption is Kaymo Fasteners. Established in 1959, it is India's leading industrial manufacturer, distributor and service provider for a range of staplers and fastening tools. The Managing Director, Vivek Asrani, who is a trustee of the Asia Plateau centre in Panchgani, told his story to the Caux TIGE 2013 conference:

> We had a small scale industry which my father and grandfather set up, which was doing well, taking care of the family. We had a good market share but after 42 years of existence the company was near closure.
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> One of the big challenges we faced was competing with the unorganized sector. People had started manufacturing our products and selling them without invoices, giving less quantity in boxes, and we suddenly found that our market share was plummeting. It reached a point where the business was on the verge of closure. This was a year before I was going to get married.
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> We had two decisions in front of us; one was that we could go down the same path and do whatever it took to continue being in business. We would have been able to legitimise it by saying, 'Look we didn't set the rules, the market dynamics have changed. We are just doing what the market is doing. If the market cleans itself up, we will be happy to be clean. We've just got to do what it takes to be in business.' Or move up the value chain and make our principles non-negotiable. We took the second decision and moved into a new industrial range of products which had not been introduced in India.
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> When we started the new company, about 15 years ago, one of the first decisions I made was that we would build it rooted in principles, and we would make those principles non-negotiable. We came up with four principles on which we founded the company: integrity, win-win, customer delight and excellence. For us integrity isn't just being honest with money; it's

the respect and care with which we work with people. Win-win is a paradigm I learnt from my grandfather and father that everyone sitting at the table must benefit. Customer delight was an obvious value for us: we put the customer at the centre of all discussions and decisions. I tell my people it's not me or the company who pays your salary, it's the customer. If we take care of the customer, he takes care of the company. And finally excellence. We have a young team and I keep telling them that we spend the best years of our life, 25 to 65, and the best time of the day, 9:30 to 6:30, at work. So, make it the best experience for yourself. The company will take care of itself. Excellence is a value we cherish because the quality of our life is dependent on how we work.

It is all very well to start this off. I was soon challenged in the second year of the company's existence when we were still very small. I was negotiating an order which was equal to the turnover of the company at that time. It meant we could have potentially doubled the size of the company with that one order. It was one of the most corrupt purchase departments I have ever come across—private sector, not government. We walked away from their order. I came back to the office—we were a team of five or six people—and I said we're not taking this order. Having said that, what would it take for us to be market leaders? It's not good enough to say that we are good, therefore we are losing. We have to say that we are good and therefore we win. And I said to the team, 'What does it take for us to be market leaders and win the game out there?'

That was 10 years ago when we had only eight products, no distributors, no dealers, no service centre. Today we run a portfolio of more than 400 products, a distribution network in 50 cities in India, managing about 150 distributers and 800 end customers. We have India's largest service centre and we've set up 17 authorized service centres all across the country. We've built a supply chain network of more than 20 suppliers around the world who supply products to us.

I'm not saying this to impress anyone, but the beauty was that, because we chose not to take that order, it forced us to go down a creative path. That was one of my first learnings in my business: that when we are committed to our principles in challenging situations, it leads to growth and development.

Today I look back and I bless that corrupt purchasing officer because honestly I think he kicked us in the right direction and we've moved to a different level altogether.

Business has its challenges and I had a very interesting situation with the tax department. During one of our assessments, our accounts department had given a wrong stock statement. We were running a new software and by mistake they had taken the print out from the wrong software. The assessing officer refused to accept the correct stock statement. He said, 'Now I have found the discrepancy I am going to penalize you.' It was a very substantial amount. I remember my accounts manager came looking very worried saying this is what's happened. So I said, 'It's not a problem, take the chartered accountant and go meet the officer.' He said, 'I've taken the CA, but this guy is just not listening.' So, I went and met the officer and said, 'Look this is what has happened. We're running a new software and through an oversight they've taken a print out from this new software and I'm giving it to you in writing that, yes, we have made a genuine error and here is the correct stock statement.'

I went on to tell him, 'If you think that we have actually committed a fraud and, now that you have seen the difference in figures, you think we are trying to cover it up, then you must penalize us and penalize us double. But if after having met me, heard me and understood the whole situation, if you come to the conclusion that, yes, this was a genuine oversight and this was a human error, which any human being can make, then the right thing for you to do would be to accept my correct stock statement. If you think I'm lying then penalize me.'

He looked at me and said something very interesting: 'A dishonest person will never have the courage to sit in front of me and talk like this. Go, your work is done.' That's when I learnt a very important lesson. People say it takes courage to be ethical. According to me, being ethical makes you courageous. When I met the officer I had no fear because at the back of my mind I knew that we had done nothing wrong. We had simply made a mistake. That's what I learnt, that when we drop our fear, our ability to solve a problem becomes bigger than the problem.

I heard something really beautiful a few years ago which has been a guiding principle for me. Every time we face a challenging situation, when in life things go wrong you fall, you don't have a choice. But you do have a choice in the way in which you fall. There are three ways of falling: you can fall like a pot of clay and completely break or you can fall like an iron ball where you don't break but you fall with so much anger that you break things around you and cause destruction in relationships. Or you can fall like a rubber ball where the harder you fall, the higher you spring back. For us, the journey has been like that rubber ball: every time we have fallen we've tried to see how we can spring back. A rubber ball on sand will never spring back, it needs a harder surface. So, tough situations and challenges come as an opportunity to move to a higher level of existence and we've actually used our challenges to move to a different level.

I was negotiating with a Canadian company who wanted to ship us some goods. We'd never met them and they said they wanted to start. I was telling them on the phone: 'We'll start provided you give us 90 days credit.' They said, 'Look, we don't know each other. When we come to India we'll meet you, we'll talk about it.' I said to him over the phone: 'You know, my company is named after my great grandfather. His name was K Motiram', from which we have the name Kaymo, and I said, 'For me the value of the good-will far exceeds any financial gain.' There was silence on the phone and after a few seconds he said, 'Ninety days' credit is approved', never having met the company. This is when I realized that being ethical has been one of the best business strategies that we have ever adopted.

Six years ago I was negotiating the largest transaction of my life. I met this person, we transacted and we shook hands. Then he tells me, 'But I need a down payment in the next 10 days.' It was a huge transaction for us but we would sign the documents after 15 days. I said, 'Done.' Then when I made the down payment, he says, 'We'll make a kind of temporary agreement but the final documents will be after 18 months because I need it to span across two financial years.' I said, 'Done.'

Closer to the end of the transaction, when I went to him, I said, 'Look, I'm travelling to America; I'm going for a month.

I still owe you about 10 per cent of the money. I would like to somehow close this transaction. It is wrong for me to ask you but this was on my mind. I've just come to share this with you.' He looked at me and said, 'Draw up the documents.' He signed, sealed and delivered the transaction to me without having received his final payment. Honestly he couldn't have done anything if we had decided not to pay. But I told him, 'It's going to take me four to six months.' He said, 'No problem.' After four months, I went back to him and paid the last instalment. I said, 'Mr Somani, you didn't know me, I just came to you as a buyer for this property. It was a huge transaction, the last 10 per cent you allowed me the facility with no collateral in your hand. You signed, sealed and delivered with the property. Why did you do it?' He looked at me and said, 'You remember the first day you came to me and I said I needed x amount in the next 10 days and you gave it to me? The moment you trusted me and I needed the money at that time, for me that established your credibility.'

The big learning for me after that transaction—of course he was a wonderful person to deal with— was that my ability to trust people comes from my own faith in trust. There's a lot to be said about a handshake, of looking someone in the eye, getting an instinct and saying I think I can trust the person. The largest transaction of my life was based on just the look in the eye, the handshake and instinct.

Of course trust can be broken. People will take advantage. Fourteen people left our company to join a competitor. Eleven of them left the competitor. One of them has come back asking for a job. Two of them are still there. It was a very difficult period for us, about three years ago. But one of the things I realized—and from then till today we've grown about 40 per cent in spite of having lost so many people—is that an organization that is deeply rooted in its principles has a better chance of weathering a storm. This is when I realized the value of the principles in challenges. Something beautiful my mother taught me was: 'Never ask, why me? Always say, now what?'

Once the business started to grow with a bit of momentum, I started saying to myself that there has to be a purpose beyond profit. For us profit is like petrol or gas in a car. Without the petrol you cannot run the car, but you do not drive the car for

> the petrol. You drive the car to reach a destination in life. Similarly, the company has to be built for a higher purpose.
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> For us, the ethos of what we do came to me in the word that we exist to 'Give': to give to the nation a responsible company that generates employment and wealth with integrity. To give to industry, suppliers and customers a reliable and trustworthy partner giving the highest standards of service and quality. To give to our team a better quality life and an opportunity to maximize our potential and, more importantly, to give to society a caring citizen.
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> One of our junior accountants went on maternity leave. She came back saying that she would not be able to come back for a year because her child was unwell and in need of a few surgeries. We told her that her job was secured: take as long as you want, the job is not going anywhere. We give our men one month paternity leave, because when I became a father I had to take a lot of time off. I didn't have to ask anyone, after all the company belongs to me. I told them, 'You guys are no less a father than I am. Your wife and child need you as much. So the company will pay you a month's salary to stay at home to take care.' So that's our small investment. When we give at every level with a certain amount of love, it compels us to do our best. For us the growth in the company has been through giving.
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> We understand that the results are a function of our effort and circumstances. Circumstances are not in our control. So results are not in our control. Therefore the only place we really focus, as an organization, is in the effort. It's really all about the 'how' to live each experience with integrity and excellence. For me personally success lies in doing a job really well and knowing that I and we as an organization give it our 100 per cent, irrespective of what the outcome might be. For us the journey is the goal.

In saying this, Asrani reflects the ethos of TIGE as well as the CIB conferences in Panchgani: that the way things are done is paramount, that the means determine the ends.

Deep vested interests perpetuate corruption, venality and greed. They are exacerbated by new technologies, leading to industrial espionage and cyber-crime. The antidote lies in a series of necessary measures, according to Laurence Cockcroft. They include a far tougher regulation of business to tackle the 'shadow' or black market economy; the abolition of 'secrecy jurisdictions', from Swiss bank accounts to tax havens, which facilitate large-scale global corruption; the abolition of corruption and the bribery of foreign officials in world trade, supported by the OECD's Anti-Bribery Convention, which now needs to include the BRIC countries of Brazil, Russia, India and China; a concerted effort to tackle organized crime; the prosecution of senior politicians, including heads of state, involved in corruption though the International Criminal Court; and the repatriation of stolen assets to their countries of origin. Cockcroft acknowledges the 'real progress in addressing corruption' made by the Extractive Industries Transparency Initiative (EITI), which makes the payment and receipt of royalties and taxes transparent in energy-rich countries.

The antidote to corruption is also found in individuals such as those quoted here and countless others who have the courage and commitment to the values of personal integrity including honesty, wholeness and care for people, especially the world's poorest and the disenfranchised. Businesses such as Tata, Transasia, Kaymo and many others have performed far better than they might otherwise have done had they not established a reputation for trustworthiness. The business case for integrity and the stance against corruption is proved by the results.

FOOTNOTES

13 *Clothes to die for*, BBC Two, 22 July 2014

14 *The Times*, 28 July 2014

15 *The Independent on Sunday*, 28 August 2011

16 *Evening Standard*, London, 1 September 2014

17 *The Times*, 4 February 2014

18 16 October 2014. See report by Olesea Mirza: http://uk.iofc.org/resilience-key-successful-organizations?bc=node/31441)

19 www.speakout-speakup.org; see also report by Yee Liu Williams: http://www.uk.iofc.org/courage-whistleblowers?bc=node/71052)

5
Banking on the brink

'Paul Moore here. Who are you?' This abrupt phone call in the spring of 2010 was my introduction to the man who had become internationally known as the HBOS whistleblower. He was calling after I had left a message for him at *The Tablet*, a leading UK Catholic newspaper. I hadn't anticipated that he would call back as quickly as he did.

Moore is a devout Roman Catholic. He and his wife Maureen live in the North Yorkshire village of Wass near Ampleforth Abbey, a Benedictine monastery. He had been educated at Ampleforth College. I had read an article about him in *The Tablet*, in which he said he was looking to set up a business think-tank with a Christian ethos. I had surmised that IofC's UK business programme, of which I had recently become the head, perhaps might fit the bill, even if we embraced people of other faith traditions and none. So, over the phone I explained myself to him. Would he come to address a group of us in London? He readily agreed. Thus began our friendship.

Moore, a barrister by background, had been a partner at KPMG in London from 1995 to 2002, where he had been an advisor on financial regulatory issues to a number of FTSE 100 clients. In 2002, he joined HBOS (Halifax Bank of Scotland) to become head of group regulatory risk, based in Halifax, Yorkshire. As such, he had policy setting and oversight responsibility for the executive board's compliance with the UK's Financial Services Authority (FSA) regulations.

In 2004, he warned the management board that the bank's aggressive sales culture had become markedly out of balance with its 'systems and controls' and, in particular, with risk management. They were expanding too fast, not just in lending but also in relation to the sale of all other financial products, such as Payment Protection Insurance. He also reported this to the FSA. The issue had been particularly focussed for Moore when an employee in a Scunthorpe branch had told him, 'Paul, we'll never reach our sales targets and sell ethically.'

A few weeks after his warning to the board, its Chief Executive, James Crosby, called Moore into his office. Moore assumed that Crosby wanted to talk about how to address the risk culture in the bank. Instead, much to Moore's shock, Crosby said that he was making Moore redundant. 'You can't make my job redundant,' Moore responded. 'The regulating system requires my job to exist.' Moreover, there was no justification; he had not done anything wrong. 'Oh, yes, I can,' Crosby replied. He replaced Moore with a sales manager who had no experience of risk management.

Devastated, Moore left the building and in tears on the street outside called his wife. 'He's given me the sack,' he told her. Her immediate reply was: 'Don't worry, Paul. This is all part of God's plan.' It was not the kind of response you would expect even from the saintliest of spouses. But Maureen is the rock in his life. They had first met on Christmas Day 1988, when he was hang-gliding in the Chilean Andes, she coming from Anglo-Colombian parentage. They are used to personal risk assessment themselves.

Moore duly sued the bank for wrongful dismissal and in 2005 settled for a payment of more than £500,000. Part of the settlement was a gagging order which forbade Moore from talking about his dismissal publicly. However, in February 2009 he heard that a Treasury Select Committee in parliament was investigating risks taken by UK banks prior to the credit crunch of 2008. Moore felt a compelling urge to submit his evidence. He had already decided to go public but now found that he would be protected by parliamentary privilege. Whether or not this was the divine will—Moore was inclined to see it as such—he felt his time had come. He sent the committee dozens of pages. One member got back in touch with him to say that his evidence was 'explosive'. They had not received anything like it from anyone else within the industry. His evidence became sensational news, with double-page spreads about him in the Sunday newspapers. The media dubbed him the HBOS whistleblower.

Sir James Crosby resigned as Deputy Chairman of the FSA on 11 February 2009, ostensibly to protect its reputation. It had employed KPMG to investigate Moore's concerns but KPMG, HBOS's auditor, had failed to uphold them. Yet Gordon Brown, the Labour Prime Minister of the day, had to rescue HBOS from collapse by injecting £21 billion of taxpayers' money, and supporting the take-over of HBOS by Lloyds Banking Group. Crosby later surrendered his knighthood.

Moore was further vindicated when in 2012 the Parliamentary Commission on Banking Standards castigated HBOS's former leadership, prompting an apology from Crosby to the commission for the bank's near-collapse, saying 'I am very sorry.' He was one of the few bankers ever to offer an apology.[20]

Eight years after his dismissal, Moore told the *Financial Times*: 'It's like the parting of the Red Sea. I feel a massive shift has taken place. I think most people knew I was right and had a lot of admiration for me but could not associate with me because of risk to themselves. Now they see I spoke up from conscience and competence, not hatred.'[21]

Nonetheless, like other whistleblowers, Moore has paid a high price. Head-hunters ignored him and it was only in December 2012 that he became, for a while, non-executive chairman of Assetz Capital, a peer-to-peer lender.

Addressing the Caux TIGE conference in 2011, Moore called for a far-reaching reform agenda of the global financial system backed by an 'Arab Spring' of public opinion. Most ordinary people, he believed, saw the banking crisis as a symptom of much deeper problems in the world. 'The majority of ordinary people on this planet know very well in their hearts and souls that a profound change is needed in the way we live' to avoid the potential for a global disaster brought about by excessive consumption and the climate change that it causes. 'Almost everyone I meet seems to know that the pervasive culture in the developed world of "me, more, now", in which GDP and continuous economic growth seem to be the only mantras around, is not the true road to well-being for all of us, let alone social justice. We have totally lost our way in a sea of greed and vanity.' The need was 'to rebuild our public policy around the financial sector in a way that not only serves the real economy but also the common good of the whole of humanity.'

Earlier, speaking on 'Capitalism towards the common good: regulation or culture and character?', in the London centre of Initiatives of Change,[22] Moore called for a review of corporate governance, including a separation of powers between executive boards and 'those accountable for overseeing their actions and reining them in'. Risk professionals, such as himself, needed to report to non-executive directors rather than the main board, in order to have influence and to protect their positions. The non-executive directors in turn needed 'competence, independence, integrity and diversity,' to avoid a 'cosy relationship' with executive boards.

'You can have the best governance processes in the world but if they are carried out in a culture of greed, unethical behaviour and an indisposition to challenge, they will fail,' Moore said.

The date of 09/15/2008 was never likely to be embedded in the public's consciousness as much 09/11/2001. No buildings physically collapsed, no television cameras caught the same scale of utter devastation. There were no horrific, visceral images. But the date of 15 September 2008 should be equally remembered nonetheless. It had as great an impact on the global economy. The collapse of Lehman Brothers on that date represented a nadir in the financial crash of 2007-2008, leading to the international credit crunch. Banks simply lost trust in each other's creditworthiness.

It was the largest bankruptcy in US history, with Lehman holding toxic debts of around $60 billion. The bank was seriously over-leveraged in its borrowing to finance its expansion in the housing market, and heavily over-exposed in the sub-prime mortgage market. In the second fiscal quarter of that year, Lehman reported losses of $2.8 billion and decided to raise $6 billion in additional capital. By 10 September, Lehman announced a loss of $3.9 billion. Investor confidence collapsed after the Korea Development Bank pulled out of negotiations to take over the US bank, plunging its stock value by 45 per cent.

The sub-prime mortgage market was always a chimera; investing in it was a monstrous gamble that would never pay off, built as it was on a dishonest assessment of individuals' creditworthiness. Sub-prime mortgages were essentially those taken out by people who had no collateral and were bound to have difficulty in keeping up their repayments, especially if they suffered unemployment, ill health or divorce. Yet the percentage of lower-quality subprime mortgages, originated in the US market during a given year, rose from an historical eight per cent to approximately 20 per cent from 2004 to 2006, with much higher ratios in some parts of the US. No amount of 'slicing and dicing' of the 'mortgage backed securities' and collateralized debt obligations (CDOs), the instruments sold between banks to finance the debt, would protect against the underlying risk. Mortgage backed securities turned out to be anything but secure. As Alex Brummer wrote in his book *Bad banks: greed, incompetence and the next global crisis* (2014): 'People gambling with money that is not their own are more likely to be relaxed—cavalier even—about betting it when they know that losses will be borne by the investor and gains will swell their own earnings.'

A collapse in US house prices from a peak in 2006 and subsequent mortgage 'delinquencies' (non-repayments) and foreclosures triggered the crisis. It was also brought on by the doubling of fuel prices in the USA between 2005 and 2008, which hit consumers, particularly commuters, hard.

As adjustable rate mortgages soared, so too did delinquencies. The crisis had severe, long-lasting consequences for the US and European economies. The US went into a deep recession, with nearly nine million jobs lost during 2008 and 2009, roughly six per cent of the workforce. An estimate of lost output from the crisis came to at least 40 per cent of the 2007 US gross domestic product. Housing prices fell nearly 30 per cent on average and the US stock market fell approximately 50 per cent by early 2009. As of early 2013, the stock market had recovered to its pre-crisis peak, and continued to soar, but housing prices remained near their low point.

The US government's Troubled Asset Recovery Programme (TARP) authorized a bail out of the troubled banks to the tune of an incredible $700 billion, signed into law by George W Bush in October 2008. The sum was subsequently reduced to $475 billion and by the end of 2012 the US Treasury had received repayments of 97 per cent of the $418 billion actually disbursed.

Nonetheless, 'I honestly believe that September and October of 2008 was the worst financial crisis in global history, including the

Great Depression,' commented Ben Bernanke, Chairman of the Federal Reserve Bank at the time.[23]

The knock-on effect was huge elsewhere. Lehman's collapse 'exposed the vulnerability of the entire international banking sector', wrote Alistair Darling, the UK's Chancellor of the Exchequer from 2007 to 2010 (*Back from the Brink*, 2012). The Icelandic banks nearly collapsed. In the UK there was a run on Northern Rock. Then disaster struck Royal Bank of Scotland, the world's largest bank, which was also heavily exposed in the sub-prime mortgage market. When RBS joined a consortium to take over the Dutch bank ABN Amro, its board of directors failed in their fiduciary duty to their stakeholders; there was no adequate due diligence investigation into the state of ABN Amro's sub-prime exposure. It was the world's largest ever bank take-over and turned out to be disastrous. RBS came within hours of collapse and had to be bailed out by the British government which nationalized the bank. At the time, RBS's liabilities were thought to be around £1.9 trillion, Darling wrote, compared with the UK's entire GDP of around £1.5 trillion. The takeover cost UK taxpayers £15 billion, making them owners of more than 70 per cent of the shares.

'The banking crisis was most acute in the US and Europe, including the UK,' wrote Darling, 'but the downturn had spread much further, hitting both Asian and developing economies, including China, India and those in South America. The sub-prime crisis had shown how a problem in one part of the world could infect the entire system within months or even weeks, not years as in the past.' According to the World Bank, the crash of 2008 led to a drop of 20 per cent in world trade and threw 100 million people into poverty.[24]

Information technology had also played a major part in exacerbating the crash, with 'high-frequency' share trading by computers triggering rapid sales of investors' stocks in minutes, even microseconds, like lemmings over a cliff. Just how driven Wall Street traders were to make a fast buck is well exposed in Michael Lewis's book *Flash Boys* (2014). By shaving a microsecond off the speed of a purchase or sales trade they could pre-empt orders and beat them. One company even installed a fibre-optic cable as straight as was physically possible between Chicago and New Jersey, the sites of two exchanges, just to shave off three milliseconds. On the day that Lewis's book was published it emerged that the FBI was investigating high-frequency trading.

The rot continued long after the crash of 2008. Scandal piled on top of scandal. Bradford and Bingley, once a reputable UK mortgage lender, was found to have customers who had 'self-certified' their circumstances, no questions asked, prompting the phrase 'liar loans'. Bank employees were then discovered to have rigged LIBOR, the London Inter-Bank Offered Rate, a key interest rate which sets the value of credit card interests and people's borrowing to finance purchases such as cars. In September 2013, Barclays, RBS and UBS of Switzerland were reported to have paid a combined fine of £2.5 billion for their role in rigging LIBOR.[25]

Then it was found that UK banks had been selling Payment Protection Insurance (PPI) to their customers without their knowledge, going back over decades. PPI was supposed to protect customers' incomes should they lose their jobs and become unemployed. Yet many found that they could not benefit from the insurance despite being charged for it. Banking staff were paid under an incentive scheme that depended on the number of products they sold to customers. Stewardship and care for customers' interests were thus overruled by banks' drive for profits. The sums were, again, staggering. British banks set aside £23 billion in compensation to customers. Lloyds Banking Group alone set aside over £11 billion. RBS set aside £4 billion.

Elsewhere, HSBC, once one of the world's most reputable banks, was fined $1.9 billion by the US authorities after discovering that its Mexico banking had been involved in money laundering, believed to be on behalf of drugs barons. Then in February 2015 a scandal broke concerning its Geneva private banking branch. It was accused of advising wealthy clients on how to avoid paying taxes by setting up 'black' accounts for them in the years from 2005 to 2007. Once again, a tawdry culture, whether or not it was strictly within the law, added fuel to the public's cynicism towards the banking sector. Since then HSBC has aimed to clean up its act. The bank sent me, through one of its senior executives involved in the clean-up, a statement that HSBC was now 'adopting the highest or most effective controls against financial crime and deploying them everywhere they operate. These global standards are in the form of global Anti-Money Laundering and Sanctions policies which set out the requirements to manage financial crime risk.'

The succession of scandals added up to a colossal collapse of trust in banking and bankers. Public fury focussed not only on loss of savings and public investment but on a bonus culture, amongst investment bankers in particular, which bore no relation to the appalling losses still being reported by their banks, and the perception that no one at senior levels was being held accountable or prosecuted. The popular phrase circulated that the banks and bankers, bailed out by tax payers, were 'too big to fail, too big to nail and too big to jail'. In fact, by 2014 nearly 6,000 London banking and financial services staff had been dismissed since 2008 because of corruption, dishonesty or excessive risk-taking.

By August 2012, the UK's public trust in bankers had collapsed to an all-time low. Research by Which?, the consumer association, found that 71 per cent of the UK public believed banking culture had not improved since the crash of 2008. The Chief Executive of Which?, Peter Vicary-Smith, said, 'Five years on from the beginning of the financial crisis, public confidence in the banking industry is at an all-time low, with a series of scandals exposing mismanagement and corruption that have cost UK consumers dear.'[26]

By 2014, the levels of trust in financial institutions had hardly changed or had declined even further since 2009, according to the authoritative Edelman Trust Barometer Annual Global Survey 2014. In the US, trust in banks had gone up from 35 per cent to 45 per cent; in the UK it stayed the same at just over 30 per cent; in the Netherlands there was a dramatic decline in trust from over 50 per cent of the population to 25 per cent; and in Ireland, where banks had invested in disastrous commercial property deals, the trust factor had declined from 25 per cent to 15 per cent.

Public regulatory bodies such as the USA's Security and Exchange Commission and the UK's Financial Services Authority (now replaced by the Financial Conduct Authority and the Prudential Regulatory Authority) were seen to have failed in their duty of oversight, and credit rating agencies were equally criticized for having given strong ratings to weak asset-backed securities.

Yet regaining the public's trust is seen as essential to the good performance of banking and financial services. 'Restoration of trust within the financial industry is a prerequisite for the restoration of trust between financial institutions and society,' wrote

Andreas Suchanek and Christina Kleinau in an article asserting 'how trust is a valuable commodity that has been neglected by banks' and 'why investment in it can bring benefits not just to the financial sector but society as a whole.' [27]

'Systemic stability is a common good,' they wrote, concluding, 'If banks could be trusted to be prudent, they should be able to access interbank lending whatever the health of their respective sovereign. Banks know a lot about managing assets. It is high time that they once again come to understand that trust is an asset that needs and deserves investment and one that offers a return.'

FOOTNOTES

20 *Financial Times*, 4 December 2012

21 Dina Medland, *Financial Times*, 5 June 2013

22 23 November 2010

23 *The Times*, London, 28 August 2014

24 Figures quoted by Gordon Brown in his book *Beyond the crash* (2010)

25 Quoted by David Marquand in his book *Mammon's Kingdom* (2014)

26 *Evening Standard*, London, 9 August 2012

27 *Financial World* magazine, London, August/September 2014

6

Banking on change

Not all banks were culprits, of course, and there are outstanding examples of best practice amongst smaller banks, such as Handelsbanken of Sweden—which maintained a culture of prudence—and Triodos, the green bank founded in the Netherlands, whose mission is to 'make money work for positive social, environmental and cultural change'. In the UK, Nationwide retains a reputation for trustworthy banking. And there are alternative models of good banking that serve society.

Emmanuel de Lutzel from Paris told Caux TIGE 2014 how he persuaded the top management of his bank, BNP Paribas, to invest in microfinance and social business schemes. In 2004 he began a volunteer initiative which started with 10 people and now has over 1,000 engaged in supporting small, community projects and organizations around the world.

In 2005, he came to the idea that microfinance, more than just volunteering, could become a business for the bank: not just a classical business, but business with a social purpose. 'I presented the idea to 40 colleagues in different departments. Everybody was supportive, saying that the top management should decide but no one was ready to present the case to the top management. So I asked for an appointment with the No 2 of the bank, who after 10 minutes told me: next month you will present the subject to the Executive Committee. The Committee was very supportive of the idea. They asked De Lutzel to develop a business plan and to launch the activity. Since then the microfinance team at BNP Paribas has financed 40 microfinance institutions in 15 developing countries and four countries in Europe. In 2013, the scheme scaled up to finance social entrepreneurs in Belgium, Italy and France, reaching more than 200 social businesses in those three countries.

'Five years ago, I didn't know that what I was doing was called social intrapreneurship,' De Lutzel says. 'I started to be interviewed by newspapers such as the French magazine *L'express* and I was fascinated by this subject. I have started writing a book about intrapreneurship, based on my own experience and that of another intrapreneur, to provide tools to those interested in changing their companies from the inside.'

Microfinance had first taken off in the 1970s when the economist Muhammad Yunus lent $25 to a group of women in Bangladesh. When he was repaid, he decided to expand the initiative. Thirty years later, the microfinance sector was lending to an estimated 150 million borrowers which in turn directly impacted the lives of a billion people.

In 2009, De Lutzel told a London audience how he had become involved with microfinance. He had worked in the banking sector for 25 years but, alongside this, he had been involved in business ethics at a national level. He was a member of the board of Transparency International France, the anti-corruption organization, and a member of the board of Initiatives of Change in France. Despite being socially active, he thought that he should be doing something more and in 2005 his calling came while reading *The Economist* magazine. That was the Year of Microfinance and while BNP Paribas was involved in funding microfinance initiatives in France, as part of its Corporate Social Responsibility (CSR) policy, it was supporting only two small microfinance pilot projects abroad, in Guinea and Morocco. These have since been replicated in 10 other countries.

De Lutzel was inspired by what he had read about microfinance's potential to make a social impact. He started as a field volunteer for Adie, a French microfinance organization, and proposed that colleagues from the bank might join Adie as volunteers. The response was overwhelming. 'I was really surprized at the number of people who turned up,' De Lutzel said. He transformed his 'hobby' into a job, to work full time for microfinance, starting with his proposition to the bank's Executive Committee to launch a global initiative to invest in microfinance internationally.

As his previous banking experience had been in corporate banking and cash management and not microfinance, he faced a challenge to demonstrate his expertise behind his conviction that microfinance could be a tool to reduce poverty and make a social impact whilst not losing the bank any money. The executive committee agreed and the project was given the green light. 'Big banks are not just bureaucratic monsters; they are made up of people and I knew I just had to reach the people individually,' De Lutzel commented.

Another microfinance lender is the south Indian banker J S Parthibhan. A native of Tamil Nadu, India's southernmost state, he arranged microloans for local village communities near his bank branch in Salem, all from the back of his small, black Honda motorcycle.

'When you begin a new venture, don't think only of yourself and your family. It should benefit the community, the village, and the surroundings,' he told the Caux TIGE 2014 conference. He has always believed that banking should be a service-orientated, holistic business, rather than one where customer service is only part of the profit strategy. Indeed, such community-based banking has little in common with risk-based financial speculation.

Parthibhan's banking journey began in 1998 when he became the manager in a branch of the government-owned Indian Bank in Connaught Circus, New Delhi. 'I used my position to help beggars and street vendors to manage their money intelligently and live a life of dignity.' There were no bank schemes for them and Parthibhan was astonished to find that they earned 500-600 rupees ($10-12) a day, which not even a government official earned. But they had to pay bribes to allow them to operate on the streets. They were street smart and took their work seriously but were ignorant about money management. Most came from nearby states with a lot of dreams, leaving their families behind, Parthibhan explained. 'But the reality in Delhi was different; there were no steady jobs and their earnings were never enough to make ends meet. They would borrow money from lenders, at high interest rates, to get over their immediate problem. They never earned or saved enough to clear their debts. The interest rates charged by money lenders kept them in the debt trap. Yet they were totally ignorant of the role that a bank could play in managing their earnings.'

Parthibhan wanted them to get out of debt, so he took the initiative to educate them. This took time and patience to earn their confidence. 'I showed genuine concern to understand their lives and businesses. Seeing my sincerity, they began talking but they rejected my suggestion of saving in the bank.' A common complaint was that they had no money to save when they didn't even have enough to make ends meet. But Parthibhan's persistence convinced them to give it a try, with small savings to begin with.

'They had no idea how to go about it; it was difficult to open a bank account; you needed many documents, such as proof of residence. I made sure that my staff made them comfortable and that they understood how to open a savings account.' In a few cases, he even took their personal guarantee. 'Their need was genuine and I took the risk.'

The bank opened almost 500 savings accounts and 300 deposit accounts for beggars, newspaper vendors, tea-wallahs, shoe-shine boys, restaurant waiters, auto-rickshaw drivers and housewives—everyone opening an account for the first time in their lives. 'I remember a man who sold water for half a rupee per glass. He would earn 600-700 rupees ($12-14) per day and would have 20,000-25,000 rupees ($405-505) in his pocket and did not know where to keep it. The idea of a savings account clicked with him. By the time I moved [back to Tamil Nadu] in 2002, he had 200,000 rupees or $4,050 in his account and he had repaid his loans. He was free from worry and started spending quality time with his family.'

For Parthibhan, solving problems, including economic ones, is ultimately about cultivating healthy communities. Changing broken systems is important but the real work is with people, he says. 'If you help them change their attitude toward life—what they are doing, why they are doing it—if you can help them find an answer to these things, I think we have found an answer to all the big headlines in the newspapers. It gives me great satisfaction to bring happiness to so many poor individuals and their families.'

Parthibhan's journey of personal honesty and integrity had begun when he was a student. His 'inner voice' of conscience had told him to return 200 'borrowed' library books when he was student president at Madràs Christian College in the 1960s. The principal told him to tell a college assembly what he had done. He did so with great embarrassment, a humbling experience for him.

The result was that hundreds of books were returned by other students in the following days. This was a transformative turning-point in Parthibhan's life. Now retired from banking, he is the Manager of the Asia Plateau centre in Panchgani.[28]

Speaking on the same platform in Caux as De Lutzel and Parthibhan, Professor Hiroshi Ishida from Japan told his personal story. After graduating, he joined the Industrial Bank of Japan where he became a speculator with a hedge fund. 'At that time my interest was not in peace,' he said. 'Whenever there were conflicts they were seen as a big business chance. That's banking. Everybody panics and then we jump into that market. If it was in the Middle East we'd go to the City of London. If it was South America, we'd go to New York City.'

After four years the bank moved him to risk management. 'There I learned something very strange. They told me problems had occurred concerning cooperation. They said, "Please don't speak out, hide it."' So over 10 years of his career, he learned how to 'manipulate things'.

'A big question came up in my mind; am I doing right or wrong? Then when my daughter was three years old, she asked me, "Papa, what are you doing?" "I'm a banker." A few months later she asked, "What is a banker?" "A banker collects the money and invests somewhere to increase the asset." She kept asking me all these questions and I found out she's truly my daughter: she has half my DNA. By the time she grew up I wouldn't know how to explain my career and my work to her.'

His daughter's questions acted as a spur to Ishida quitting banking in 2000. He continued:

> This decision was very simple, but it was really tough for me to change my career after 10 years in banking. Fortunately I found this (IofC) organization of many influential people. I joined IofC Japan and the Caux Round Table Japan.
>
> What I have learned about 'banking on purpose' is that, in the long run, banking is how to increase and enhance the assets effectively and invest efficiently. Money is very important but it's just like the blood in our body; if it circulates well it means you're very healthy, but if it doesn't go well the economy starts to decline.

The second point is how to evaluate. When I was in banking, I was only evaluating the money to invest, how to measure the asset. That was how I measured my performance. But the traditional way is both tangible and intangible. The tangible is the balance sheet and the profit and loss account. It's easy to find out what is risk and what is not. But my challenge now was how to measure the intangible asset, which is really important for the future of corporations. This is more like potential risk—but it is not the only knowledge you need. You need a passion and wisdom.

Finally, the third point is risk management. In banking I learned that when a problem occurs you need to mitigate it. But you don't have any activities of prevention. You can only do mitigation. So, how do you have prevention before something goes wrong? That was the topic I started to learn.

My journey is still going on; how to enhance corporate value, not only the tangible but also this intangible asset. I think it's building on trust—not just globalization or diversification. Redistributive justice is win/lose, where only one party can get what they want. But for the future of the 21st century, we need to think about restrictive justice so that we can have win/win, where both parties get what they want.

This is just the start of my journey. Sustainability and CSR, corporate social responsibility, is one answer. But I use two words: CSR, corporate social responsibility, and PSR which is personal social responsibility. Companies are not made of machines. They are human beings. We make companies. That is why the personality is very important, in order to increase the value of companies. This is difficult to evaluate, how to increase this intangible asset.

When I first came to Caux in 2001, I learnt the simple words which are very difficult to challenge: whenever you need to be decisive, the phrase 'not who is right but what is right' is very important. Three key words I also always tell myself are integrity, fairness and honesty. Banking on purpose is a new field; not only the tangibles but also these intangibles that we need to apply in our companies. This is how to increase the value of the corporation.

Another person who walked away from a lucrative banking career is Sam Polk, a former Wall Street hedge-fund trader who became the founder of the non-profit Groceryships in Los Angeles. Before he did so he might have sympathized with John D Rockefeller's remark who, when asked 'How much is enough?', is said to have replied, 'Just a little more.' The appetite for great wealth becomes insatiable. It cuts to the very heart of what we truly desire in life—and where the roots of satisfaction really lie.

This was Polk's experience. 'In my last year on Wall Street my bonus was $3.6 million—and I was angry because it wasn't big enough,' he wrote in *The New York Times*.[29] He was 30 years old, had no children, no debts and no philanthropic goal in mind. Yet he wanted more money 'for exactly the same reason an alcoholic needs another drink: I was addicted.'

He had been brought up by his Dad to believe that money would solve all his problems. Competitive and ambitious, he was also a daily drinker, pot smoker and regular user of cocaine, Ritalin and ecstasy. 'I had a propensity for self-destruction that had resulted in my getting suspended from Columbia for burglary, arrested twice and fired from an Internet company for fistfighting.' He regarded it as a miracle that he got a job in Wall Street at all.

Working 'like a maniac' he began to move up the Wall Street ladder, becoming a bond and credit default swap trader, one of the more lucrative roles in the business. Four years after he started at Bank of America, Citibank offered him a '1.75 by 2'—$1.75 million per year for two years. 'I started dating a pretty blonde and rented a loft apartment on Bond Street for $6,000 a month. At 25, I could go to any restaurant in Manhattan—Per Se, Le Bernardin—just by picking up the phone and calling one of my brokers.'

Yet he was nagged by envy. 'When the guy next to you makes $10 million, $1 million or $2 million doesn't look so sweet.' Working elbow to elbow with billionaires he became, in his own words, a 'fireball of greed'.

In the end, it was his 'absurdly wealthy' bosses who helped him to see the limitations of unlimited wealth. 'I was in a meeting with one of them, and a few other traders, and they were talking about the new hedge-fund regulations. Most everyone on Wall Street thought they were a bad idea. "But isn't it better for the system as a whole?" I asked. The room went quiet, and my boss shot me a withering look. I remember his saying, "I don't have the brain capacity to think about the system as a whole. All I'm concerned with is how this affects our company." I felt as if I'd been punched in the gut. He was afraid of losing money, despite all that he had. From that moment on, I started to see Wall Street with new eyes.

'I'd always looked enviously at the people who earned more than I did; now, for the first time, I was embarrassed for them, and for me. I made in a single year more than my mom made her whole life. I knew that wasn't fair; that wasn't right. I was a derivatives trader, and it occurred to me the world would hardly change at all if credit derivatives ceased to exist. Not so nurse practitioners. What had seemed normal now seemed deeply distorted.'

In 2010, in a final paroxysm of his withering wealth addiction, he demanded $8 million instead of $3.6 million. His bosses even said they'd raise his bonus if he agreed to stay several more years. Instead, he walked away.

In the three years after he left Wall Street, he married, spoke in jails and juvenile detention centres about getting sober, taught a writing class to girls in the foster system, and started the non-profit Groceryships to help poor families struggling with obesity and food addiction. 'I am much happier. I feel as if I'm making a real contribution. And as time passes, the distortion lessens. I see Wall Street's mantra—"We're smarter and work harder than everyone else, so we deserve all this money"—for what it is: the rationalization of addicts.'

Since Polk's story was first published in *The New York Times*, his Groceryships initiative has begun to take off in Los Angeles, giving nutritional guidance and financial support to a handful of impoverished families. It is just a start. As the *Los Angeles Times* reported: 'The program provides each participant family $100 a week on a Food 4 Less gift card for six months. Each family also receives a high-end blender for juicing. The group watches films, gets handouts about nutrition and learns to cook several dozen healthful dishes.' The families find they spend less on more healthy food than they were accustomed to. Groceryships, says Yohana Funes, 34, changed her life. 'They have made me feel physically, mentally and emotionally beautiful. Before, my children were my circle of life. Now I realize it's all of us together.' And, she enthuses, 'They have made me physically, mentally and emotionally beautiful.'[30]

While these stories personify the struggle for integrity in banking at a personal level, there are signs that the culture is beginning to change at the corporate level in the big clearing banks too. CEOs are waking up to a new reality. When he was first appointed in 2012, Barclay's Bank CEO Anthony Jenkins outlined five values—respect, integrity, service, excellence and stewardship—which he expects all his staff to 'live and breathe'. It is his attempt to shift the culture of Barclay's much more towards its Quaker roots. When one bank employee ridiculed this new approach in a pub one evening, he was promptly sacked the next day. Jenkins meant business.

Lady Susan Rice, who was then the Managing Director of Lloyds Banking Group in Scotland, based in Edinburgh, spoke to the Caux TIGE 2012 conference about nine 'Cs' of professional excellence in banking. They include such values and concerns as customers, colleagues, community, conscience and care. Rice, an American, was the first woman to head a British clearing bank and sat on the Court, or governing body, of the Bank of England. She continues to chair a professional standards board involving the nine largest UK banks. The aim is to encourage standards of professionalism in the banking industry.

'We lost sight of our values—with an "s"—in the rigorous focus on financial value,' she said, referring to the financial crash. The future of banking lay in recapturing trust, integrity and probity, she said. 'But they need to be universal and our customers and society as a whole need to see us live by these values day in and day out.' Bankers had once been seen as trusted professionals. Now there was a need 'to reclaim the language of care and trust'. Since the crash of 2008 there had been 'a substantial focus on structural reform. But is it enough only to change the nature of institutions, without also changing the behaviour of the individuals within them?' she asked. The challenges required a change in behaviours, mind-set, approach, judgments. 'I believe that if we operate to high standards, to a set of values—with an "s"—all the time, we'll be more likely not only to create financial value, but to create sustained value—for our customers as well as ourselves. Banking is about nothing if it's not about trust, and the industry as a whole needs to work very hard indeed to re-earn the trust that's fundamental to its health.'

The Chartered Banker Institute in Scotland, the oldest institute of bankers in the world, had conceived and promoted a Professional Standards Board initiative (PSB), which she chairs. Together, the nine banks that have signed on to this PSB initiative employ more than 350,000 people in the UK, and serve more than 70 million customers. This was 'an important signal of intent, from the very top, about the changes we know need to take place' in order to restore confidence, trust and pride in the industry. 'We believe that trust is best restored through individuals, not simply through structural change. And perhaps that will move the discourse about banks beyond the current four Cs—Capital, Competition, Compensation and Controls—to a new, and what I think is a far more human, set of words altogether: Customer, Colleague, Community, Conscience and Care.'

When Rice was the opening speaker at a one-day TIGERoadshow in Edinburgh, in May 2014, *Scotland on Sunday* newspaper quoted her as saying: 'When things go well in a business, we tend to describe its success in numbers. But when they go badly, we blame behaviours. It's curious that, because at the end of the day, it's the people in a business and their behaviours, their values, their conscience which deliver the values. So, even in the best of times, should we not describe success in terms of both the numbers and the culture?'[31] The event was held at Tods Murray law firm (now taken over by Shepherd & Wedderburn) and hosted by its Women in Business network. The paper reported that 'TIGE was established in the wake of the global banking and economic crises of 2007-2008.'

Like Lady Susan Rice, Joe Garner also emphasizes character as being an essential ingredient of good banking and business practice. The former Head of HSBC UK Bank, who is now CEO of BT Openreach, Garner highlighted 'the importance of character in a transparent world' when he gave the opening address on 'leading business towards 2020' at the Caux TIGE 2013 conference.

The financial crisis has resulted in a drastic erosion of trust, increasing corporate scandals, and 'a massive pressure for change' in business, he said. Old management tricks couldn't work anymore. The economy has changed and customers are much better informed thanks to the Internet. 'We are at the beginning of the impact of technology. The search engine will turn out to be more revolutionary than the steam engine.' Employees needed to be inspired by their supervisors rather than simply obeying rules.

In such a world, how could managers succeed? Garner's solution at HSBC had been to gather his new team and have everyone share 'what they love, what they fear, and what they have in their pocket'. It led to a great deal of personal discussion. They realized they could deal with all the tough issues of life as human beings. 'We concluded that we could deal with anything, but that the business world had frozen us. As long as we keep our humanity, things pass.' It was paramount to create work environments 'where people can be themselves, where people can be people first, and bankers second', and where they do not overly rely on rules and processes. Striking the right balance between rules and trust depended on good management, he said. Quoting General Norman Schwarzkopf, Garner asserted that 'leadership is a potent combination of strategy and character. But if you must be without one, be without strategy.'

Stephen King, group chief economist at HSBC, had earlier called for the business equivalent of a Hippocratic Oath for bankers. 'For certain types of behaviours, it would make very clear what the punishments are if you misbehave. If you are a doctor and you misbehave pretty badly, you are struck off; if you misbehave very badly you go to jail. This is important from the point of view of restoring trust in the banking system. If there's a sense that they can walk away with lots of money and no punishment when they have done something wrong, that strikes me as morally and ethically wrong. That is something that really ought to change.'[32]

Then in July 2014, the London-based think-tank ResPublica, in a report entitled Virtuous Banking, published a suggested Bankers' Oath that could be adopted by the British Bankers Association. It reads:

> *I swear to fulfil, to the best of my ability and judgement, this covenant:*
>
> *I will do my utmost to behave in a manner that prioritizes the needs of customers. It is my first duty to provide an exemplary quality of service to my customers and to exhibit a duty of care above and beyond what is required by law.*
>
> *I will apply myself to ensuring that the work that I perform is in line with values that engender the responsible creation of*

value. It is my duty to conduct my business in an ethical manner and to ensure that my actions impact positively on the wellbeing of people both inside and outside my enterprise.

I will confront profligacy and impropriety wherever I encounter it, for the conduct of bankers can have dramatic consequences for society.

I will remember that I remain a member of society, with special obligations to the financial security and wellbeing of my customers, their families and the communities they reside in.

If I do not violate this oath, may I benefit from the prosperity that comes from serving customers well. May I always act so as to preserve the finest traditions of my calling and may I long experience the joy that comes from supporting the needs of society.

This oath I make freely, and upon my honour.

Such declarations are fine but are only effective if they are internalized by individuals who need to be held to account if they wilfully contravene them. Again, we are back to core human motivations which determine behaviours.

James Featherby, author of the book *Of Markets and Men* (2012), argues that 'the greed narrative' which many people blamed for the calamitous financial crash 'allows us all off the hook too quickly. It's all about the practices we have built as a society: greed played a part in the financial collapse, but greed wasn't the only reason for it.'

Changes in the financial world need to come from within, by changing minds and attitudes, Featherby says. 'You have to explain why doing the right thing is doing the best thing,' he told a forum in the London centre of Initiatives of Change on 26 March 2013. 'It is that case, once made, that will deliver the kind of cultural change that many are now demanding of our major financial institutions.'

Featherby, who spent 20 years as a corporate partner at Slaughter & May law firm in the City of London, has been the Chairman of the Church of England's Ethical Investment Advisory Group since 1 January 2012.

To recover moral standards we have to recover the concept of vision or purpose, he said. This provides the necessary rational for morality and ultimately the reason why it is worth making a short-term sacrifice in order to achieve a longer-term goal. Instead of self-interest, learning the extent of our dependency on others; instead of reductionism, learning about systems, communities and consequences; instead of contracts and rights—which fragments society—the importance of magnanimity in relationships, whether in love, politics or business; instead of the utilitarian allocation of scarce resources, learning about the value of people.

Featherby proposed four changes to improve financial services, which account for 12 per cent of Britain's GDP. Firstly, the need to refocus mega-businesses, 'that control the way in which we live—and not just in financial services—by giving them a public responsibility as well as a private purpose.' Practical examples would include supermarkets assuming responsibility for the nutritional welfare of their customers—requiring a huge shift—or banks delivering responsibility to help us save and budget.

Secondly, reduce significantly and permanently the level of personal, corporate and national debt. Massive indebtedness strangles the social gears by centralizing power and increasing inequality. It encourages over-consumption, producing inflation, creating unstable economies and trapping the poor. 'But also, as we're now seeing right across Europe, it undermines democracy. Excessive debt is the equivalent of modern day slavery,' Featherby asserted.

Thirdly, discourage speculation and derivatives divorced from the real economy. The increasing volume and velocity of them are economically harmful because they distress the efficient operation of the fundamental purpose of markets. 'Many, if not most of them, are zero sum deals, with money simply moved from one set of investors to another but with little or no value added to the real economy. We need to draw some lines between hedging that covers genuine business risk in the real economy, and hedging that is just betting. Support the former. Lean against the latter,' he said.

Finally, realign the investment markets so that they deploy capital for productive use as well as for a financial return. Instead of the current mantra of 'investment as the maximum return commensurate with risk', there is an urgent need to apply to investments the same paradox of profit as applies in business: first contribute towards customer need before looking to receive a profit. 'Sowing before reaping,' as Featherby put it. 'If maximum return, commensurate with risk, is the strategy pursued by all of us as savers, this will be the only message transmitted by the markets to companies. The result is inevitably, sooner or later, scorched humanity, socially and possibly environmentally as well.'

How could these proposals work effectively? City players should see the big picture. 'When you don't see consequences, you don't accept responsibility,' Featherby said. 'Purpose' is, therefore, a useful thought to keep in mind, given that morality has never worked without purpose.

Following group discussions, members of the audience pointed out that something is beginning to change within the banking industry after the 2008 crash. By social pressure, bankers and financiers are realizing they cannot operate in a society which is hostile and bitter towards them. Philippa Foster-Back, Director of the Institute of Business Ethics, called for the urgent need to educate MBA students in ethical values [see chapter 9].

A few years ago, a book like *Of Markets and Men* would have come as the voice wanting to ruin the party. Now, such books are making people think about how they want financial services to be and their economy to contribute to the common good.[33]

Tomáš Sedláček, Chief Macroeconomic Strategist at ČSOB, the largest Czech bank, and the renowned author of *The Economics of Good and Evil* (2013), gave a keynote address during Caux TIGE 2014, in a plenary session on 'Banking on purpose'. 'Banking on purpose is a weird combination because we economists are not really used to the word "purpose" in the large picture of things,' Sedláček said. Indeed, the theme of the session raised eyebrows—and expectations. It implied that banking needed to redefine its purpose beyond the profit motive.

'We don't really know what we are doing. This is what the bankers and the financial world discovered,' Sedláček acknowledged, parodying the confusion of bankers since 2008. 'The prayer of Wall Street has always been: "Let us be. We understand the market. We are the only ones who are eligible to interpret its mysterious science. We are the only ones who understand the mystery of its coordination and *laissez faire*. Do not meddle. We are the clever ones. We have this extra rationality. We have the self-organization and we have this automatic production of ethics," which has been challenged, of course, by many thinkers but also by the events of 2008 and onwards.

'Now the prayer, especially from Wall Street, has changed from "Don't meddle, let us be" to, "Please meddle. Do something. We have no idea what's happening." So the prayer has become, "Please forgive us for we do not know what we are doing." This is being admitted by everybody.'

Whether or not this is wholly true—far too many bankers are still in denial—Sedláček's remarks reflect a rethink, a soul searching, about the role of financial services in the global economy.

Regaining the public's trust and confidence in banks is still years away, says Andrew Tyrie MP, Chairman of the All Party Treasury Select Committee in the Westminster parliament. Despite a raft of new rules designed to rein in bad practice, a culture change at banks has a long way to go, he told BBC Radio 5 Live's *Wake up to money* programme on 3 September 2014. Did he think the banks had pulled the wool over people's eyes? 'Well there does seem to have been quite a bit of evidence of that in the past,' he replied cautiously. 'Banks not really telling people what they really need to know. And that is why they are being fined such large sums of money.' Did British customers have much less confidence in banks than they had before? 'Much less than they did and this is one of the problems we have got with the recovery.' He thought that small business's confidence in financial support from banks will take many years to recover. He supported sending bankers to jail for criminal wrong-doing, 'and that will now be the case for very serious offences'. When it came to the bonus culture, the key was to make sure that the amounts paid 'have really been earned. We need much longer deferral of bonus payments and we need some provisions in cases of serious misconduct for claw-back.'

Just how much the culture in banking still needed to change was highlighted by a scandal that came to light at the end of November 2014. A coterie of City traders had been rigging the foreign exchange currency markets over a five year period, reported the UK's Financial Conduct Authority (FCA). The dealers had behaved 'like sniggering schoolboys doing naughty things', in order to line their pockets while they cheated clients out of millions of pounds. High street banks, including HSBC, Royal Bank of Scotland, UBS of Switzerland and the US banks JP Morgan Chase and Citybank, were fined more than £2 billion by British and American watchdogs. London is the global centre for foreign exchange trading, accounting for 40 per cent of the £3.3 trillion traded every day. The FCA commented that 'the failings at these banks undermine confidence in the UK financial system and put its integrity at risk.' Ross McEwan, chief executive of RBS, said: 'To say I am angry would be an understatement. We had people working at this bank who did not know the difference between right and wrong. I apologize to all our customers and our 100,000 staff.'[34]

That same month, researchers at the University of Zurich, led by economist Dr Ernst Fehr, highlighted a 'culture of dishonesty' in banking in their published report. Dr Fehr commented: 'When you look at the trails of rogue traders, it often turned out that many times, before they were caught, they over-stepped the rules but it went well and nothing happened. It was tolerated in some implicit sense. It's a case of unwritten rules that play a role here.' The researchers called for the introduction of a 'Hippocratic oath for bankers'. Such an oath, said co-author Alain Cohn, an economist at the University of Chicago, 'could prompt the bank employees to consider more strongly the impact of their behaviour on society.'[35]

What is clear is that some bank employees have lacked any sense of personal conscience in their drive for profit. Such rotten apples, affecting the whole barrel, bring shame on an honourable profession and make it difficult, as one senior banker told me, 'to go to the pub and even admit that you are a banker'.

So has anything really changed? Are we any safer? The sheer pressures to succeed, and work overload, have led some bankers to commit suicide, jumping to their death in Canary Wharf, London, and elsewhere. This alone should give sufficient pause for thought for banks' CEOs and their Human Resources departments. Where on earth have banks got to if this is what happens to the vulnerable amongst their employees?

Under the international Basel rules for banking, and under UK legislation, banks now have to hold far greater reserves to set against bad debt on unrecoverable loans. Tighter corporate legislation means that bankers, including non-executive directors, are much more likely to be prosecuted for wrongdoing or failing in their fiduciary duties. And there are moves to put a protective 'firewall' between banks' investment and retail arms, so that any collapse still protects retail customers.

Ironically, following the Big Bang of deregulation of financial services in the UK in October 1986, today the pendulum has swung in the opposite direction. The industry is now burdened with 10,000 pages of rules and regulations following the collapse of 2008, as a senior official at the Financial Conduct Authority told me. And, he said, no one is going to know them all. But this won't stop people trying to find ways of getting around them. The consequence of a loss of self-discipline, or any sense of a moral perspective, is over-regulation by law.

So there is also the continuing need to address the culture of organizations. Ken Costa, the former Chairman of Lazard International investment bank, emphasizes the need for 'consciences of practitioners' in banking.

'During the past five years, post-crash, there has been a significant shift in the attitude and practice of the City [of London]. And it has been values driven,' he claims. 'No one is immune from the values vacuum which characterized the previous era.... Even before Adam Smith's *The Theory of Moral Sentiments*, Judeo-Christian tradition stressed the importance of having a set of overarching values embedded within the financial system if we wish to have a sustainable market economy. This cannot be codified in the hope that controls will compel wider ethical behaviour. It won't. Ethics have to be taught as well as caught.... But as we go forward, hopefully having seen the ethical bear market bottom out, we can look, if not to an ethical bull market—that would be nirvana—then to a new base founded on fundamental values. These values are in part already written into laws, but these are just skeletons and require all practitioners to buy into the belief that a vital market will always require good values, judgment, discernment and shrewdness from its leaders.... Codes of practice and consciences of practitioners fit hand-in-glove.'[36]

Alex Brummer, City Editor of the British paper the *Daily Mail*, concludes his book, *Bad Banks* (2014), by quoting the Archbishop of Canterbury, Justin Welby. He had reflected on the financial system from the pulpit of St Paul's Cathedral in the summer of 2013: 'The biggest weakness of all in the analysis of the failure of banks to be good banks has been around understanding human beings,' he said.

Welby, who spent 11 years as an oil executive before joining the Church of England, 'listened to months of testimony from the bankers responsible for Libor rigging, the wrongful selling of PPI (Payment Protection Insurance) and the collapse of HBOS,' writes Brummer. 'He had heard nothing to convince him that the bankers were contrite, that the institutions they served had truly changed their nature, or that there had been a revolution in banking practice. On that much there still seems to be widespread agreement among moral leaders, politicians, regulators, investors and the more thoughtful bankers. That there is still so much unfinished business, after the trauma of the worst financial crisis for a century, must be an enormous cause for concern. The era of bad banks is a long way from being fixed.'

At the heart of the crash of 2008 and its aftermath—a fundamental crisis of capitalism—lies a deep-seated materialism, a misplaced faith in the pursuit and power of wealth, a belief that acquisition is more important than contribution—a loss of the nurturing of the soul, the factor which Lawrence Bloom recognized and which changed the direction of his life.

As Archbishop Welby concluded in his St Paul's sermon: 'At the heart of good banks have to be good people.'

FOOTNOTES

28 His story is told in the short, award-winning documentary film *Banking on change* by Andrew Hinton www.youtube.com/watch?v=lzKp7N3tgZQ

29 First published in *The New York Times*, 18 January 2014. The full article can be read on his website: www.samuelpolk.com

30 'South LA women changed their lives, and it started with food', by Mary MacVean, *Los Angeles Times*, 28 August 2014

31 *Scotland on Sunday*, 4 May 2014

32 *The Times*, 18 May 2013

33 See report by Jonathan Lopez, www.uk.iofc.org/tige

34 *Evening Standard*, London, 12 November 2014

35 *The Times*, 20 November 2014

36 *Evening Standard*, London, 17 April 2014

7

Land, lives and peace: the environmental challenge

Land degradation and the spread of deserts exacerbate extreme poverty, conflict and mass migration. Desertification focuses such priorities as water and food security. Tackling it—both its mitigation and adaptation to it—has become a priority as climate change raises global temperatures. On average, six to 10 inches of topsoil is all that separates stability and conflict, while every year an area three times the size of Switzerland is lost to agriculture.

The central importance of land is most obvious in the world's drylands, which used to feed about 40 per cent of the world's population. As land is lost and population grows, conflict increases with more and more people competing for what remains. Eighty per cent of the world's conflicts now take place in its drylands, and countries under particular pressure risk becoming failing states.

In 2013, Initiatives of Change International launched a programme to tackle this fundamental resources issue which too often leads to conflict. Called Initiative for Land, Lives and Peace (ILLP, www.landlivespeace.org), it held its first international conference in Caux that year—the Caux Dialogue on Land and Security—in partnership with the United Nations' Convention to Combat Desertification (UNCCD).

The aim is to deepen understanding of the links between land degradation and human security and to build the trust needed for effective collaboration on joint land-peace initiatives.

The Caux Dialogues aim to provide a safe environment which facilitates much-needed conversations, and to offer solutions as well as analysis. Little known outside expert circles, there are simple, effective, inexpensive and proven ways of restoring land to its full capacity to grow food, retain water and act as a natural buffer against extreme weather. This approach directly supports the most poor and vulnerable, helping them find income and employment on their own land. In addition, capturing carbon dioxide from the atmosphere in soil and vegetation through restoring and re-vegetating land could provide between one-third and one-half of the cost-effective response to climate change, especially in the short- to medium-term,[37] thereby gaining vital time for a low-carbon economy to emerge.

Despite all these advantages, astonishingly little land restoration is taking place. The reasons lie in divided responsibilities, and in the fact that most of the solutions exist outside the normal focus of governments and development agencies. Besides, the first priority may be unconventional, such as the need to reconcile hostile groups on the ground so that they can cooperate. The Caux conferences address these issues by including a range of stakeholders from grassroots activists to world leaders, big business to top scientists. Land restoration practitioners also particularly value the chance to meet there to exchange best practice. They keep in touch via social media outside the formal conferences.

At the 2014 ILLP conference in Caux, Adam Koniuszewski, Chief Operating Officer of Green Cross International, based in Geneva, said that 1.5 billion people in 168 countries were impacted by land degradation. Desertification is advancing around the world. But land degradation was not inevitable, it was the result of human activity through:

1) Overgrazing (35%)—especially in Africa;

2) Deforestation (30%)—especially in Asia and South America;

3) Poor agricultural practices (28%)—particularly in North America.

Climate change exacerbates the problem. According to the UK Meteorological Office, climate change contributed to the 2011 East African drought that killed 100,000 people and pushed millions into starvation.

'Yet every day,' Koniuszewski continued, 'innovative solutions are being deployed around the world and degraded lands are being restored—often through low-tech cost-effective solutions. Last year I reported on how Tony Rinaudo [see his story below] was bringing back life to trees and vegetation with a pocket-knife and how Allan Savory uses cattle to restore degraded lands. 2011 Caux participant Yacoubé Sawadogo, also known as the "man who stopped the desert", has re-greened areas of Northern Burkina Faso using such methods where international institutions and scientists had failed to make a difference.

'This year, again, numerous solutions were discussed—from permaculture to water catchment with examples coming from Somalia to Sudan. But our first priority should be to stop land degradation from occurring in the first place. Avoiding damage is much easier, faster and cheaper than restoration. We urgently need to stop the misguided policies that lead to deforestation, biofuels that compete with food and carry an unfavourable footprint, and the wasteful mass-irrigation techniques for crops that are not suited for local conditions.'

ILLP chair Dr Martin Frick, who is the German ambassador to the international organizations based in Bonn, and Ian Johnson from the Club of Rome agreed that if land degradation and desertification are to be slowed down and reversed, the urgent need is to massively scale up the solutions.

Earlier at the 2013 Caux Dialogue, the human rights activist Bianca Jagger had quoted Mahatma Gandhi: 'The earth, the air, the land and the water are not an inheritance from our forefathers but a loan from our children.' 'My generation has done a bad job in keeping Gandhi's saying,' Jagger commented. 'Seventy million people are now climate refugees, displaced by natural hazards since 2009... particularly indigenous and tribal peoples, who are the best guardians of the lands they live on.'

'When my wife and I first moved to Maradi, Niger, we were overwhelmed by the environmental destruction and suffering,' said Tony Rinaudo, Natural Resources Advisor to World Vision. 'Our initial efforts met with failure, but a solution came as an answer to prayer. Our attention was drawn to desert bushes which we had ignored as useless.'

Reporting this in his column in *The Daily Telegraph*, UK, Geoffrey Lean, the paper's environment editor, wrote:

> The bushes turned out to be clusters of shoots from the buried stumps of long-felled trees, whose root systems still drew water

> and nutrients from far beneath the arid soil. The shoots could never grow much before being cut or eaten by livestock, but when Rinaudo pruned them down to a single stem and kept the animals away, they shot up into substantial trees within four years. As the trees grew, so did crops. And as local farmers began reaping good harvests, neighbours and visitors followed suit. Now, two decades later, some 200 million trees have been regenerated in this way, covering five million hectares of Maradi and the neighbouring region of Zinder, enabling the growing of enough extra grain to feed 2.5 million people. Besides increasing harvests and reducing poverty, all this helps combat climate change. The Sahel's regenerated trees can take 30 tonnes of CO2 out of the atmosphere per hectare.[38]

Take, also, the story of Yahaya Ahmed from northern Nigeria. The Sahara Desert, he says, won't ask you if you are Christian or Muslim, animist or pagan. It will encroach anyway. 'We are talking about a common enemy—the desert,' he says.

Ahmed, Chairman and CEO of DARE (Development Association for Renewable Energies) in Kaduna, has seen at first hand the tragic consequences of religious conflict in his region: churches and mosques razed to the ground; the burnt carcasses of people caught up in violence. But religious warfare is also a conflict over resources. And that is exacerbated by deforestation and desertification, he says.

The Sahel, an area stretching across north Africa that he calls 'the veranda of the desert,' is now within a few miles of Kano, the Muslim heartland of northern Nigeria. As the desert expands, people are forced to migrate south. Populations from Niger and Chad are pouring into Nigeria with the consequence that the country's 'middle belt will be choked up,' Ahmed believes.

Women inadvertently cause the southerly creep of the desert as they search for firewood for cooking. When trees are cut down, the desert sands can be blown further. If new trees are planted, they are soon stripped bare and chopped down, such is the demand for firewood.

Bulk haulage trucks bring tonnes of timber for firewood from the forests of southern Nigeria to the north. Ahmed counted 23 such trucks during a two-and-a-half-hour journey from Abuja to

Kaduna. And petroleum tankers can often be seen with timber heaped on top. He fears that this shipping of timber from south to north will, in turn, cause as much deforestation in the south as in the north of the country.

The problem is that it takes eight pounds of wood to cook one family meal on an open stove using traditional cooking methods. Women have to trek up to four miles to find the firewood they need to keep their families alive. Meanwhile they are also desperate for drinking water for their children but desertification means less water to go round. No wonder Nigerian women fear the invasion of populations from other countries in the north.

What can be done about it? Ahmed, who gained his civil engineering degree in Darmstadt, Germany, in 2002, founded DARE in 2004 with the idea of developing renewable energy resources. He was especially inspired by an all-African conference he attended in Caux in 2006. There he heard Cornelio Sommaruga, former head of the International Committee of the Red Cross, give a powerful speech urging Africans to find African answers to African problems. 'You are the ones to solve Africa's problems,' rather than relying on aid from the West, Sommaruga had said.

At that time Ahmed was working as a broadcast journalist for a radio station in Bonn but he was well aware that the encroaching desert was coming close to his native Kano State. He returned to Nigeria determined to put his engineering skills to work.

At first he and his team developed a solar cooker, the SK14, with a parabolic dish, but the women found it difficult to adapt to it. In hazy weather it didn't work well, and their menfolk complained that the food no longer tasted smoky! 'It would take a long time to get their acceptance,' commented Ahmed. 'But the desert doesn't wait.'

Then his DARE team hit on the idea of a heat-retaining cooking stove. The portable metal box, standing about three feet tall, is made from metal sheets supplied by the German industrial company ThyssenKrupp.

This small piece of low-cost technology is called the Save 80 because it requires only 20 per cent of the normal quantity of firewood needed to boil water and cook a meal. It is described as 'an initiative for climate change management'. It is combined with a separate lidded Wonderbox which keeps food hot for many hours:

rice, vegetables, maize porridge, potatoes, chicken, fish and flat-bread.

DARE's salaried staff and distributors—young men aged 17 to 27—tour the region marketing the new stoves and Wonderboxes. Some of the men, who come from Christian and Muslim backgrounds, used to be at war with each other but have now renounced violence thanks to their new employment.

So far they have sold and distributed some 26,000 Save 80 stoves and Wonderboxes to families across the region.

Ahmed had an ambitious target of selling a million stoves by 2015, if the operation could be scaled up with a business plan, financial backing and staff training. But the upsurge in the activities of the extremist group Boko Haram in Nigeria's northern states, where Ahmed and his team mostly operate, seriously hampered his movement into remote and rural areas. 'We've been forced to abandon many of the places we intended to cover because of the insurgency.' Nonetheless, they have sold the cooking stoves in over two-thirds of the 36 states of Nigeria. 'We have 35 salaried staff and about 180 trained youths who assemble the stoves and are paid based on the number of stoves they assemble,' Ahmed says. 'We also have about 20 distributors in various states who help in disseminating the stoves in their regions and are paid on a commission basis.' Moreover, sales and marketing have expanded into Malawi, Rwanda and Zambia.

The UN Framework Convention on Climate Change (UNFCCC) has registered and validated the Save 80 stove. 'We applied for the CDM (Clean Development Mechanism) registration and were approved for a 10-year term. We have even been granted CERs (Certified Emission Reduction certificates) after evaluation of the project by UNFCCC auditors,' Ahmed says. CDM registration brought a subsidy that allows DARE to sell the stoves at a reduced price of about 50 euros (15,000 Nigerian naira) each. Families can pay in instalments, using the money they have saved on buying firewood.

This allowed Ahmed and his team to expand from a pilot project in mainly two towns in the Guinea Savannah to the rest of Nigeria. In several villages, 80 per cent of inhabitants now use the Save 80. He calculates that 12,500 such stoves reduce carbon dioxide emissions by 30,000 tonnes a year.

But what really encourages him is the way the project is bringing together Christians and Muslims, in a region where there has been brutal bloodshed between the two communities. Some Muslims entered a Christian church to watch a presentation about the Save 80, and a Christian pastor was welcomed to the compound of the Muslim district head for the first time. Now a pastor and a Muslim village chief travel together to villages to promote the Save 80 and teach people how to use it. 'It is a sort of chain reaction of cooperation,' Ahmed says. 'These men, who used not to have anything to do with each other, have become very good friends. At least in one community they don't see the church or mosque as a place of the enemy.'

Instead, together they are fighting their common enemy: the desert.[39]

At Asia Plateau, the IofC centre in Panchgani, Maharashtra, Jayashree Rao and her colleagues run a village development scheme called Grampari (Grameen and Pariyavaran Rural and Ecology Centre). Its mission is 'to build the capacity of rural society through thoughtful, community-led programmes in livelihoods, empowerment, health and environment, and local governance'.

People from 30 neighbouring villages come on week-long residential courses, housed in old farm buildings, to be trained in the use of sewing machines, making products such as handbags, and how to repair solar powered lamps and the inner workings of cellphones. They also learn to grow organic crops. Before, when solar powered lamps or cellphones broke down they would be left unattended. Grampari is empowering villagers, especially women, in this self-help scheme, in a country where more than 70 per cent of the population live in its 638,000 villages (2001 census).

Grampari seeks to build capacity in three areas:

Livelihoods—providing opportunities for self-employment and entrepreneurship;

Leadership and Governance—strengthening local institutions, developing ethical leaders and empowering the voiceless;

Health and Environment—improving the quality of life through access to safe and sustainable drinking water, hygiene and sanitation and building capacity through natural resource management.

When I visited Grampari in November 2013, villagers were being shown the simple sanitation expedient of hand-washing using an ingenious piece of 'intermediate technology'—a tippy-tap rain water collector.[40]

Archana Rao tells the following touching story of Grampari's impact on one rural family:

> We were less than half way up. We'd been trekking for over two hours, in the hot sun, our legs giving way, our hearts beating faster than I've ever known. None of this was remotely assuaged by the spectacular views of the valleys of the Western Ghats. It was a spring we were hiking up to look at; a spring that had a substantial year-long supply of water, and if developed could provide the relief that the desperate villagers of Kirunde needed. The sheer vertical heights we scaled finally ended with luscious green wheat fields. Nestled in the middle of these fields were two modest huts.
>
> We still had a while to trek but the temptation of food made us stop. Collapsing on the mats that were indulgently laid out for us we slowly emerged back to life eating their delicious fresh yogurt. As I took my last greedy mouthful of yogurt a little boy peeped out of the corner. I asked him the annoying yet inevitable question. Do you go to school? He nodded. Where?, I asked, looking around with a little bewilderment. He pointed all the way down to where we began our trek.
>
> Our once-in-a-lifetime-never-to-be-repeated trek was his daily commute to school. His only problem was that after school ended he had to trek back particularly fast to ensure he had enough sunlight to do his homework.
>
> Sunlight? I asked quizzically. The residents (three families) smiled benignly and kindly at us, explaining that they had not had electricity there for over 150 years. And whilst they hadn't felt the need for it, today, now, they do.
>
> My colleague and I were so moved by this that we decided that we would donate two solar lanterns to these generous, humble, undemanding residents.

This was over a month back. I hadn't done anything about it apart from tell this story with much enthusiasm to all my friends. I even blogged about it, feeling a misplaced smugness. I hadn't got the lanterns to them, I only said I would.

One of my criteria for giving these lanterns was that I wanted someone from those three families to be trained in the maintenance and repair of the lantern, a course that we offer at Grampari. The village being so high up and so extremely inaccessible, it was hardly surprizing that they didn't make the trip down to Grampari. Who could reassure them that I would make good on my promise? These lanterns were expensive and the trip to Grampari complicated.

This story was also related to the 17 boys at the boy's residential programme we had here at Grampari. Unbeknownst to me, it resonated very deeply with one of the boys, Vinayak.

Vinayak sadly couldn't go but the course director Himanshu, Deepak, our wash programme coordinator, and four other boys from the programme resolved that if they couldn't come down for the training, they would take the training to them. And so they hiked. All the way up. But unlike me, they had the added burden of carrying two lanterns and the solar panels.

Today, thanks to the conviction, commitment and compassion of one boy and his vision to motivate others, three families are overjoyed to have been given the gift of light. Vinayak, also a trained electrician, has taken a further decision to be on hand for any issues these lanterns might have.

It's not just free solar lanterns that bring about change in people's lives; it is the compassion of thought that does. One of the reasons I firmly believe the work of Grampari is so effective is that, at its core, the most important objective of the organization is compassion. Through inner listening, personal change and following four standards—honesty, purity of heart, unselfishness and love—as part of the core of rural development we see some extraordinary acts of love. This is just one such example amongst hundreds.[41]

The cost to society of environmental indiscipline is huge. By the end of 2014, the US government was seeking a fine of $16 billion to

£18 billion from BP for the fatal Deepwater Horizon blowout in the Gulf of Mexico in 2010. The explosion killed 11 rig workers, whose bodies have never been found. The fine will be at the higher figure if US courts conclude that the company acted with gross negligence and wilful misconduct. BP has already set aside $43 billion for the cost of the clean-up of beaches, for settling lawsuits and for funerals.[42]

In India, some 25,000 people died, according to Amnesty International, as a result of a deadly gas leak from the Union Carbide plant in Bhopal, on the night of 2 December 1984. It was the world's worst industrial accident and 30 years later the site is still poisonous. Thousands of tonnes of toxic waste have seeped deep into the soil and groundwater. Efforts to clean up the site are still bogged down in a legal quagmire between the Dow Chemical Company, which bought Union Carbine in 1999, and the Madhya Pradesh state government.[43]

Yet all the evidence is that going green pays companies handsome dividends. The late Ray Anderson was described as the 'greenest chief executive in America' after he committed Interface Carpets, the company he founded in Atlanta, Georgia, to recycling. His epiphany moment was reading Paul Hawkens' book *The Ecology of Commerce* (reissued 2010), which declared that industry was destroying the planet and the only people to stop this were industrialists themselves. This, said Anderson, was 'like a spear to the chest'. He came to realize that going green—cutting out landfill waste through recycling, cutting carbon emissions from boilers by 99.7 per cent—both cut costs and increased profits. 'It's not just the right thing to do, it's the smart thing to do,' he told the Houston Advanced Research Centre. He saw his company's role as pioneering 'the next industrial revolution: one that is kinder and gentler to the earth'.[44]

In the wider struggle to tackle climate change, Geoffrey Lean, the doyen of environmental journalists, sees positive signs coming not just from the third sector or environmental campaigns such as Greenpeace or Friends of the Earth, but from the very heart of the free market system itself. 2013 saw 'greater worldwide investment in renewable energy than in fossil fuels for the fourth year in a row, as the cost of solar and wind power tumbles. The worldwide market in low carbon goods and services exceeds £3.4 trillion a year and often outperforms the rest of the global economy.'[45] According to a report published by leaders of the IMF, Bank of England, OECD, China Development Bank, the World Bank and business leaders, Lean writes, 'Tackling climate change can help, not harm, economic growth.' And, he writes, 'No country has seen the opportunity more clearly than China, now the world's biggest renewable investor. Formerly better known for rapidly building coal-fired stations, it has closed and cancelled scores of them, mainly to combat the air pollution that kills some 250,000 Chinese a year.'

It seems that Adam Smith's 'invisible hand' of the market is doing the right thing after all.

FOOTNOTES

37 According to the Terrestrial Carbon Group www.terrestrialcarbon.org

38 Geoffrey Lean, *The Daily Telegraph*, 12 July 2013

39 Updated from article by Michael Smith, *Africa Today* magazine, August/September 2012

40 www.tippytap.org

41 www.grampari.org

42 *The Times*, 23 December 2014; *The Sunday Times*, 7 September 2014

43 'Bhopal is still killing us, 30 years on' by Robin Pagnamenta, *The Times*, 2 December 2014

44 'Business hero' by Jennifer Beck, 18 March 2009, http://myhero.com/hero.asp?hero=r_anderson

45 Geoffrey Lean, *The Daily Telegraph*, 20 September 2014

8

The impact generation: furry animals of social entrepreneurship

Social enterprises are the 'furry animals in the undergrowth', scurrying around under the feet of 'dinosaur corporations', says Tony Bradley, Associate Director of the Social and Ethical Enterprise Development (SEED) Centre at Liverpool Hope University's Business School. As Bradley claims, SEED is one of only a few institutes in the world that combines an emphasis on both social enterprise and ethical business models.

He and his colleagues have been researching the considerable rise of ethical markets over the past two decades, amidst turbulent economic times. From his findings he points to the ways in which the old model of 'dino-capitalism'—where global-scale inflexible corporations rule—is changing in favour of smaller, more agile and 'ethical market-sensitive' modes of businesses.

This was the message that he brought to a one-day TIGERoad-show at his university on 19 March 2013. Two Liverpool social enterprises presented at the roadshow illustrated his point. Firstly, The Women's Organization had successfully helped thousands of women to set up independent businesses over the previous 17 years; and, secondly, the Social Audit Network, which enables social enterprises to measure their social value impact, a factor which is required under UK legislation before any public contract can be awarded. Both organizations proved that profit could be made in systems not ruled by shareholder interest but by social profitability, Bradley said.

Bradley describes himself as a 'serial entrepreneur', having run a range of businesses in TV and multi-media, training, education and Fairtrade hospitality. As a former producer/director for Sky

TV, Bradley says that he is 'committed to communication that is fun, friendly and effective'. But, more significantly his Christian faith—he is an Anglican priest—challenges him to follow the Gandhian dictum, 'Be the change you wish to see in the world', in all that he does.

His role at the SEED Centre allows him to work with a range of colleagues. He points to their agile minds and considerable expertise enabling them to unearth some of the main trends taking place in UK and global business, which are usually neglected by the mainstream media with its obsession on GDP growth and stock market movements. This work indicates, so far as he is convinced, that 'the future evolution belongs to social enterprises and ethical businesses'. 'These new companies are making a profit whilst, at the same time, tackling the disruptions caused by the four 'S's'—size (of global population growth); scale (of the middle classes in emergent economies); sources (of raw materials rapidly depleting); sinks (of natural systems increasingly stretched to cope with pollution and other externalities); and responding to the challenge of meeting the needs of a social media generation.

Bradley is one in a crowd of campaigners pointing in a similar direction, towards increasing solidarity amongst businesses in pursuit of a sustainable social economy. According to Social Enterprise UK's Fightback Britain Report 2012, 58 per cent of social enterprises reported growth in 2011. At the same time, small-scale, ethical businesses are also responding to the demands of an increasing army of ethical consumers.

Green spending in the UK in 1999 was worth £9.6bn; by 2013 it was worth £54.4bn, a growth of more than 560 per cent over the period, or 32 per cent above inflation year-on-year. Even so, such green spending is unevenly distributed. Certain hot-spots such as Brighton (where the UK's only Green Party MP won a seat in 2010), Bristol, Edinburgh, the West Country and East London show the fastest growth in ethical markets and consumption.

Moreover, the Co-operative Group and *Ethical Consumer* magazine's independently audited Ethical Consumerism Report 2011 showed that monies in ethical savings and investments had grown by 320 per cent over the past decade (from £6.4bn to £21bn); whilst green transport had increased by a staggering 56,000 per cent to £4.5bn over the same period. As Bradley comments, 'These may be small beer numbers compared with the totals in these sectors, but they are trends in the right direction, outstripping virtually all other areas of market expansion and showing no signs of an economic slow-down.'

But, he warns, 'Dinosaur capitalism' is far from extinct. 'Dino-capitalism led directly to the global financial crash and the continued recession in many parts of the world, with austerity as its handmaid, for decades to come. But, there is an "evolved-capitalism" that is showing us ways out of the mess towards a sustainable, steady-state economy, with Britain leading the way in this regard. It's an economy being forged by the small, furry animal ethical businesses, alongside the social enterprises that are replacing many of the gaps in public services, as the state retrenches across the West.'

Yet, social entrepreneurship now needs to take the next leap forward into what Bradley calls 'societal entrepreneurship'. This is already happening in many places across the world. Leading examples include the Mondragon cooperatives in the Basque region of Spain, Muhammad Yunus' Grameen micro-financing unions, pioneered in Bangladesh, the Ubuntu drive to the feeding miracle of Chinyika in Zimbabwe and throughout South Africa, Sekem in Egypt, Sarvodaya in Sri Lanka, Enova in Mexico and thousands more.

Bradley enthuses: 'In each of these regions social and ethical businesses are coalescing to create social economies that are changing the life chances and societies for thousands of people. Capitalism is the only game in town, but it's evolving, becoming smaller, greener, more ethical and collaborative. And just as the dinosaurs evolved into the birds we see all around us, so these businesses will one day fly and dino-capitalism will be gone.'

Another 'furry animal' of social entrepreneurship is FARE, Family Action in Rogerfield and Easterhouse, Glasgow, chaired by Ian Monteague. The voluntary organization operates in the deprived 'sink estates' of East Glasgow, rescuing families from extreme deprivation and a pervading drugs culture, as he told a TIGERoadshow held in Edinburgh in May 2014.

Monteague shared his experience of supporting young people in Glasgow through the community project. FARE has gained support from BBC TV's *Dragons' Den* entrepreneur Duncan Bannatyne, who grew up in the area. The reason why the project works, Monteague said, is because it is based on the values and ethos of integrity, decency and honesty. 'We all need to be in this together,' he said.

At a similar TIGERoadshow held at Sheffield Business School in 2013, the London social entrepreneur Joe Swann, who is a Sheffield Business Studies graduate, told how he had trained three young Bengali British to run their bicycle recycling enterprise in London. Coming from deprived backgrounds, one of them had been involved in drug running. The police had caught him with £10,000 in cash stuffed in his sock, and they also found £30,000 in notes in the trunk of the car he was travelling in. He had been forced to act as a mule for others and was never prosecuted. They had been 'skimming' ATM machines for cash. Now, however, 'brilliantly and appropriately', says Swann, he and two of his friends were working with the Metropolitan Police in a contract to recycle unclaimed lost and stolen bicycles in Camden and three other London boroughs. They had gained their international cycle maintenance qualifications and were making £100,000 a year reselling 1,000 renovated bicycles each year.

Social enterprises that are scaled up to have national or even global impacts are celebrated at the annual Skoll World Forum on Social Entrepreneurship, held at Said Business School, Oxford University. The forum was founded by the Canadian entrepreneur Jeff Skoll, the first President of eBay. It brings together nearly 1,000 people to Oxford each year. Then there is also the Ashoka: Innovators for the Public movement based in the USA, the largest network of social entrepreneurs in the world, with nearly 3,000 Ashoka Fellows in 70 countries. Ashoka was founded by Bill Drayton in Arlington, VA, in 1981 and has as its motto 'Everyone a changemaker'. When I met him at the Skoll World Forum in Oxford he emphasized that the number one quality for good business leadership is empathy.

Essentially, social enterprises offer an altruistic form of entrepreneurship that focus on the benefits to society rather than to shareholders. Simply put, they become a social endeavour when they transform social capital in a way that affects society positively. This is advantageous because the success of social entrepreneurship depends on many factors related to social impact that traditional corporate businesses do not prioritize. Social entrepreneurs recognize immediate social problems, but they also seek to understand the broader context of an issue across disciplines, fields and theories. Ashoka Fellows, for instance, have to prove that their model has been scaled up to have a national or global impact. Gaining a larger understanding of how an issue relates to society allows social entrepreneurs to develop innovative solutions and mobilize available resources to impact the greater global society and the greater good. Unlike traditional corporate businesses, social entrepreneurship ventures focus on maximizing gains in social satisfaction, rather than maximizing profit.

A special feature of the Caux TIGE 2014 conference was an EPIC programme for young social entrepreneurs—Entrepreneurs, Pathfinders, Innovators, Changemakers—running throughout the conference. Thirty-five creative peers between the ages of 25 to 40 took part. It was the brainchild of the Dutch social entrepreneur Marcello Palazzi of the Progressio Foundation and the Swiss-based Cornelius Pietzner, Managing Partner of Alterra Impact Finance. Participants from around the world came to be nurtured towards reaching their fullest creative potential. The days together encouraged interactions, sharing, learning and collaborating as well as questioning and networking with mentors, coaches, thought-leaders, executives and other innovators at the conference. The programme focused on young entrepreneurs' business plans, including developing the purpose of their work. A number of initiatives emerged from the conference, such as attempting to bring Triodos Bank to Portugal and establishing connections between EPIC and the UN. Leva Morica, Director Designate of the Soros Foundation in Latvia, commented afterwards: 'The EPIC group was fantastic. The various formats provided the right environment for deep and honest conversations among peers. The flow was relaxed and there was no need to prove something to somebody. Thus, it was a perfect place for personal and professional development on whatever issue each one of us had.'

At the same conference, the US impact investors Lisa and Charly Kleissner from California shared their vision as 'impact people'. They attract like-minded people who are 'trying to make the world better with their investments,' Charly Kleissner said. They described themselves as 'hundred-percenters', as they go 'all in' with impact investment, to build, step by step, a revolution in the way money is used and invested for good. They see that philanthropy is changing: 'Investors want impact as well as return on their investments.' It was like a rising tide, Lisa suggested. 'It doesn't necessarily require epiphany tsunami-like realizations to move in a new direction, but rather it comes out of constant movement towards trust, integrity, joy and partnership.' 'I've never had an "ah-ha" moment in my life,' she insisted, 'but I've always realized that my consciousness is very present in me.'

Growing up in rural Hawaii, she gained from an early age a strong sense of preserving scarce resources. Following a Hawaiian ancestor's myth of consciousness and doing good, she knew she wanted to impact the world.

Yet she has also been through a crisis in her life. In 2009 she was diagnosed with a brain tumour. 'I went into shock. My husband said to me, "Don't worry. We'll figure this out." And we did.' Despite the risk, they eventually found a doctor who carried out the operation successfully. Afterwards, she reflected on her good fortune for a year, 'believing we were going to find a path for our skills'. Returning to Silicon Valley, they brought together their peers and launched what is today Toniic, a global action-oriented community for impact investors. They have always seen their wealth as a responsibility and something they were given to steward rather than as something signalling prestige. The couple have had the fortunate chance to put capital and resources together.

Charly Kleissner stressed that integrity is to act according to one's life goals and values. 'How can we as individuals be doers of justice in the economy?' he asked. 'Our life is the expression of what we are; we therefore have a responsibility to commit ourselves to what we believe.' Or, as Lisa Kleissner put it, 'It is up to us and each individual across the globe to raise the integrity of our world; to raise it out of this current failing and unequal global economy.'

One person who is doing so is Bob Doherty, Professor of Marketing at the York Management School, University of York. Doherty was the first marketing director of Divine Chocolate, an international

Fairtrade social enterprise which partners with the cocoa-growing farmers' cooperative, Kuapa Kokoo, in Ghana. He told their story at the 2012 Caux TIGE conference.

Ghana liberalized its cocoa production in 1993, and a group of small-production cocoa farmers formed the cooperative. Kuapa Kokoo, which means Good Cocoa Farming, earned its Fairtrade certification in 1995.

With the help of partners and investors, Kuapa Kokoo launched Divine Chocolate, a UK-based company, in 1998. The cooperative was already earning a Fairtrade price, selling their cocoa to other companies when they decided to make Divine Chocolate from *Papa paa*, meaning the best of the best, of their cocoa beans. Kuapa Kokoo farmers own 45 per cent of the company and occasionally represent Divine in meetings with potential buyers in the UK. Two representatives are board directors, and a quarter of the board meetings take place in Ghana.

Being a Fairtrade company means that not only are the cocoa beans Fairtrade, but so too is the sugar used in making the chocolate. In the first 14 years of production, Divine Chocolate opened an office in the United States. It was voted the UK's Best Social Enterprise in 2007 and *The Observer* Best Ethical Business in 2008.

Doherty sees big companies such as Nestlé as his 'Goliath'. One of the many challenges associated with the Fairtrade industry is meeting demand at a respectable price. Fairtrade prices are, on average, 25 to 30 per cent higher than competitive market prices, and rely almost entirely upon an ethics-driven customer clientele. The trend of mainstream brands meeting the minimal standards of Fairtrade has split the industry; Divine, which is entirely Fairtrade, has to compete with larger companies that only use some Fairtrade cocoa, meaning that a bar of milk chocolate may only use 25 per cent Fairtrade products, and thus can be produced much more competitively.

Doherty's first visit to a remote farm in Ghana had had a profound effect on him, showing him how he could make a difference in the world, as he told a forum at the IofC centre in London in May 2011.

Divine Chocolate, he said, works in partnership with London-based Twin Trading. Its unique ownership structure allows the farmers to be involved in decision-making and marketing. 'The farmers can see themselves in the product and they are proud of it.' It was a 'bean to bar' story.

Profits are invested in development projects including community infrastructure, healthcare, and clean water. There were other benefits too: Ghana's population is composed mainly of small farm holders living in village communities; young people try to escape their fate of becoming cocoa farmers by migrating to cities. The development of the cocoa market in a fairer way encourages them to stay.

Doherty had also worked with Liberation Nuts, which is 42 per cent owned by nut producing cooperatives on three continents. This wide network of partners gives the enterprise a strong position on the supply chain, he said. It also allows the people involved to exchange information about pricing and product quality. And their partnership with Twin Trading encourages them to work further on quality. This had two consequences: first, the whole sector is changed, including the behaviour of consumers, raising the level of quality that they expect; secondly, the added value generated by the brand itself goes to the farmers as share owners in the enterprise.

Doherty emphasized the need for 'getting the investors right'. Food retail was concentrated in a few mainstream supermarkets, which already had market leaders in the products that Divine and Liberation were offering. It was hard for Fairtrade companies to get bank loans due to the highly competitive nature of these markets. Fairtrade social enterprises therefore needed to develop quality brands that appealed to consumers. It was important to work with investors who shared the mission of trade justice, such as Comic Relief and Twin Trading, which are ready to back this process.

While social enterprises had to be commercially sustainable, Doherty highlighted the importance of consumer activists and campaign organizations such as Christian Aid in promoting fair trade.

Another African initiative which has been scaled up to have a national impact comes from Duncan Nduhiu of the Nyala Milk collection scheme in Kenya, known to many as *Maziwa Mingi* (Much Milk). In 2000 he was troubled by the lack of milk marketing facilities for the many small farmers in his area. He met with friends to discuss the matter. The first meeting ended in disagreement. He met again with 10 close friends and they each decided to find 10 more, each person selling a goat to raise funds to found what became the Nyala Milk collection scheme. They started with 240 members, and have grown to over 30,000 members—the largest milk collection scheme in Kenya. It provides a secure income for farmers with as little as one cow. The regular income has transformed the economy of the area: young men can get a loan to buy a bicycle to collect the milk from the farms, and there are improved facilities in the villages. Buyers come to the area for produce, because they see what the local farmers have to offer. Local employment has thus been created for many young people who would otherwise migrate to the towns.[46]

While Divine Chocolate aims to pay the cocoa-growing farmers of Ghana a fair wage, the Swiss haute jewellery maker Guya Merkle aims to ensure that gold miners in Uganda and Peru also receive a fair wage for their labours.

Merkle is the CEO and owner of Vieri Haute Jewellery founded by her grandfather in Zurich. She belongs to a generation of businesswomen who want to achieve economic success based on ethical principles. She is one of what *Forbes* magazine calls the 'impact generation', which is 'one of the most significant developments in business today'.[47] 'According to a study by Deloitte of 5,000 millennials in 18 countries, respondents ranked "to improve society" as the primary purpose of business. This shift in beliefs is compelling businesses to consider not only profitability but also social impact.' Such business 'will often out-compete its competitors thanks to a new generation of consumers, employees, and investors.' Moreover, according to a Nielsen study (27 March 2012), 'two-thirds of consumers prefer brands that give back to society,' Forbes reports. 'Consumers not only want brands that do good, they also care about the conditions under which the products are made.'

Every new jewellery collection produced under Merkle's leadership has used ethically sourced gold. 'A jewel's true beauty is indicated not by aesthetic standards alone, but also by its ethical quality,' states Vieri's website.

As demand for gold rises dramatically, in line with higher prices, more and more people are also attracted into the labour-intensive, small-scale mining industry. Yet the miners work under conditions that are frequently hazardous or potentially lethal, often in countries that are politically and economically unstable. The miners are exposed to dangerous levels of the highly toxic mercury and cyanide used in gold extraction, but despite major efforts to reduce pollution, very little has been done to protect people and the environment. The damage to health caused by exposure is severe, but few miners are aware of the risks. Merkle aims to address this, as she told Caux TIGE in July 2014.

Her father had died in 2007 when she was 21. She was studying communication and management at that time and was working in a social business supporting grassroots projects all over the world. As her parents' only child, she suddenly found herself having to lead the family jewellery business. 'Although I had been surrounded by jewellery my whole life, I felt unhappy running the business,' she said. At first she tried to continue the business as usual, as her father had run it, but 'as no part of me really loved what I was doing, there was no success anymore.'

She thought about the possibilities she faced: selling the company or finding out what she really wanted to do with the business and how she could bring her true self into it. Appreciating her family's life work, she chose the second option. Wanting to learn more about jewellery, and to create her own pieces, she went to the GIA (Gemmological Institute of America) in London to gain deeper insights into how jewellery is made and the whole history of jewellery, including where the materials came from. 'I saw pictures of gold mines in South America and Africa and there was something about them that really touched me.'

Researching further, she found out that gold mining is 'a very hard and unfair business'. Not only is the environment badly affected by it, but also the people working in it. Currently, some 25 million people worldwide work in gold mining, especially in small scale mining. 'People working in the field did very unrespected work, under the worst conditions you can imagine. When I first heard of this I was shocked. It was clear to me that I was never going to work in an industry like that. But somehow I couldn't close my eyes to it. I decided to see for myself what the situation really looked like.'

She travelled to Peru where she found the working conditions were even harder than she thought. But spending time there, talking to the miners, the communities, the women and children, made clear to her that there was a chance to transform things.

'People there had so many ideas and, suddenly, in the middle of Peru, I found the part of myself which I wanted to give to the company. I wanted to create true luxury and a true luxury business because, for me, luxury can't be real luxury if it doesn't bring the best value to everybody who is in touch with it. So, what did I do? I transformed the company into one which produces every single piece out of ethically sourced gold.'

This was easier said than done. She faced challenges every day. The market was not ready for it. There was no big demand from the consumer side because customers didn't really know, or care, about the conditions of the gold miners.

Merkle thought more about the possibilities for changing the industry. 'It became even clearer to me that just transforming my company into an ethical one is not enough to change the way mining is done today.'

So she decided to create a foundation with the aim of bringing awareness to customers and the jewellery and watch industry, to give miners a voice, a face and the appreciation they deserved, and to picture a positive vision of the gold mining industry, to empower people at its source, and to bring change.

The Earthbeat Foundation was founded in 2012 'and since then we are working hard, every day, to achieve these goals, especially the goals which are not just linked to the gold industry, but the goals which should be achieved for every single activity in the economy. It is about humanity. It is about fairness. It is about empowering people and giving them the chance to express themselves. It is about human beings and that all of us should have the same rights and chances to rise and develop.'

The work of the Earthbeat Foundation goes hand in hand with the work of Vieri by working with mining communities at a partnership level rather than exploiting them. Merkle says it is all about finding solutions together—'how we can achieve the right direction and what needs to be done to uplift their standards of living. But it is also about the other side, about why companies in the industry do not work exclusively with ethically sourced gold.'

Designing jewellery out of ethically sourced gold is still expensive. 'We all know that profit, and maximizing profit, is the biggest driver and decision-maker in businesses, although I do not share this idea,' Merkle says. 'But it's the reality and this topic is always a matter for jewellery and watch brands. So we try to take this into consideration and, working on business models, aim to avoid extra costs but at the same time making sure that the mining communities are able to sell their gold at fair prices. If one is to bring a change—and I mean a real change—we need a solution that will work for both sides. So, companies need to make small compromises, not big ones, towards humanity and fairness.'

Merkle and her colleagues at Earthbeat developed an initiative called Heartbeat Uganda. The aim is to empower communities towards responsible gold mining, to capacity building and appropriate technology transfer. They ran a pilot project under this initiative called Happy Mine. The aim is to set up a social business including safe mining, agriculture and craftsmanship, by setting up a workshop where women and children in the communities will learn how to add value to their gold by designing and creating jewellery. 'This model should work as an example of how gold mining could work in the future,' Merkle believes. 'It should show how mining can become safer, more environmentally friendly and more efficient. In the end, when the mine becomes a social business and through that a partnership to the jewellery industry directly, the miners will earn much more when they sell their gold, instead of selling it to a lot of middlemen. This should show how they can sustain themselves, how education can be included, and how they can achieve an alternative income to that through debt.'

Merkle hopes it could become a real social business, where the mining communities will be in partnership at the same level as the 'gold demanding' industry. 'For me, this is the only way that my company can work in an industry like this. I make no compromises about how I see my company and foundation work, even though it is not an easy way and we have miles to go. Times are changing. We can see that every day in the news and social media, and in stories we hear. I believe in what I am doing and in how I am doing it. This is my drive every day. It's about creating beauty. It's about creating true luxury that brings wellbeing to everybody that is in touch with it.'[48]

While a fair price for gold miners can change their lives, Sophia Swire believes that jewellery can also help to transform the economy of Afghanistan. If this sounds far-fetched, her conviction is based on a realistic assessment of Afghanistan's artisan skills supported by vast deposits of gemstones including world-class emeralds, lapis lazuli, rubies, spinels, tourmalines and aquamarines among other stones. Swire, a former investment banker in the City of London, became the senior gemstones adviser to the Afghan Ministry of Mines, funded by the World Bank.

The country is home to the world's oldest lapis lazuli mines, dating back 7,000 years. According to a US report in 2010, Afghanistan's untapped mineral deposits, including gold, copper and lithium, could be worth a trillion dollars or more. 'Afghanistan is sitting on treasure,' Swire told *The Sunday Times* of London.[49] 'I want the world to know that it's not just a land of mortar shells, suicide bombers and Taliban.' She believes that the gemstone industry 'could become a viable alternative to poppy farming, transforming the economy.' Given sufficient development assistance—she suggests $10 million over five years—the industry could be worth $300 million a year.

The need for such investment couldn't be more pressing. The United States has spent $7.6 billion on counter-narcotics programmes in Afghanistan since 2001, says the office of the Special Inspector General for Afghanistan Reconstruction. Britain has invested in similar eradication programmes. Yet by October 2014, opium poppy cultivation had hit an all-time high of 209,000 hectares, worth an estimated $3 billion.[50]

Swire, who took part in a forum on human security issues in Caux in 2012, is the founder and CEO of the not-for-profit Future Brilliance and its social enterprise, Aayenda Jewellery, *aayenda* meaning 'future' in Dari. Its designs are co-created by Afghan women and leading Western jewellery designers and use Afghan-sourced gemstones. A royalty from sales of Aayenda and a profit share through dividends held in trust for the Afghans through Future Brilliance continues to provide skills training and equipment to the artisans.

Swire believes that it is essential to train Afghan artisans in technical and entrepreneurial skills that give them a sustainable way to earn incomes, as Western governments pull their troops out of the country and aid budgets plummet. Women jewellery-makers are able to work from home, a great advantage should the Taliban ever return to power following the pull-out of UN forces.

Yet 'mining techniques in Afghanistan haven't changed in thousands of years and the men work in appalling conditions,' Swire told *The Sunday Times*. 'They burrow into the rock and support shafts with branches and twigs.' They mine with rudimentary crowbars, as she has seen for herself. Substantial investment in the gemstone mining industry is vital as well as in the development of artisan design skills.

In 2013, on winning a grant from the US Department of Defense, Swire took three dozen men and women from Kabul and other places in Afghanistan for skills enhancement and business training at the Indian Institute of Gems and Jewellery in Jaipur, India. Jaipur has been a world centre of the gem and jewellery industry for hundreds of years, including gemstone dealers, stone cutters, polishers and jewellery makers. There they learned about design from award-winning Western jewellers such as the US designers Annie Fensterstock and Anna Ruth Henriques and the British designer Paul Spurgeon. Together they designed products that appeal to the taste of young Western customers in London, New York and California, and the first collection was snapped up by top boutiques and style leaders such as Fred Segal LA, among 25 fashion retail outlets. All 36 students were trained to be teachers and, back in Afghanistan, are passing on their learning with the ongoing support of an international trainer supplied by Future Brilliance. Some of the workshops in India will be offered for ongoing apprenticeships.

Swire chose Jaipur for the training as it is a safe place to operate for international trainers and designers. She is all too well aware of the dangers of life in Afghanistan. She was 'profoundly shocked and saddened' by the murder of her friend Dr Karen Woo, a British doctor whom she had encouraged to serve in Afghanistan, and her American colleagues who were killed by Taliban gunmen while on a medical mission to a remote region in 2010.

People often tell Swire that they are struck by her courage, working as she does in remote parts of Afghanistan, often in the heart of the gemstone-mining areas, many days' drive from safety.

'I am so inspired by the [Afghani] women in the project because they've taken a much bigger risk than I will ever take in coming to Jaipur,' Swire told *The Mail on Sunday*, UK.[51] For them it is a huge step and I am so proud of them.' Swire 'wants to close the gap between those who have benefitted from [Afghanistan's] wealth (mainly foreign dealers) and those who haven't (the Afghan people).'

She hopes that such investment in people—in 'human capital' in the jargon of business—will have an impact on the Afghan economy, though the challenge is to scale it up sufficiently to have a national impact. Some of the Jaipur graduates go on to earn up to $300 (£199) a month as gemstone cutters and goldsmiths—more than six times the average Afghanistan wage.

Khala Zada, a 50-year-old widow from rural Afghanistan, learnt to make and, most importantly, teach others in the design of stunning bracelets and necklaces, using super-fine, hand-carved lapis and turquoise beads, on the Future Brilliance training programme in Jaipur. Commissions for Aayenda Jewellery doubled her sales turnover in the first six months following her return to her village. She can now expand her business and employ more women. 'So in terms of maximum return on capital employed, taking just this one woman and investing in her is potentially huge as far as the economy of her local village is concerned,' Swire told *You* magazine.

I first met Sophia Swire at an event at the Royal Geographical Society in London in 1998. It was an appropriate place to meet a natural-born traveller and adventurer. The event was the launch of her documentary film about the life of Muhammad Ali Jinnah, the founding father of Pakistan, commissioned by Channel 4 TV. It was in aid of the UK educational charity Learning for Life which Swire and her friend Charlotte Bannister-Parker had founded to support village schools for girls in rural Pakistan, a traditionally patriarchal society that actively disapproved of girls' education.

Swire had been a high-flying merchant banker with Kleinwort Benson in the City of London. But the cut-throat atmosphere on the trading floor after Black Monday, the financial crash of 1987, so appalled her that she resigned. She took herself on a three-week holiday to Pakistan's North-West Frontier Province (now renamed Khyber Pakhtunkhwa or KPK). Arriving in Chitral, a magical snow-bound valley in the foothills of the Hindu Kush Mountains bordering on Afghanistan, she felt she had found her spiritual home.

A local Pakistani district commissioner approached her, apparently out of the blue, on her 25th birthday and asked her to return with British friends to help found an English medium school. This, she told me, was her *kismet*, her destiny.

Swire responded by recruiting friends and family, and returned a few months later with 250 kilos of school books and equipment, funded by her last City bonus. The experience of seeing first-hand how a single school could uplift the outlook for an entire community led her to understand the transforming power of education. And so Learning for Life was born. The charity helped to establish over 250 schools in Pakistan, India and Afghanistan and, in 2010, Swire was honoured with the Pakistan Achievement Award for empowering the women and girls of Pakistan through education.

Returning to London, she became known internationally in the fashion world as the 'Pashmina Queen', as she initiated a global craze for pashmina shawls, made from the finest goats' fur. Her 'Sophia Swire London' fashion cashmere line sold successfully in stores such as Harrods and 250 outlets worldwide for 15 years. The British Council wrote of her: 'With corporate social responsibility and sustainability at the heart of all her work, (Sophia) launched and managed an innovative and profitable, ethical luxury fashion brand, working with artisans in Nepal and India and spearheading the launch of the global fashion for pashmina shawls in the 1990s.' This led to a significant increase in Nepal's GDP.

In 2008, at the London film premiere of *The Kite Runner*, whose producers she had introduced to Kabul orphanages, she met Rory Stewart, the former diplomat and now the Tory MP for Penrith and the Borders. He insisted she put her fashion business on hold to go to Kabul and establish Afghanistan's first jewellery school at his charity, Turquoise Mountain, which was developing artisan skills and renovating the ancient heart of Kabul. There she established the school in six months, and used her experience in fashion to launch Afghanistan's first jewellery brand during London Fashion Week.

Swire lived in Kabul full time from January 2008 to June

2011—her first year in the Fort of the Scorpions, a building where alarmingly scorpions would fall onto her bed in the night; the second year in a USAID compound; and the third year in her own place with an Afghan family. She continues to travel to Afghanistan about three times a year, and has signed a contract with the World Bank to continue advising the Afghan Ministry of Mines for six months through 2015 and 2016.

Her journey in life has not been without personal cost. She feels she has missed out on motherhood, but she puts her maternal instinct into serving her younger protégés. One of them is Roya Hayat, a half-Afghan, half-Chitral woman born in Kabul and educated in the first school sponsored by Sophia and her mother through Learning for Life. Roya went on to earn her Masters in Gender and Development at the London School of Economics and is now Gender Manager for Future Brilliance.

Sophia has often told me that she has a profound sense of calling to tackle extreme poverty and instability in South Asia. She has the satisfaction of knowing that her original decision, all those years ago, to turn her back on the pursuit of wealth in the City of London, and to follow her heart, her *kismet*, has transformed the lives of countless numbers of people in the region through education and skills training. She continues to do so through her charity, Future Brilliance, and its ground-breaking jewellery brand, Aayenda.[52]

Roddy Edwards, founding co-partner at Walkerswood Caribbean Foods in Jamaica, told his social enterprise story to the Heart of Effective Leadership work stream during Caux TIGE 2013:

> I was in my mid-twenties when a group of us played a part in starting Walkerswood Caribbean Foods, making and selling jerk pork to the bars near our village home in Walkerswood, Jamaica. The challenges were different to those faced by the 5.5 million European under-25s now out of work but our experiences give me hope for this generation. Jamaica's unemployment rate in the 1970s touched on 26 per cent.
>
> In this case study, I would like to draw out lessons on: Conscience-based decision making; moral standards which challenged my expediency; the historical context and timing.

Firstly, I will share the experiences that led up to the creation of Walkerswood Caribbean Foods, as a necessary background. My family had made money through the exploitation of less privileged Jamaicans, enabling my brother and me to attend an expensive private school in England. I use the word exploit deliberately because of the unequal way the wealth created on our estates was distributed. I would like to balance this, though, by noting my grandmother's abiding care for the practical needs of other villagers and my mother's part in helping set up the first Caribbean farming co-operative at Lucky Hill near Walkerswood. Each age makes decisions in a different context.

While at school, I was shocked when my car-racing brother became involved in a movement for spiritual and moral re-armament globally. He shared with me the basic idea that if you wanted to change the world the best place to start is with yourself; and that standards of absolute honesty, purity, unselfishness and love were good guides to see where I had gone wrong and what to aim for.

I could not dislodge this idea from my mind and ended up reflecting on where I needed to change. To this day I remember repaying money to a teacher for things I had stolen to help create a place far from the school buildings where I and my friends could drink and relax with relative impunity. Many more changes lay ahead!

A second idea of taking a daily quiet time to listen to that 'still small voice' within, which can guide us on what to do, has also stuck with me ever since. It was in such moments of quiet reflection, as well as discussion with fellow villagers, that the dream grew to aim that every single inhabitant of Walkerswood, who wanted work, would be able to find it.

So, as well as 1) the political decision by the Walkerswood Community Council to work for job creation, 2) the government policy to support rural enterprise, and 3) the obvious social needs, there were 4) decisions based on conscience behind the village's move into agro-processing.

Helped by a government food technologist, two of us from the village started spicing meat in the traditional Jamaican way, to be sold to local bars. We used space free of charge in a local meat processing plant before renting outbuildings on my family's farm. We aimed to work co-operatively and did not incorporate the business till two or three years later in 1978. Early on we bought two other small businesses, one making sweets and the other grape-nuts for ice cream. We even made soap when there was a national shortage.

However, we became uncomfortable that selling our main produce, the highly seasoned and salty Jerk pork, to the bars was encouraging more expenditure on alcohol and less on household basics. We eventually shifted to producing the seasoning in jars to make it available for home cooking and became the first company to export it.

I would like to draw out two lessons here:

- Get started if you have an idea you really believe in—especially if there are one or two others who share your conviction. Don't stop because of fear. Ways of implementing the idea will open up.

- Moral dilemmas, like selling mostly to the bars and other practical difficulties, can help focus on improving products and practice if faced honestly.

There were about 20 of us in the company when we started exporting in 1986. We had started producing a range of authentic Caribbean speciality foods including Guava Jelly. We saw there was a demand and increased our range, aiming to satisfy our customers through high quality, striking presentation and reasonable price. We grew steadily, getting into many major chains such as Publix (USA) and Tesco (UK) by the earlier 2000s. The authoritative Mintel Report said: 'Smaller, niche brands are gaining distribution in major grocery multiples, such as... Walkerswood and Encona... driven by consumers' increased demand for more authentic products and flavoursome brands.'

We grew to employ 140 directly with a turnover of US$6m. In these years of growth, our earlier ideas of a more co-operative structure with equal votes for all did not seem practical. We found that some wanted to take responsibility for the whole business, whereas others aimed to do their job well but did not want to be part of management meetings that charted the direction of the company. We ended up with a holding company of 12 partners (50:50 men and women). At the beginning they were all working with the company, but then they were joined by one major investor when an original partner left.

Those who worked in the production company had the option to buy shares, but few took this up. Most wanted, though, to be part of the all-employee meetings, held several times a year, where there were reports from all departments and discussion on practical problems. These proved more popular than departmental meetings which, apart from the marketing team, were harder to sustain. This was a significant failure as we missed out on getting as much regular feedback on how to produce better as we could have done.

Lesson learnt: Each country and each company is at a different stage of development facing differing degrees of global competition. Studying best-practice elsewhere is crucial, but each initiative needs the courage to choose what it believes is right for itself as this evolves.

As well as the growth of the company itself, many more were finding employment producing raw materials. Just two men in the village employed 50 people, albeit many on a part time basis. The factory used 2 million lbs of pepper and 1.5 million lbs of escellion in a year.

A 2005 World Bank report commented: 'Walkerswood's recipe for success came from their effort to differentiate their product through the use of local materials and brand development, and to build on collective self-reliance at the community level. The company capitalized on the demand for authentic ethnic foods in overseas markets by providing value-added food products of higher quality than their competitors, many of whom source cheaper ingredients and/or labor externally. Their success has had an economic multiplier effect throughout its community. The company has averaged annual export growth of 26 per cent since 1999 by capturing shares in the ethnic foods market and gradually expanding into the broader crossover markets.'

Through it all, we kept an eye on salary levels, including employees in North America and Europe. Our top to bottom salary ratio was 11:1 and top to average was 4:1.

Looking back at this period three achievements seem important and have the chance to endure.

1. Growing raw materials for the factory got a lot of people, including the young, back into farming. This is significant because centuries of having to work in the cane fields meant that agriculture was not considered an attractive option.

2. Several employees decided to get married. I suspect that security of employment was a factor as well as Christian conviction. The norm in Jamaica has been to have several partners and many children, many of whom will have missed the advantages of a stable family life.

3. A spirit of entrepreneurship grew in some hearts. It was a daily experience that rural Jamaica could compete with the world. Shop floor as well as marketing staff worked at our trade fair stands. Today, former employees supply the factory on their own account. Others have taken over parts of the business like the two restaurants. Others have set up businesses from trucking to aggregates.

Finally, I would like to talk of the move in 2005 into our new factory which was built to meet international quality control standards as well as demand. It was also a move from renting space from my family to a site owned by the company. It was a moment of deep pride for the workforce in general.

There was, naturally, much detailed planning, but it is worth noting that the 3,700 sq metre building was structured to channel rain water and waste water, through a reed bed purification area, and onto a pond before being made available to surrounding farms. (We need serious thought about water usage. In 2012 the UK bought, drank and threw away nine billion plastic water bottles. It takes about four litres of water to produce a one-litre plastic bottle of water: 36 billion litres wasted.)

Some of the offices, mine included, were cooled by breeze and fan, and not by air-conditioning.

As much as there was great joy at moving into these purpose-built facilities, the next years became as difficult as any of the previous 30, if not more so. There were very real problems with hurricanes, fluctuations of exchange-rates and management of debt, but I would like to focus on three other problems which were very much in our hands.

1. The rapid growth needed new managers. Divisions emerged which we could not adequately bridge. All the factors of race, gender, class, personal ambition and jealousy played their parts. This cost us dearly, but the lessons learnt became part of all our experience data banks, and I am glad we didn't choose to remain in a previous 'comfort zone'. *Lessons learned*: Spare no effort in building teamwork on the basis of conscience-led decision-making, but accept that divisions that have built up over centuries will often elude one's best efforts. This doesn't mean giving up but accepting that the timetable for reconciliation is not in our hands. Some enduring friendships across the divides will be built and remain a yeast in society, and a challenge for future generations.

2. Moral compromise. A dilemma appeared when an export pass was mistakenly granted for a bigger tin of ackee fruit than the size we had sent in for testing. We were told that the mistake could not be officially corrected, but the order urgently needed to be sent off. We wrote out export documentation stating it was the bigger cans leaving the country. This was not absolutely honest even though the cans leaving had passed the test. I was part of this decision and it wasn't honest. I came to realize that this practice continued to be used if we had urgent orders, and always felt that my compromise in condoning this played a part in contributing to lower standards in the company. The practice was later stopped, but damage had been done. *Lesson learned*: Moral standards are key helps when we are faced with moral dilemmas, especially if there are other friends with whom one can share the challenges and help one make a mature decision.

3. Drugs and corruption. We discovered drugs were to be shipped on one of our containers. We were never able to conclusively track down all who were involved, but it undermined morale and there were further thefts even though they were not drug-related. *Lesson learned*: Corruption operates at every level—there is dishonesty at managerial level as well as shop floor level. Change is needed in our national as well as our company cultures. The changes have to do with choices on fairness as well as stopping theft.

The divisions and corruption combined with high debt on the factory, exchange-rate fluctuations and hurricanes affecting

> crops drastically hit our bottom line and we had to sell the company in 2009. Thanks to the strong brand name, two well-resourced groups bid to buy it. The new owners created strong profits and 80 were employed when I last heard. Walkerswood remains a village with lots of jobs!
>
> My belief remains as strong as ever that ordinary people can change, for the better, the way wealth is created, saved and distributed. More of us need to take the plunge and get involved wherever we are.

Individuals such as Tony Bradley, Bob Doherty, Marcello Palazzi, Ian Monteague, Joe Swann, Lisa and Charly Kleissner, Duncan Nduhiu, Guya Merkle, Sophia Swire, Roddy Edwards, Bill Drayton, Jeff Skoll and countless others are creating a whole new paradigm for doing business in the world based on their social commitment. They are committed to economic and social justice.

FOOTNOTES

46 Farmers' Dialogue newsletter, www.farmersdialogue.org/people-stories

47 *Forbes* Magazine, 26 June 2014

48 www.vieri.com; www.earthbeatfoundation.org

49 *The Sunday Times*, 11 July 2010

50 *The Guardian*, 21 October 2014

51 *You* magazine, supplement of *The Mail on Sunday*, 15 September 2013

52 www.futurebrilliance.net; www.aayendajewelry.com

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Thinking heads: the wise owls of academia

Inside the splendid Beau-Rivage Palace Hotel on the lakeside in Lausanne, Switzerland, Paul Polman, the chief executive of Unilever, is addressing the nearly 150 graduate students of Business School Lausanne at their graduation ceremony on 20 September 2014. They come from all over the world, representing 43 countries. Polman is awarded an honorary doctorate by the university 'in recognition of his exceptional contribution to putting sustainability at the core of the corporate world'. He in turn commends the boutique university for being 'ahead of the pack' in its commitment to global sustainability issues under the leadership of the Dean, Dr Katrin Muff.

Polman is renowned for rejecting demands from institutional investors for quarterly reports of Unilever's results. Quarterly reporting is simply not a sufficient measure of a company's underlying strength and too easily encourages short-term thinking.

He reminds the graduates of their privileged responsibilities. In China, he says, only five per cent of the population graduates. 'Put yourself at the service of others,' he urges them. 'You have enormous liberty and enormous responsibility. How do you get traction on sustainable living from consumers?' asks the CEO whose products are sold to consumers in 90 countries. This is his challenge. Businesses are changing, he asserts. 'They are coming together to tackle the global issues. We are still living in a world we should not accept. Eight hundred million people go to bed hungry, not knowing if they will wake up in the morning. We need to lift billions of people out of poverty.' He quotes the Oxfam statistic that the world's 85 richest people have the same wealth as the world's poorest 3.5 billion people.

Polman makes reference to Unilever's Sustainable Living Plan. With an increasing world population 'we can double our business in 90 countries,' he says, with an eye to sustaining profitability. But he is also aware that corporations such as his have a responsibility towards the planet's sustainability; towards climate change and the environment. 'Half the world's deforestation is caused by the need for food,' he says.

The leader of one of the world's mightiest corporations has a simple definition of what constitutes a leader: 'A leader is anyone who has the ability to influence others.' The urgent need is for people working together 'in a high level of engagement, humanity and humility' in order to create 'a fairer, more equitable, more sustainable world.' It is all a far cry from the profit motive and shareholder value typical of many corporations, though the implication is that these are also well served by doing the right thing, by putting people first.

In this Polman is not the only Dutchman to have led a multinational corporation with such ideals. The late Frits Philips, the former Chairman and CEO of the Philips Electronic multinational, based in Eindhoven, who was a regular participant in the Caux conferences, always maintained that 'Profit is important; people are more important.'

The theme of the graduation ceremony is 'Switzerland as a global sustainability hub,' a notion that is supported overwhelming from the floor by a mass showing of green cards in favour, rather than red cards against. For her part, Katrin Muff, the Dean, urges the graduates:

Be a positive force: focus on how to make a significant difference —be part of the solution rather than focusing on the problem;

have the courage to lead: inspire others to do their best as well— don't hide in the shade;

be an entrepreneur—remember what we say at BSL: entrepre-preneurship is above all an attitude—everybody can be an entrepreneur at any level of any organization;

make responsible choices: respect the planet, your partners and yourself and rather than pointing fingers at others' mistakes, ask yourself, 'What can I do now?';

be a professional: keep your agreements, be on time and be prepared;

and keep on learning: you don't need to have all the answers; keep on welcoming change, be open to new things, remain curious and encourage others and yourself to keep asking the real questions.

Dare to make a tough choice, and be prepared to stop, reflect and correct if you find out that a decision has not led you in the right direction. You don't need to get it right every single time. But choose, take a stand, voice your opinion and trust your gut feeling. We need leaders who dare to be different, who dare to questions the status quo and who get the big picture of how to make this world a better place. Be part of the change that we need now, in these shaky and uncertain times. We know that YOU CAN!

Katrin Muff has taken part in the Caux TIGE conferences since 2013 and describes Caux as 'an exquisite space of transformational beauty, power and depth at all levels brought together at a human scale—simply breath-taking!' She is part of a growing movement of business schools worldwide that are mandated to teach business ethics. This is a fallout of the financial crash of 2008. MBA courses are waking up to their responsibility to teach ethical business leadership. Some universities, says Muff, are scrambling to catch up.

Yet, perhaps surprisingly, this is not new. 'Business schools have a rich treasure of wisdom, idealism and vision that they can draw on to move away from the *homo economicus* model,' writes the American economist Herbert Gintis, External Professor at the Santa Fe Institute, New Mexico. 'It is an inheritance that can be traced to the mission of the university as social institution charged with advancing the public good.'[53]

'Nowadays,' Gintis continues, 'the notion that those who lead and manage our society's major private economic institutions might provide, or be responsible for providing, a public good is quite foreign to our way of thinking about management. Yet this idea was often voiced by those who led American business schools in the early days of their existence.' Gintis quotes a speech given in 1925 by Wallace B Donham, the second Dean of Harvard Business School, entitled 'The social significance of business'. In it, Donham declared that the 'development, strengthening and multiplication of socially minded business men is the central problem of business.' Even then, 90 years ago, Donham called for 'the multiplication of men who will handle their current business problems in socially constructive ways.'

This is a point that seems to have been lost in translation by the now discredited Friedmanite school of economics which insisted that the sole purpose of business is to make a profit for the owners/shareholders.

Gintis comments: 'The founders of business schools never dreamt that the sole purpose of the corporation was to serve only one master, the shareholder. Nor could they have ever imagined that students would be trained in a world view that conceived of managers as self-interested with no consideration of any other values or imperatives but their own wallets.' He concludes: 'Business schools need to recover professional ethics. To this end, business schools have an institutional responsibility to present students with a model of behaviour that inspires them to respect other institutions in society, especially basic units such as the family and community, and to inspire students to accept the responsibilities and obligations that come with occupying society's most powerful positions.'

Nowadays the worldview of business responsibility also has to adapt to the challenges of climate change, environmental preservation, warring states and the wellbeing of the planet in which businesses and big corporations operate. Boardrooms have to address the common good of all stakeholders in society.

Such issues are on the agenda of the 50+20 initiative of leading business schools, of which Muff is a moving spirit. It was launched 50 years after the agenda for management education had been reset in the 1950s and in time for the Rio+20 Earth Summit in 2012. 50+20 is described, on its website, as 'a collaborative initiative that seeks to learn of new ways and opportunities for management education to transform and reinvent itself. We are asking critical questions about the state of the world, the emerging societal issues, the dominant economic logic, the purpose of business, the crucial role of leadership, and the challenges facing management education.'

Muff spelt out more about the 50+20 initiative when she addressed the Caux TIGE conference in 2013:

> We presented it in Rio for the Rio+20 conference. We said isn't it high time that we as business educators looked at how we would go about developing different kinds of leaders the world needs for the future. We worked for two years in a collaborative process involving about 300 people from around the world to come up with a radically new vision for management education.
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> When we presented our vision in Rio a year ago we had some hopes of what this change would create and initiate. But the reality has far exceeded our wildest aspirations. In the meantime the two biggest governing bodies in academia, EFMD and AACSB, have adopted, if you want, a new 'law' forcing the top 1,500 business schools in the US and in Europe—and that touches everybody—to include responsibility and sustainability, not only in their teaching and learning, but also in their research and the way they operate as institutions, effective immediately. We never thought this could happen.
>
> So change is happening. What have we actually proposed? When we said we need to change the way business educators worked, we started off by saying, well, what kind of a world do we need? What is our challenge? For that we looked at what is actually happening from a social, environmental and economic perspective. What kind of a world do we live in and what would we like to have? We realized that we wanted to contribute to a society where all nine billion people can live well and within the limits of the planet by 2050.
>
> Then we asked ourselves, what does that mean for business? Very quickly we realized that business needs to shift dramatically from serving a limited amount of shareholders with short term profit maximization to fundamentally rethinking what they are doing to contribute to society and to serve the common good. That's a huge paradigm shift. As a result we said, well, what do we need? There is change at the individual level, there is a change at the institutional level and there is change for all of us at the global level. We need different kinds of leaders to enable business to embrace this paradigm shift, this transformation.

> The challenge for business leaders is twofold. If you are a current business leader, not only do you have to transform your business from an existing paradigm that is very strong, and very difficult to challenge, towards contributing to society, but you also need to work on your personal transformation. You yourself are challenged to change. This is different from the new leaders we are educating in school. Of course we've got the personal development challenge there as well. But they don't have these two parallel challenges. So for a business leader in an existing business organization we're really asking a lot. I think we need to accompany such leaders quite differently to how we have in the past.
>
> 50+20 is a shared, open platform that belongs to anybody; it's not branded. We said that rather than competing to be the best *in* the world, which is what business schools have done so far, we need to work together in order to be the best *for* the world. So we've shifted from competition to collaboration.

All this adds to and reflects the Aspen Institute's Business and Society Programme, founded in 1998 by Judith Samuelson. This began to rank business schools and MBA programmes in how well they integrated social, environmental and governance issues and values into their curricula. The aim is to 'support established and emerging business leaders in putting values at the heart of business.'[54]

Equally, the UN's Global Compact launched the UN Principles for Responsible Management Education in 2007, drawn up by the deans of some 60 business schools. It now involves over 500 participating institutions. With an emphasis on incorporating ethics and values-based business education, this over time has the potential to affect the mind-sets of future business leaders.[55]

The book *The Collaboratory* (2014), edited by Katrin Muff, spells out 'a co-creative stakeholder engagement process for solving complex problems'. In it, a chapter written by Louie Gardiner goes into the long-term engagement of Caux in detail:

> Every year, an extraordinary diverse mix of human beings converge—every continent is represented; multiple nationalities, religions, ethnicities; people with little or great material wealth; those with and without formal status; intergenerational; multilingual—and the list goes on. As human beings we

> are hard-wired to categorize, judge, and seek alliances with those who are similar, with a tendency to separate from those who are not like us. Daniel Kahneman (2011) illuminates the process in our brains—that thinking 'fast' is our default reaction to what happens around us. 'Slow' thinking faculties require conscious, effortful attention. So to get beyond our hard-wired categorizing minds and unconscious bias we need to slow down enough to challenge ourselves to open up to each other. People in IofC [Initiatives of Change] are no less mortal than the rest of us, yet countless individuals have embraced courage and forgiveness over fear and shame, let go of hatred in favour of healing, relinquished blame in favour of compassion and righteousness in favour of love, and chosen connection over conflict.

Gardiner detects eight characteristics of Caux:

> *Serve and receive service joyfully;*
> *Turn judgment into curiosity;*
> *Engage in quiet time;*
> *Share and learn through honest conversation;*
> *Care for others, the planet and ourselves;*
> *Engage with purpose;*
> *Follow through on promises;*
> *Turn scarcity into creativity.*

There is not room in this book to reproduce her observations in detail. But when it comes to 'engage in quiet time', she traces this core practice advocated by IofC back to its origins in the Oxford Group, the university student movement founded by the Lutheran minister Dr Frank Buchman in the 1920s. 'In these intimate community gatherings, people engaged in quiet time, learning to listen deeply to "God" or to the "still voice within", sharing what arose for them,' Gardiner writes. She continues:

> It took several years of attending Caux for me to realize that three systemic factors were embodied in quiet time. First, it is simple—which makes it potentially replicable. Second, it connects across scales—from individual to group to global. Sharing quiet time enables individuals to extend their reflections beyond themselves. Listening to the similar and different

> struggles of others connects people to each other and links their personal change to global concerns. Third, it is iterative—enabling rapid-cycle, regular reflections supporting one's (and the system's) capacity to adapt to complex, shifting conditions. Quiet time invites 'connection' to what is; making sense of what needs 'correction'; and discerning what 'direction' or action to take.

Gardiner sees the 'Caux laboratory' as 'a place to convene, connect, commune and co-create'.

The notion of 'quiet time', or 'internal reflection' as she calls it, is also advocated by Dr Scilla Elworthy, the founder of Peace Direct and the Oxford Research Group, who has been nominated three times for the Nobel Peace Prize. 'Leaders have to be authentic,' she told a Tomorrow's Global Leaders event organized by Tomorrow's Company in the City of London in January 2015. 'That can only be achieved by inner reflection—a period of reflection every day. Inner work is a prerequisite for outer effectiveness.' Elworthy told the forum that 'deep feminine qualities' needed to be welcomed in boardrooms: 'empathy, grace under fire, nurture, listening intently to the other, a sense of the sacredness of the earth, thinking long-term and the insistence that we are all connected.' She added that 'If the mantra of the last century was "what can I get?", the mantra of this century is "what can I give?". It is all about contribution.'

Elworthy has taught such 'soft skills' to young social entrepreneurs at the DO School in Hamburg: 'How to listen, how to build trust, teamwork, a sense of who you really are.'

Another academic who has raised the challenge of 'personal transformation' is Professor Roger Steare, Visiting Professor in the Practice of Organizational Ethics and Corporate Philosopher in Residence at Cass Business School in the City of London. Cass is the leading institution for training the City's future bankers and financiers. Steare is the author of *ethicability*, which is also the name of the training programme he and his colleagues deliver to staff in the big banks and other institutions. Over 120,000 people from more than 200 countries have entered his online psychometric profiling MoralDNA™ test, developed in collaboration with Athens-based chartered psychologist Pavlos Stamboulides. It is described as 'a personality test which throws light on our ethics and moral values; how we make decisions about what's right and wrong.' The website says that 'the profile it creates is designed to help you understand your moral values, how you prefer to make good decisions and "do the right thing". We emphasize the word prefer, because how we make decisions and do the right thing develops throughout our lives and this can also vary according to the circumstances we find ourselves in.'

This is a step in the right direction and the test, through the questions it asks, is designed to prevent people from giving the 'right' answer rather than their 'honest' answer. It is a moot point whether it really has the power to affect changes in behaviours, especially when people come under workplace pressures to compromise. But such tests do help to raise awareness of the need for personal choices.

Steare's colleague, Peter Neville Lewis, founder of Principled Consulting and a visiting lecturer at the University of Buckingham, emphasizes the 'cardinal' or hinge virtues ranked by Thomas Aquinas as prudence, justice, temperance and fortitude, in the business context. As an *ethicability* practitioner, he spoke on the panel of a TIGERoadshow at Liverpool Hope University's Department of Business in 2013. He argued against 'blind obedience' from employees, for workplaces where 'care and reason' have a substantial place and where sustainability overrides immediate gains.

Earlier, Steare addressed a forum on 'Capitalism towards the common good: regulation or culture and character?', held in the London centre of Initiatives of Change in November 2010:

> After becoming a local CEO in a global services business, I dropped out of the dysfunction we call corporate life and became a professional ethicist. My first business partner was Abbot Christopher Jamison at Worth Abbey and we began a journey.... to bring humanity back into business; to redefine capitalism not as the all-consuming ethos of the "vampire, blood-sucking squid", but in terms of the morality and sustainability of family, friendship and community.
>
> At some point in recent history, the meaning of the word economy has been corrupted. Economy used to mean 'less', 'thrift' or, at most, 'enough'. If I press the economy button on

> our washing machine, even I know it means 'less' not 'more' water, detergent and power. Yet if you listen to politicians, the media, business leaders—and of course economists—the word economy now means 'more'. And whilst three per cent per annum GDP growth doesn't sound like very much, this means doubling the size of our economy every 20 years.
>
> The problem with this all-consuming ethos is that our planetary resources are not only scarce, they're finite. If all seven billion of us were to live the American dream, we'd need about four more planet Earths to sustain us.
>
> Our economic wealth is 16 times what it was in 1950. But when two billion fellow beings live on less than $2 a day, I find it obscene for British citizens to talk about economic misery and material poverty.
>
> It is also clear to me that our addiction to economic growth has created a poverty of the soul that is corrupting our family lives, our friendships and our communities. When a relationship becomes difficult, we trade it in for a new one. And we treat our homes like a commodity to buy and sell instead of the safe place of belonging that our families need. This philosophy of growth for its own sake is as addictive as tobacco, alcohol and crack cocaine. It is also just as deadly. We must again define economy as thrift and fairness—the moral virtues of temperance and justice. Our mantra might be: 'For those with nothing, enough means more. But for those with enough, more means nothing for those with nothing.'
>
> Next, let's reset our understanding of money. Let's read what it says on the front of a £20 note. 'I promise to pay the bearer on demand the sum of twenty pounds.' And on the back of a US$20 bill, it says 'In God We Trust'. We have forgotten that money has no intrinsic value. Money is simply a promise we trust. Corporations don't make money; they simply keep or break their promises. That's how they create or destroy trust. That's how they create or destroy value. The bottom line is deeply rooted in the moral values of honesty and faith.

Steare emphasized that capitalism is a relatively new term:

> For most of our history, money has been a means of exchange rather than a factor of production. Human beings have traded

> and exchanged goods and services for millennia and money has simply facilitated this process. Therefore, we can reasonably argue that financial capital is not, I repeat not, a prerequisite for well-being. Indeed, the contemporary renaissance of mutuals, not-for-profits and social enterprises is further evidence that, at best, capitalism is incidental to human endeavour and prosperity.
>
> Here in the UK we are privileged to live in a more-or-less free market, liberal, social democracy. Yet the joint-stock company represents the antithesis of this ideal. The corporation is a feudal, rapacious plutocracy run too often by an unelected mercenary elite with morals not far different from gun-toting bandits in 4x4s. They might not be firing bullets, but take a look around the abandoned suburbs of Detroit and you will see the desolation of a war-zone. A capitalism that usurps family life, and that destroys homes and neighbourhoods is one that I believe we now need to consign to the history books.
>
> And yet there is hope. If we have the courage to confront the brutal realities of our existence together, then we can overcome not only our economic difficulties, but also our social and environmental challenges. In our research into what we call Moral DNA, three moral values not only define our moral character as human beings. People say that these are the virtues to save us from ourselves. Let us replace what Stephen Young [the US author of *Moral Capitalism*, 2004] calls 'brute capitalism' with an ethos based on the universal moral values of wisdom, fairness and love.

In October 2014, the UK's Chartered Management Institute published a study entitled *The Moral DNA™ of Performance*, following interviews with more than 2,500 managers in both the private, public and co-operative sectors conducted by Steare and his colleagues. This found that, according to a report in *The Daily Telegraph*, 'top performing businesses have a strong ethical stance'. 'Bosses doing the right thing ethically build better performing business and organizations,' wrote the City News Editor, Alan Tovey. 'A report by the Chartered Management Institute (CMI) claims to have found links between management focused on morals and values and successful companies and organizations.'[56]

The study, Tovey reported, had found that 'strong ethics and high levels of organizational performance went "hand in hand".... But the biggest surprise was how the managers questioned saw their employers. Just 20 per cent of those working in the public sector rated their employer as excellent when it came to ethical behaviour by giving the top score of five out of five. This is half the amount of managers working for listed companies, and just a third of those employed by top-performing cooperatives. When it came to rating organizations as poor for ethics, 13 per cent of public sector bosses said their employer was poor, more than four times the amount in the best performing partnerships. Just 10 per cent of listed company managers and seven per cent of those working in private companies rated their employer as poor.'

While such a study is a pat on the back for private and cooperative sector organizations, it seems to be a wake-up call for public sector employers, at least in the UK.

Just how much of a rethink is going on in the academic world about the governance, purpose and contribution of business is illustrated by the Frank Bold forum held at Cass Business School in September 2014, quoted in chapter three. Its initial report recommends:

> *regulatory reform* including reforming the (UK) 2006 Act to address corporate purpose and to address 'externalities' such as environmental impact;
>
> *board reform* to increase worker voice on boards and other issues;
>
> *changes in business practice* to expand partnership models, such as the John Lewis Partnership, and other ownership models;
>
> *changes in education* to improve how corporate social responsibility is taught in business schools, ensuring it is universally part of the curriculum.

'Business culture and ethics are critical,' says the report. 'Companies should foster a sense of accountability and transparency in order to reintroduce ethical responsibility and awareness of the firm's relationship with stakeholders.'

In their book *Integral Development* (2013), Alexander Schieffer, who gained his doctorate in leadership at St Gallen University, and Ronnie Lessem, then Professor of Management at the University of Buckingham, UK, advocate Integral Economics, drawing together the best economic models from the four worlds of East and West, North and South. The aim, they write, is to 'pave the way for a sustainable approach to economics, building on the richness of diverse economic approaches from all over the globe'. They have successfully applied this approach to economic development working with local people in countries ranging from Slovenia and Egypt to Zimbabwe.

Scheiffer and Lessem evaluate the stories and experiences of the Caux TIGE conferences and events as being like a 'university of life'. They were launched 'to bring change around the interdependent issues of economy, environment, sustainability, food security and social enterprise—all based on inner transformation and personal commitment to core moral values,' they write.

'From its origins,' they continue, 'TIGE saw itself as much more than a conference. It was its intention to also build a network of people with a passion for change, who can network with each other at a professional and personal level. The value proposition has been to create a core group across continents who share the same dream and belief that "together we can make a difference to the world". It seeks to provide a creative space for exploration, dialogue and positive action across all sectors of the global economy. And to a significant degree it has succeeded in doing so.'

The challenges remain huge. As demand for consumer goods rises, particularly in the world's most populous countries, India and China, so too will be the demands on the world's limited and finite natural resources and how they are to be shared. This will continue to fuel our inventiveness, for instance over energy supplies and agricultural processes. It also urges the better off among us to confront our comfort and ease, our selfishness and materialism—especially if we are to retain any sense of common humanity. As a sentence attributed to Mahatma Gandhi states: 'The rich must live more simply so that the poor may simply live.'

FOOTNOTES

53 *Financial World* magazine, London, Aug/Sept 2014

54 www.aspeninstitute.org/policy-work/business-society

55 www.unprme.org

56 Alan Tovey, *The Daily Telegraph*, 29 October 2014

10

The prism: the human face of business

The most important value in business leadership is empathy, says Bill Drayton, the American founder of the global social entrepreneurship network Ashoka, based in Washington DC. Drayton told me this when I interviewed him at a Skoll World Forum for Social Entrepreneurship at Oxford University several years ago. He means that businesses and enterprises exist to meet human needs rather than just serving the bottom line and shareholder value. Empathy encourages us to live into other people's situations—to step into their shoes. Equally, other business leadership qualities include vision, purpose, courage, commitment, stewardship, honesty and integrity—a range of values already flagged up in this book.

While too many companies pay too little to their staff, others have excellent welfare policies for their employees. One of the more extraordinary stories of empathy and commitment to employee welfare—nurturing the 'human capital'—comes from James Miller, former Chairman and Managing Director of the occupational healthcare business Abermed, who is now Managing Director of Stella Maris Yachting in Southampton. Abermed, based in Aberdeen, serves the welfare of employees on the North Sea oil rigs. He told his story to Caux TIGE in July 2013:

> The company employed doctors and nurses, administration people, IT staff. All of us were passionate about our areas and we wanted to develop our skills and knowledge and embed the core value of caring for and protecting one another. It doesn't always come naturally in some business cultures for people to be caring for and protecting one another. A lot of business environments are competitive and people really see other

people they work with as competitors for promotion or reward. So applying that care was really important.

One of our managers, Phil, came one day and said his wife had been diagnosed with a neurological condition that was very rare, couldn't be treated and was terminal. He had been told that she would probably live between 18 months and five years. The family decided that they wanted to look after her at home and that she would die at home. He felt that he wasn't going to be able to do his job, and so the right thing to do was to resign.

We could think he was showing real concern and care for the rest of us in that he wouldn't be able to carry out his role. But then the challenge for us as a business was our agreed core value—are we caring for him? We decided that our response was to amend his job description. His priority would now be to look after his wife.

In the early stages she was still able to go around, so he could work part-time. But as time went on, he was able to do less and less at work as her condition became worse. But he was able, and wanted, to work from home. A few times he came to me and said he really thought he ought to resign because he didn't think he was pulling his weight. So, we had to remind him what his job description top priority was. And then he realized he was pulling his weight.

Now, the response to that was interesting. At that time we had a venture capitalist investor who had a seat on the board, and was aware of the purpose and core values. They were very interested in our business and saw great potential for profit. They believed that, yes, we said all those nice things but, at the end of the day, money would talk and we'll be focused on making as much money as possible. In the end they did actually get a very good return, but their response to what we were saying at that time was interesting. As human beings they couldn't disagree with our application of the 'care value'. So they rationalized it and concluded that it was a good tactic because we would get commitment from Phil after his wife died and so it will work out in the end. That wasn't how we saw it. It was because we said one of our core values was we will care for one another, not to get 'a return on investment'.

Phil's wife lived on for over five years; it was a long and hard time. Then she died and in time he did come back to full-time work. He wanted to get stuck in but after a few months he found that he'd been out of work for so long that he wasn't enjoying it. He didn't really want to carry on working and so he took early retirement. That's what he wanted and it suited where he was in his life.

That was one of the challenges we felt with living our core values. It actually cost us money to keep him looking after his wife, but it was the right thing to do because we had set it as a core value. The value to the business was in the maintenance of a caring, loving and human culture that is beyond measurement!

In India, employees often depend on private healthcare in a society where there are not sufficient numbers of public hospitals and where there is a longstanding culture of corporate responsibility for employee and social welfare. Company hospitals for workers and their families are not an alien concept. A number of companies in the Tata group, for instance, run their own hospitals. Tata, one of India's biggest industrial groups, began with plants in places where there was no infrastructure. Tata Steel arose in the middle of the jungle, in what is now Jamshedpur, over 100 years ago. There its first steel ingots rolled out in 1912. The company had to pioneer a comprehensive way of caring for all its employees and their families, including providing housing and health-care facilities. Today the Tata Main Hospital has 1,200 beds, while another hospital for Tata Motors has 400 beds. Located between the two is the hospital of the Tinplate Company of India Ltd (TCIL) with 200 beds.

TICL has been India's market leader in supplying most of the tin for making food cans. Dr Amit Mukherjee was an orthopaedic surgeon at the Tinplate Hospital. He has also been part of the training faculty of the Heart of Effective Leadership courses at Asia Plateau in Panchgani. On my last visit to Jamshedpur he told me in detail how he and his fellow doctors successfully saved the company hospital from closure. The Tinplate management were so impressed that, to his great surprise, they invited him to join the management team as the company's Administrator.

Back in 1998, TCIL was going through a tough phase. It could not sell what it was producing. Its production process was antiquated and it was facing stiff competition from unfair imports that were undercutting prices. The company was making cash losses of 5 crores rupees (Rs 50 million, approx. £500,000) per month. The management was under pressure to close or sell the loss-making hospital.

This saddened Mukherjee greatly. The hospital was catering to the many employees and their families who would now have to go to the Tata Main Hospital at the other end of town, and stand in long queues for treatment that they received much faster at the Tinplate Hospital.

Mukherjee had already been introduced, at the Asia Plateau centre, to the idea of taking a quiet time for prayer and silent reflection every morning.

> So the next morning my strong thought was to ask the new managing director, Bushen Raina, to allow us doctors to run the hospital. I didn't even think of how to do it, or what the logistics were. I also shared the thought with the director of medical services, Dr P P Chowla, who was due to retire in a couple of years. I was 46 years old with many years ahead of me. The managing director told us, 'Are you crazy? Do you know what it takes to run a hospital? This is a management decision.' But he also knew about, and respected, the ideas of Asia Plateau. So he said, 'OK, if you think like that we'll give you six months to try it.'

Mukherjee's first thought was to open the hospital to other corporate houses in Jamshedpur which had no hospital of their own. He visited the heads of 22 corporations and invited them to send their workers to the Tinplate Hospital. At first they laughed, saying, 'Why should we? We have two bigger hospitals in Jamshedpur. If we go to yours, our employees will say we are just trying to save costs.' Mukherjee told them three things: 'We are a smaller hospital, so we are more efficient; we give more personalized care; and we are more affordable.'

Mukherjee also went to the Uranium Corporation of India, 45 km from Jamshedpur. The Managing Director, R N Gupta, said they had four trade unions and even if one agreed the other unions would not. Mukherjee asked to meet the union leaders. Gupta said there was a need for an orthopedic specialist in the local hospital. Could Mukherjee come at weekends, see some patients and win the union leaders' confidence? So he started to go there every Sunday. Slowly he became good friends with each of the four union heads. When he asked them about coming to the Tinplate Hospital they agreed straight away.

> That process took about six months. By the end of the first financial year of running the Tinplate Hospital ourselves, 31 March 1999, we had earned Rs 97.74 lakhs (Rs 9,774,000; £101,000). We wanted to give a service to outsiders which our previous mindset had not permitted, because we had had a captive market. Now our mindset changed to be more patient friendly, so that outsiders wanted to come back to our hospital. It was a total paradigm shift.

At first, the Tinplate Hospital doctors felt they were losing out as they were only being paid to treat Tinplate employees. So another idea was to allow them private practice in the hospital, to treat their own patients. The hospital would get the bed, medicine and theatre operation charges and the surgeon would pick up his fees. It would be during working hours and, against a lot of opposition, this was accepted.

They started health check-up schemes and improved the pharmacy and pathology. And so they started to make a good amount of money. Then they thought they should expand the hospital with an Intensive Care Unit (ICU) for heart patients and have an emergency centre.

> At first the Tinplate Managing Director was furious, saying don't even think about it. 'You guys are mad. Our company will not be able to spend one rupee on you. If we had that rupee it would be spent on the industry but not on the hospital.'

So the next thought was to seek help from outside. They approached the Timken Foundation in the USA for a grant. They couldn't help because the Tinplate Hospital was a commercial establishment. So in 1999, with the support of the Tinplate board, they became a charitable trust—the Dr T C John Memorial Charitable Foundation in memory of the first doctor who had converted a small dispensary into the hospital. Approaching the Timken Foundation again, they gave a grant of Rs 65 lakhs (Rs 6,500,000; £67,000). The Sir Dorabjee Tata Trust gave Rs 35 lakhs (Rs 3,500,000; £36,200) and Lafarge cement company gave Rs 2.5 lakhs (Rs 250,000; £2,500) worth of cement. So they started the project with Rs 1 crore, 2.5 lakhs (Rs 10,250,000; £107,000).

However they were shocked that the cost of equipment for an ICU and trauma centre was much more than anticipated. Estimates were two years out of date. They needed top quality cardiac monitors. In those days Hewlett Packard, considered amongst the best, quoted a price of Rs 33.76 lakhs (Rs 3,376,000; £35,000).

> The purchasing manager and I went to Kolkata to ask the HP officer for a special price. His Delhi boss offered a 10 per cent reduction and his boss in Germany agreed to another 10 per cent. But this was still too costly. So he gave us the phone number of his boss in the USA. He said, 'Give me a little time. I'll need to speak to my directors.' We called him back 45 minutes later and he said, 'OK, we'll give you the whole package for Rs 18 lakhs (Rs 1,800,000; £18,600).'
>
> We negotiated like this for most of our equipment. We finished the ICU and trauma project within cost and within our time frame. This was a record for Tinplate as the company had a reputation for not completing projects within time or within cost.

The doctors wanted to further enhance the activities of the new trust. So they offered to take over the medical installations of other nearby industries.

> It was a thought out of the blue. This is why I think that innovation is very thought orientated. I went to the Lafarge cement company and proposed taking over their in-house medical facility. They were delighted as they had been looking for this. We took on Tata Power's and Tata Cummins' medical units as well as another dispensary inside Tata Steel. As these began to bear fruit we started doing pretty well as a trust.

With some of the money saved, they started a fund to help the poor who could not afford to be treated in the ICU. They sent two people to Kolkata for operations. And they started a 24-hour medical store. Now they plan to start a dialysis centre.

The result of all this was that instead of losing about 150 hospital jobs they added 67 new jobs: doctors, nurses, paramedics, sweepers, ambulance drivers. 'So we beat the wrong effects of competitive globalization,' Mukherjee commented.

One day he was at a Rotary dinner when the President and Vice-President of the Tinplate Company, and the General Manager for Human Resources, caught hold of him. They said that the Managing Director, Bushen Raina, wanted him to head the administration of the whole company. Would he agree?

> This was a shock because I had no concept of what it meant. A few mornings later I was playing golf when he called me to his home. He was lying in bed because of a spinal fracture he had sustained in an aircraft accident. He confirmed that he would like me to take this on. So I found myself as the Administrator of the whole company for which I had no training at all. It was the evening of 30 June 2007 and I was to take over the department the next morning, 1 July, at 9.00 o'clock.

Mukherjee had a staff of 153 looking after a whole range of things: public relations, the media, government licensing and legal matters. He had the power of attorney, signing on behalf of the company. He looked after all the transport, travel, holiday plans; all the health and sanitation; all the housing—over 1,700 houses for employees—and all the lawns, gardens and land.

Reducing costs remained a continuing challenge. For instance, they had an outdated, sluggish internal telephone communications system. They approached Tata Indicom who gave a good price. But they got a much better offer from the state-run telecoms company, BSNL. They installed a new exchange, worth about Rs 70 lakhs (Rs 7,000,000; £72,000), free of charge. The hospital's efficiency increased 100-fold, Mukherjee said, 'and we pay less on the phone.'

Mukherjee continued to practise as an orthopaedic surgeon, though he had to reduce the amount of his time at the hospital. 'It was all a great and ongoing challenge. But it is great fun,' he commented.

Mukherjee's and Miller's stories reveal the human face of business, as do many of the stories in this book. They go well beyond the bottom line in their human motivations. The need for the human face of business is all the more imperative at a time when big corporations wield more power than many nation states. According to research by Dr Steven White at the Charlton College of Business, University of Massachusetts Dartmouth, 43 of the world's top 100 economies are corporations rather than nation states (2011 figure).

In his book *Beyond the corporation: humanity working* (2011), David Erdal, one of the world's leading advocates of employee share ownership companies, addresses the issue of the power and control that corporations wield:

> Many companies set out to create among their employees a feeling of ownership, without any real ownership. This can be done through team-building techniques, systems for making continuous improvement and through participative management styles. Managers themselves can be honest believers in these approaches. But the end result is deceitful: the employees feel like owners but have none of the rights and benefits of ownership. The psychological ownership that is induced is good for performance and good for the people involved, but it is false. It can be reversed overnight and the employees can do nothing about it.

If this is true for employees it is equally true for the communities in which large corporations operate, as they can all too easily up-sticks and switch locations from location to location, country to country. They have the power to downsize—a euphemism for redundancies—which puts employees in a position of victimhood. The alternative, Erdal says, is to put ownership in the hands of the entire workforce, such as the John Lewis Partnership retail group and Ove Arup engineers, famed for the structural design of the Sydney Opera House. This encourages partnership and a joint sense of responsibility towards one another. Erdal continues:

> If financial ownership were used for the benefit of wide employee ownership rather than the self-enrichment of a few, what a difference that would make. The temptation will be to skew the ownership and power radically towards the senior people, the chief executive and directors who already do so well out of the current system. That has to be resisted. The powerful need a change of heart, to recognize this is worth

doing.... But the satisfactions to be gained from doing it are real and deep.

Even in the post-World War II era, after the Caux centre first opened in 1946, the West German trade union leader, Hans Boeckler (1875-1951), said in Caux: 'When people change, the structure of society changes, and when the structure of society change, people change. Both go together and both are necessary.'[57] Today, changing the structure of companies towards employee ownership often pays dividends for everyone.

In their book *Everybody's Business* (2013), Jon Miller and Lucy Parker argue the case for 'how big business can fix the world'. Contrary to popular perception, and negative practices, big businesses have a huge positive impact on society as a whole, they say. They tell, for instance, of how companies such as Apple are re-examining the well-being of their suppliers in China and other global corporations are investing in developing their suppliers in African countries, creating new jobs. Miller and Parker conclude that businesses act like a prism. The prism refracts their light into five components: purpose, products, practices (which could also be interpreted as behaviours), philanthropy and point of view. They write:

> The Prism is a way of seeing more clearly the intentions and behaviours of business in society. The companies we met on this journey [researching their book] tend to be driven by a strong sense of **purpose**—a clear idea of what they are for and an ambition that what they do overall will have a positive impact on the world around them. How a company interprets its purpose is the prime mover and it informs the three ways in which any business touches society: through the goods and services that it sells; through how it operates; and beyond the core activities of the business, through the social causes it chooses to support. **Products**, **practices** and **philanthropy**: these are the practical ways that businesses connect with the wider world. Indeed, there aren't any other ways: it's in these areas that businesses act and how intentions become manifest. Finally, the companies we've seen in these stories have a sophisticated awareness of the influence they have in the world

> and a **point of view** about how to use their influence to further the contribution they can make on the issues which are relevant to them. The role of business in society is played out in each of these distinct strands. We see it as a prism: one white light refracted into separate streams of colour. Taken as a whole, they describe how businesses can create social value.

The same could be said for all the stories in this book. At their core their priority is the welfare of people and society rather than just the bottom line. Yet there is a deeper dynamic still—a profound sense of inner inspiration, a spiritual dynamic, that the people whose stories are told in this book draw upon: a nurturing of the soul as Lawrence Bloom calls it. They have a strong sense of purpose for their businesses and organizations, a vision for what they can contribute to society and to human well-being, that goes way beyond the bottom line. They and their companies add value to their investors, to society and to people's lives. In so doing, their employees are proud to work for them, graduates want to join them, and their customers appreciate them. Their supply chains are well served and adequately rewarded. Society as a whole benefits. Moreover, they are a pleasure to work for and to work with. They are great company.

FOOTNOTE

57 See also the current Hans Boeckler Foundation: www.boeckler.de/pdf/hbs_selbstdarstellung_engl.pdf

11

Postscript

So what is my interest in all this? I don't have a business degree or an MBA. I am essentially a journalist rather than a businessman, as reflected in the stories in this book, though I was on the board of a small, independent publishing house in London for several years in the 1990s. As I listened to the stories captured in this book, I was more and more intrigued and inspired by them. I wanted to gather them together and write about them in the press.

My late father, Neville Smith, and his brother Basil were the fourth generation running a family wool textile mill in Bradford, Yorkshire. It was founded by their great-grandfather, John Smith, a dalesman who started washing and combing sheep's wool for cloth manufacture where there was a plentiful supply of water on the banks of the river Aire. His son, Isaac, became the Mayor of Bradford, twice elected by his fellow aldermen, in the 1890s. (I presented to a recent Lord Mayor of Bradford a large silver platter, inscribed to Isaac Smith by his fellow aldermen, for the City Hall's splendid silver collection, after I inherited it from my father.)

Isaac was part of a consortium which had to bail out Sir Titus Salt, the famous manufacturer of alpaca wool who built the community village of Saltaire, when he got into financial difficulty. He had provided housing, a library and a chapel for his workforce in the paternalistic culture of Victorian businessmen. His factory is now an arts and crafts centre famed for housing paintings by the Bradford-born artist David Hockney.

Isaac Smith's mill was said to produce the finest manufactured wool anywhere in the world. My grandfather, Harold, expanded John Smith and Sons (Fieldhead Mills) in the 1930s to employ 1,100 people. By the time of the outbreak of World War II, my father and uncle were deemed to be in a 'reserve occupation', producing the wool needed to make uniforms for the armed forces and so were never called up into active war service.

Sad to say, there were management misjudgments in running the family owned business. Harold, in the anti-Semitic culture of his times, refused to do business with the men's clothing retailer Montague Burton, simply because he was Jewish. I have no idea if Harold was overtly anti-Semitic or if he simply feared the good opinion of his peers. But it was a costly decision. Burton bought his wool elsewhere and expanded his retail outlets into a national chain, eventually taken over by the Arcadia group. A contract with him would have secured our family's textile mill. Harold also borrowed money from the company in order to buy a splendid family home, Ranby Hall, in the village of Ranby, Nottinghamshire, on the edge of Sherwood Forest. It had 50 acres of estate and 11 paid staff. This was where my father grew up as a teenager. This was all very well but the good trading, which Harold expected would cover the cost of this grandeur, never came, not least due to competition from the rise of artificial fibers. The family business failed to invest in new technology to keep up with the competition. My grandfather had to downsize to rent Moor Park, a country house outside Harrogate, which was still, nonetheless, on a grand scale with an enormous, sweeping staircase from the entrance hall. This was where my parents got engaged. (The building has long since been converted into apartments.)

The company floated on the stock market to raise capital. But it was all too late and in a sale of shares, not anticipated by my father and uncle, the company was taken over in the 1950s by a competitor group. From one day to the next, my father and uncle were ruthlessly told that they were out of a job. The mill was soon closed down by the new owners and the only evidence of its existence now is the name of Smith Street in the centre of Bradford, on one side of the site where the mill once stood.

Having lost everything, my parents moved to a small bungalow in the seaside village of Selsey in West Sussex, where I spent my teenage years. My tiny bedroom had to be built into the roof. For my father, it was a far cry from the splendor of Ranby Hall. Yet he remained remarkably free of any sense of bitterness over his loss. My mother, the daughter of a tartan cloth and gabardine manufacturer, called it 'the rise and fall of the Smith empire'! Her ancestor in Lancashire, Samuel Turner, had been the inventor of the use of asbestos as a heat insulator. Children would play in piles of asbestos dust outside the factory as if it was snow. No one in those days had the slightest knowledge of the appalling health hazards to lungs and life that asbestos dust posed. Having this in my family history makes me all the more aware of the environmental damage that industrial processes can cause.

My elder brother, Nigel, spent much of his working life as a manager in the textile company in Bradford which had taken over our family's business, before he too retired with his wife to live in Selsey.

For myself, I had to carve out a different identity, called to serving Initiatives of Change through writing and journalism. But I could never divorce myself from our family history and have retained a certain fascination with the world of business and industry and its core motivations. My baptism into the world of trade unionism came when my colleagues and I at the publishing house where we worked joined one of the print trade unions and became active London branch members for several years.

I hope the stories in this book, highlighting core motivations, are a source of inspiration and enlightenment to young and seasoned entrepreneurs alike. The challenge is to raise and encourage a generation of young entrepreneurs, the world's next business leaders, who are prepared to put into practice the highest moral and ethical standards they know.

Michael Smith
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About the author

Michael Smith has been Head of Business Programmes at Initiatives of Change, UK, since 2010. He is a freelance journalist and author of books on values in business and the economy. His articles have appeared in the *Financial Times*, *The Guardian* and *Guardian Weekly*, *The Times*, *The Independent*, *The Scotsman*, *The Herald* (Glasgow) and *The Pioneer* (New Delhi).

In the early 1970s he was production manager at *Himmat* newsweekly in Mumbai for three years and has revisited India many times since then. Returning to Britain, he cut his teeth in journalism as a volunteer on the editorial staff of *The Industrial Pioneer*, a monthly shop-floor newspaper published in the West Midlands. In 1986, following a year in the USA, he became co-editor, then managing editor, of *For A Change* magazine, published by Initiatives of Change (IofC) UK, where he remained till 2006. He was Head of Communications for IofC UK before his current role as Head of Business Programmes.

His previous books include *Beyond the Bottom Line* (2001) and *Trust and Integrity in the Global Economy* (2007). As well as writing on business issues, he has written over 50 obituaries of the pioneers of IofC for *The Independent* and other British and Irish newspapers. He and his wife, Jan, live in Wimbledon and they have two adult children.

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Index