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Beyond corporate social responsibility: minnows, mammoths and markets

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Abstract

'Corporate Social Responsibility' (CSR) has become the mainstream prescription by business and governments for dealing with social and environmental ills. It is a voluntary form of self-regulation that aims to tackle everything from human rights and labour standards to limiting carbon dioxide emissions that lead to climate change. But because CSR ultimately lies within the framework of markets, and requires market-based incentives for companies to invest in such programmes, it ultimately falls prey to the vagaries of the market. The myths of CSR include that voluntary reporting improves performance; that codes and management systems change corporate behaviour; the consumer will drive change and that the investment community will provide the best incentive for business to perform in a more sustainable manner. Re-envisioning ethical business requires us to look at opportunities below the radar screen: not at minimising the impacts of big business. Understanding and providing the institutions to support the 'ethical minnows': those business that operate on a sustainable platform and provide a social return on investment, beyond mere financial profit. Ultimately, we need to transform markets in such a way as to see an end to the larger corporate winner-takes-all approach if we are to see a sustainable future.

1. Introduction

We know that history repeats itself. From one century to the next, human beings seldom seem to be able to learn the lessons of the past. The rise of Corporate Social Responsibility (CSR) would seem to be no exception.

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Looking as far back as the early Quaker businesses, which considered the welfare of their workers and communities to be of critical importance to the success of their enterprises, the ideal of CSR has been a recurring dream for many generations.

Yet, today's CSR leaders have failed to acknowledge the limitations of an agenda that pits the market against the broader public good. We still naively assume that the two can go hand-in-hand and that business can 'do well and do good'. Yet, even the success stories of the Quakers show a reality rather than less optimistic. Ultimately, their philanthropic approaches succumbed to the real compulsions of the market [30].

Fast forward to the 1987 Brundtland Report on Environment and Development—perhaps one of the most influential works on sustainable development in recent times. The term 'sustainable development' was coined to demonstrate the idea that development can meet the needs of the current generation without compromising the ability of future generations to meet their own needs [23]. Within the few years, the much applauded approach had been widely disparaged by the environmental community, who saw that business had captured the phrase sustainable development to justify any number of environmental crimes, in the name of 'development'. Economic outcomes ultimately dominated.

The CSR movement seems poised to repeat the same mistakes again, just 15 years on from the Brundtland commission. Our short-term memory is fading fast, as we refuse to acknowledge the caveat to such a statement: that business can do well and do good… *up to a point*. Business in the end, must be profitable and the aims of social and environmental objectives do not always coincide with the hard-nosed business realities of the competitive marketplace.

If we are to plot a different future it seems, we must learn from the lessons of the past and find a wholly different approach to managing business in society. The future of the ethical corporation will depend on a more courageous look at the limitations of the market; and a bold attempt to define what type of society we want; and how best business can serve that end, rather than the other way around.

2. The rise and rise of corporate social responsibility

CSR, as a prescription for 'ethical business' has taken on a life of its own over the past few years and seems unlikely to disappear at any point in the near future.

The vastness of the CSR 'movement' is demonstrated by the range of publications, conferences and organisations now dedicated to the subject. A quick search on the internet search engine Google produces 38,000 hits, from sites all over the world. The most recent conference on the CSR circuit, promoted by Ethical Corporation magazine and the Economist has keynote speakers from the tobacco, oil and banking sectors. Consultancies dedicated to CSR are also proliferating under the regime, while larger firms, like Price Waterhouse Coopers have whole units dedicated to CSR and 'reputation management'.

There is no single accepted definition of CSR, although most assume that there is an inherent compatibility with profit-making and fulfilling the needs of society. For example, the World Bank's definition is that:

> Corporate Social Responsibility is a term describing a company's obligations to be accountable to all of its stakeholders in all its operations and activities. Socially responsible companies consider the full scope of their impact on communities and the environment when making decisions, balancing the needs of stakeholders with their need to make a profit.

Most importantly, though, beyond the definitional stance of CSR is the implicit expectation that if business aims to deliver better social and environmental outcomes, governments would not regulate. Indeed, the European Union definition states that CSR is 'behaviour by business over and above legal requirements' [18].

This invisible pact takes on many forms, from monitoring voluntary labour standards in a companies' supply chain, to implementing an eco-efficiency programme. Some of the more sophisticated approaches might look at phasing out the use of harmful products, like PVCs, to involving stakeholders in 'dialogue' regarding large-scale projects that could result in their ultimate displacement. Leading-edge companies with a CSR programme generally issue an annual social and environmental report, revealing in some cases both the good and the bad of what they are trying to achieve [12].

It all sounds like a grand step forward from where we were less than a decade ago, when Shell's Brent Spar incident was headline news in 1995. The disaster, which saw considerable public backlash after Shell tried to sink a 1600 tonne oil rig in the North sea, left an indelible impression on business who suddenly had to consider impacts beyond the financial bottom line. And it was a receptive force for NGOs that were frustrated with government's abdication of responsibility, and so sought partnership approaches with business in social and environmental development—their own version of 'the third way', a renewed public policy approach by left-leaning global governments to get beyond state and market [16]. From the World Bank's business Partners for Development project, which sought to promote civil society, business and government participation in World Bank funded projects, to the UK's Ethical Trading Initiative, a voluntary partnership of NGOs, Trade Unions and Business to improve the ethics in corporate supply chains, non-regulatory approaches have seemed the primary tool for furthering the aims of CSR.

3. A case of confused incentives: markets and morals

The unprecedented growth of CSR would leave us with the notion that the market provides the best incentives for delivering social and environmental objectives—we just need to tweak a few things to make the market work more effectively. But is the picture really all so rosy? The evidence is mounting that, far from being the light in the sky for groups wanting to find a 'middle way'—somewhere between regulation and altruism, CSR has proved itself to be often little more than a public-relations offensive to support business-as-usual. The primary reasons for this lies in the traditional critique of markets.

There are four key drivers that would impel a company to adopt a CSR programme: managing risk and reputation; protecting human capital assets; responding to consumer demands; and avoiding regulation. All of these are normal pressures that the market brings to bear in any new business strategy. The investment community, for example, will ensure you do just enough to manage your reputation and defend your brand from any unsightly scandals, having learned their lessons from cases like Shell or Nike's sweatshop labour accusations. More and more companies are finding it hard to recruit the brightest and the best, so being seen to be good would seem a way of helping this along. Embarking on proper labour standards programmes is also a good incentive in this regard. And consumer demands for greener products or those that do not exploit people is becoming more commonplace.

Some of these incentives do result in positive outcomes. But there is also a superficial side of CSR where, driven by profits, the outcomes of a CSR programme are less than one might have expected. And these are reinforced by perverse incentives—like the pre-eminence of a Tobacco Company on the Dow Jones Sustainability Index, which screens not those that contribute to a better society, but those that are the 'best of the baddies.' This means they manage risk and reputation rather than tackling the more difficult issues.

Obfuscation of the CSR agenda comes in many forms—from the painfully simplistic cause-related marketing agenda, to the more sophisticated risk-managers.

On the former side, we find programmes in the UK like a supermarket's (Tesco) computers for schools, or a confectionary corporation's (Cadbury) sports equipment voucher programme, which gets children collecting chocolate wrappers in return for sports equipment for their schools. Both are aimed at providing community benefits through increased sales. Neither does anything to tackle the larger questions that CSR should have been confronting, that is, the very way that companies directly impact on communities through the ways in which they do business. What of Tesco's opening of big-box shops in greenfield sites, and the additional implication that by doing so, they lead to increased traffic and a closing down of local shops leading to what some have called 'food deserts' [3]? Or Cadbury's role in sourcing their cocoa through commodity markets, which effectively keeps market prices low, resulting in poor labour standards in cocoa production? What too of the ethical issues associated with promoting chocolate consumption on the one hand and buying sports equipment to alleviate obesity on the other?

Even the more sophisticated players of the CSR spectrum now have to confront the critics. Many have argued that Stakeholder engagement continues to be more a way of pacifying communities than really engaging. BP, well-known for its stakeholder dialogue programmes still refuses to put the words 'human rights' into its policies, and civil society groups have been bringing forth evidence that programmes in Turkey or Azerbaijan have resulted in communities being unwillingly displaced, with no recourse [14]. BP is able to hail its CSR programme to shareholders, while passing on any relevant risk to the host government, thereby deflecting any direct responsibility.

Thus, the prescriptions that arise from CSR are firmly focussed on these business-based incentives. Promotion of the business case has made substantial inroads and has forced business to at least consider the financial risk to malevolent behaviour. Yet because the incentives for managing social and environmental impacts must always be based on economic decisions, business tends only to innovate and provide solutions in this arena where there is a reasonable profit to be made.

Various government attempts have attempted to provide a framework which would ensure businesses consider their wider social and environmental risks. In 2001, the UK government introduced new legislation for Pension fund trustees, which required them to state whether or not they base their investments on an ethical decision-making framework. This was followed by a Government White Paper on Company Law, which recommends that business report on social and environmental issues where they are deemed to be 'material' to a companies' operations, and, by extension, to its overall financial performance. These attempts at providing 'enabling' legislation for consideration of ethics ultimately further the risk-based approach to managing impacts, as the financial case overrules any decisions based on ethics.

Where CSR has failed us in its refusal to acknowledge that the management of social and environmental issues is a matter of public concern—not necessarily a business one. Rather confusingly, it tries to blur the two lines. "To convert major corporations from their roles in the political world as paymasters to an altogether more altruistic purposes…is fraught with practical and systemic obstacles" [24, 207].

4. CSR mythology

The confused messages of the CSR agenda are reinforced by the mantra of some basic myths that serve to uphold the 'business as usual' agenda. Companies are happy to advocate these myths, as they offer no threat to the status quo. Governments, too, are content to accept the arguments, as confidence to regulate is mired with accusations of 'red tape' and limiting competitiveness. Yet by looking at the arguments more closely, one finds some compelling evidence to prove 'market failure' and thus the demand for an entirely different approach to looking at where we go from here.

4.1. Myth 1. Voluntary reporting improves performance

Reporting has received the highest profile amongst the CSR prescriptions, with the former UK Environment Minister, Michael Meacher and the British Prime Minister, Tony Blair, calling for businesses to report on their impacts. But by the end of 2002, fewer than one-third of the FTSE350 were reporting; by mid-2003, while the numbers had increased, the quality of reporting was considerably weak, consistently failing to address the larger sustainability issues [26]. The Government's Company Law White Paper, released last year attempts to reconcile this by calling on all larger companies to report on their environmental impacts where it is deemed to be 'material' to a business operations, i.e. where there is relevant risk. A number of other countries have followed suit and also now provide 'enabling' legislation, including Denmark and France [6].

Even with this attempt to widen the business understanding of risk, there remains a wide gap between the relevant risks to a business and the risks to society. Consumer goods company Unilever has been awarded the Association of Certified Accountants award for their environmental report, yet Unilever failed to disclose a significant accident in India regarding mercury poisoning that took place during that same reporting year. The information on this incident has been readily available on the internet amongst various environmental groups, yet the issue posed no credible financial risk to Unilever. If 'risk' is the primary incentive in the new Company Law regime, then it is unlikely that all social and environmental impacts would be revealed to shareholders in the new requirements for the Operating and Financial Review.

4.2. Myth 2. Voluntary codes and management systems change corporate behaviour

CSR is peppered with hundreds of codes of conduct, from the UN Global Compact, to the International Standards organisation (ISO) family of standards, like ISO14001. But voluntary codes, in and of themselves are no guarantee of changes in performance. A study by the University of Sussex has shown that companies with an environmental management system tend to perform no better on the environment than those without [2]. In some cases, it has been found that codes have even led to a worsening of the situation for those whom it was intended to benefit [21].

Many of the reasons for not meeting a code are the overriding pressures of the market. Take retailers' consistent need to deliver products faster and more cheaply. In places like Sri Lanka, the conflict between social impact and business are being put to the test. Many retailers who source from Sri Lanka have in-depth codes of conduct addressing labour standards, health and safety, working hours and so on. Yet Sri Lankan garment manufacturers are currently pressurising their government to increase legal working hours, facing increased competition from Chinese garment manufacturers as they open their market to the world stage. This would result in women working outside the home for longer hours, away from families and compromising health and safety. Thus, the need for Sri Lankan suppliers to remain competitive outweighs any good attempts derived from CSR-based codes of conduct, including those participating in the UK's Ethical Trading Initiative [7]. The retailers threaten to pull out and source elsewhere if goods are more affordable.

One of the primary problems is the continued lack of enforcement mechanisms. The OECD Guidelines on Multinational Enterprise, supported by all OECD countries and one of the strongest global codes, provides for a National Contact Point that facilitates challenges to corporate behaviour but goes no further. Voluntary codes rely entirely on business to uphold them, making them effectively police, judge and jury. Yet self-regulation by industry, as the recent line of corporate scandals, from Enron to Worldcom, demonstrates, has some very unreliable outcomes. The ability to regulate at an international level is limited through our current regime.

4.3. Myth 3. The consumer will drive change

What we do know about 'ethical consumption' is that consumers are notoriously passive. While frequent surveys show that consumers care about the ethical performance of a business, few actually place ethics at the top of their list in purchasing decisions. Opinion polling company, MORI has found that only around 5% of consumers are active purchasers of 'ethical products'; while the Institute of Grocery Distributors recently found that 70% of food shoppers base their purchasing decisions on price, taste and sell-by date—not ethics. And for the bulk of our purchasing decisions, there is not always an obvious ethical choice—from furniture, to bicycles, to children's toys. This finding is echoed in the US where, the annual Roper Green Gauge study found that Americans are less concerned about the environment than they have been over the past 10 years. The 2002 survey found that while 23% of consumers bought products made with recycled goods, this was down 3% from the year before. And almost half of consumers, 45%, thought it was businesses, not their responsibility to do more [25].

This disregard for the environment by consumers clearly bears out in practice. Environmentally friendly automotive vehicles, an obvious area for growth, still see few takers, with American consumers largely committed to vehicles like the Sports Utility Vehicle, which has a high fuel consumption. And the automotive industry seems only too happy to comply with demand, having fought legislation vociferously for years. Instead of lowering fuel consumption, the auto industry has contributed to its growth. “The average fuel economy for new passenger vehicles on US roads is the worst in 20 years, largely because of consumers’ increasing desire for gas-guzzling sport-utility vehicles and pickup trucks” [28].

4.4. Myth 4. The investment industry can provide the strongest incentives

Socially Responsible Investment (SRI) has been hailed as the light on the horizon for driving ethical business forward. Over the last three years, it has grown at a phenomenal pace, on average about 25% per year [10]. Part of the success of SRI has been as a result of new pensions legislation that requires pension fund trustees to declare whether or not they make their investment choices on an ethical basis. The introduction of the FTSE4Good Index has also raised the profile of SRI.

But SRI analysts are still governed by the same rules of the market as everyone else, so can make inroads only in so far as managing social and environmental issues will manage risk. The New Economics Foundation has thus termed SRI ‘ethics lite’ investment [11]. The general method of investment for SRI is engagement—doing what they can to encourage business to do more. In many cases this results in working either with the ‘best of the baddies’—from oil to pharmaceuticals, or indeed investment in sectors that are not perceived to be harmful, like banks, who themselves invest in anything from tobacco to arms. Not that these investments are not responsible, per se but as industries, they make a mockery of trying to tackle 21st century challenges. The pharmaceutical industry continues to play a defensive role in providing accessible affordable medicines for aids-stricken Africa; while the oil industry raises their investment in non-renewables at the same time as flouting their supposed green credentials.

SRI has to make a return on its investments, and investing in fringe businesses that would be considered more sustainable may not always provide the growth necessary to compete in the market place. Furthermore, most SRI funds still represent a fraction of overall stock market investment, and thus have a limited influence over the workings of big business.

5. Where to from here? Redefining CSR

Depending on the question you ask will depend on the answer given. Science is notorious for providing good solutions to the wrong question. For example, as the question, “how can GM technology provide a solution to blindness in India?” immediately assumes that the food is the problem, and technology the solution. This very question resulted in the design and patenting of Vitamin-A enhanced rice by Monsanto. But, as Andrew Simms writes, the domination of corporate interests and the business case in CSR results in somewhat less than considered approach. “What emerges is an automatic cultural bias in the scientific community towards invasive, hi-tech solutions to complex social, environmental and economic problems. Regardless of whether or not they are best—or even appropriate” [27]. If we were instead to have asked: why are so many people in India afflicted by blindness, we might arrive at an answer about poverty and an adequate, balanced diet. A far different set of prescriptions would emerge.

CSR advocates should remind themselves of their original aims—that was, to find ways to deliver solutions to the big global problems of our time: from climate change to poverty to inequality. Business ‘doing well’ by ‘doing good’ may be one catalyst for such an outcome, and could perceivably take us part of the way, but it should by no means be the only one. If the current prescriptions for CSR have resulted in minimal, or worse, perverse outcomes, then we need to look again at an alternative paradigm. A re-brand of CSR is in order.

Thus far, we have asked the seemingly innocuous “how can business minimise its negative impacts on society and the environment?” This naturally resulted in risk-management prescriptions and a defence of the ‘voluntary’ approach to CSR. Yet, if we are to ask a different question, we might come up with a broader set of solutions. A more appropriate question might look like this: *what institutions, organisations or actions do we need to deliver a sustainable society?* The answer lies in understanding the gap between the ethical minnows and the mammoths.

6. The Minnows and the Mammoths

There are two approaches that stand alongside each other in the world of ‘ethical business’: the ethical minnows and the multinational mammoths. First, we have the ‘ethical minnows’—the smaller, niche group of companies aiming to do business differently using a completely different set of rules. These would include companies like Ecover, offering deep-green household cleaning products, to those that have emerged from the Fair Trade movement, like the Day Chocolate Company in the UK or Max Havelaar throughout Europe. Some operate on a co-operative model, such as the Co-operative Bank and so do not have to deliver the same returns as their counterparts within their sector and thus play from a different rulebook.

With the exception of a few companies, like Café Direct who now capture about 8% of the UK’s coffee market, the ethical minnows are always swimming upstream in a difficult and ferocious environment, seldom capturing a sizeable share of their respective markets, according to the latest Ethical Purchasing Index.

Although measurement of this marketplace is just beginning, companies that fall within the ‘ethical minnow’ camp continue to remain within the niche end of their business—usually less than 1% of the overall market [8]. And they are continuously faced with what seems to be an insurmountable set of challenges in their effort to grow. Ethical minnows find it difficult to scale up and their costs are generally higher, so produce a lower return for investors, which makes them more difficult to sell as an investment option. Furthermore, because of relative consumer apathy, mainstream retailers have an inbuilt bias against new and emerging products. So if they do not have enough turnaround, they do not get offered the shelf-space, unless, like Cafe Direct did a few years back, highlighted taste, quality and price before their ethical stance.

Which is what the Mammoths effectively have to do. But unlike the minnows, the mammoths are going in the other direction, always trying to minimise their negative impacts on society and environment, rather than scaling up. But more often, these companies do what they can, within the confines of the market, rather than what they should.

Larger multinationals, from Nike, to British Petroleum have introduced CSR programmes as a way to defend their reputations in the face of single-issue campaigns from civil society. In the case of Nike, the no-sweat campaign has lead to measurable improvements in their factories around the world, but continues to see them justify their inability to pay a ‘living wage’ to their workers [22]. With the oil industry, stakeholder dialogue has been billed by one critic at an industry-led CSR conference as “a clever and intelligent management technique to evade criticism.” It has resulted in more openness with communities about what will happen to them when an oil pipeline is built—but it has yet to result in a cancelling of a project, due to community unrest.

Major multi-nationals like Unilever, Nestlé and Cadbury’s all have CSR programmes, addressing everything from environmental impact and labour standards to community giving. But we are unlikely to see any of these companies offering a Fair Trade version of their product. It would place far too much strain on their profits, not to mention highlighting the negative ways of sourcing for their other product lines. Nestlé’s has even gone so far as to issue lobbying pamphlets aiming to show that the way in which they source products is more ‘fair’ than fair trade [19].

In 2001, following a damaging documentary shown on Channel 4 in the UK about the Cocoa industry, the biscuit, cake and chocolate manufacturers association (BCCCA) has been getting to grips with accusations of child labour and poor working conditions in places like Ghana and Cote D’Ivoire—amongst the main sources of cocoa in the World [29]. But addressing the workings of commodity markets and the continual decline in world prices for Cocoa has yet to make it onto the Boardroom’s agenda.

And as we have seen with the garment industry, the sophisticated codes of conduct ultimately fall prey to the pressures of the market place.

Thus, the minnows are always swimming upstream; trying to compete within a set of rules that do not necessarily reward ethical behaviour; while the mammoths are trudging their way in the opposite direction, even eating up the minnows in the process. BP has only become Britain’s largest producer of solar energy by buying out existing small solar producers. Because of this strategy their entry into the solar market has not resulted in a net increase in solar production [1].

Understanding the dynamic space between the minnows and the mammoths will help us redefine our current trajectory. The minnows define the incentives, institutions and actions that can facilitate or inhibit ethical behaviour. The origins of CSR failed to look into the system of incentives that reward business; and indeed what drives people’s own behaviours. What behaviours or institutions are preventing either from coming closer together? And what alternative choices do actors have within their sphere of influence to change outcomes?

7. Beyond CSR: transforming markets

The evidence presented tells us that CSR will only ever take us part of the way forward, but it will fail to deliver a sustainable society unless we transform markets themselves.

7.1. Institutional reform

First, let us start by looking at the institutions and organisations we might need to deliver a sustainable society. Within the market, the current rules offer some protection for investors, but do nothing to harness the 'winner-takes-all' mindset. Thus, they are inadequate to reward behaviour that contributes positively to social or environmental outcomes, unless there is a high profit to be made in the process. This certainly excludes opportunities for the ethical minnows to compete; while limiting the types of investments the mammoths might be able to undertake were it not for the pressures of short-term gain within the stock market. How do we turn this around? By redefining expectations for short-term double-digit growth; by looking at the workings of individual markets, like within the commodity sector; and by placing some value on non-financial returns (which requires measurement and reporting).

If indeed there is a moral case to be made for business reporting on social and environmental impacts—either to provide information to the market or consumers—then government must act to regulate in this area. The 'materiality' argument, which requires business to consider social and environmental issues where they are 'material' to a business simply has too many flaws [13]. For example, the financial risks of climate change have yet to be felt by the majority of businesses, and thus are considered 'immaterial' by the stock market. It might also spark a more strategic approach on the part of business to see who they have an impact upon and how. The Global Reporting Initiative provides such a framework and is now beginning to make inroads. But such efforts will only go so far, until reporting is made mandatory [9].

Yet until now, public policy interventions are only doing a fraction of what they could be: the UK government's new White Paper on green Energy offers some modest glimmer of hope—the aspirations are certainly positive, but we have yet to see whether or not the actions that back it up are adequate to deliver. Opportunities for tax incentives in renewable energy or even ethical sourcing could provide a powerful lever to enable business to do more. Most important, though, in order to create equal power between the minnows and the mammoths, it is imperative that externalities are internalised. Perverse incentives like fuel subsidies on oil for the transport sector do little to encourage business to source locally, or use alternative forms of transport such as rail.

Our historical lessons tell us that government institutions are ultimately needed to mainstream innovation on behalf of social or environmental goods. From the abolition of the slave trade to regulations over health and safety or protection of the environment, government has had eventually to step in, over the protests of companies, to provide the market with the moral parameters which it would otherwise lack [15].

Lastly, regulation is inadequate without some form of accountability and redress. Until now, the voluntary approach has proved to be somewhat hollow, because it lacked any form of accountability to accompany it. Government could do worse than to provide some form of 'watchdog'—improving business accountability by giving the public some opportunity to challenge business behaviour not just through their consumption or shareholder activities, but through a mediator or ombudsman function.

7.2. What business?

Beyond markets themselves, there is a current lack of clarity about the types of organisations we require to deliver services in our sustainable future—it should not be about simply 'minimising negative impacts.' We are already seeing the phasing out of Coal and Nuclear Energy as non-sustainable forms of energy—oil is likely the next step. A sustainable society would aim to see Tobacco all but gone in the next 20 years; Companies like Phillip Morris, renamed 'Altria' should be looking for a strategy to phase out production of Tobacco; while the Arms industry should begin to engage in its role in conflict. And the cost of capital should become gradually more prohibitive for those companies that do not contribute to a sustainable future. Investors themselves should be required to ask the question, 'does this company meet the aims of a sustainable society?' Right now, the reverse would seem to be more often the case.

As for the minnows, if we are to scale up those businesses, like Fair Trade, that contribute to the alleviation of poverty, we should recognise that this will only ever have a limited lifespan. In the medium term, we need to find new ways to finance the growth of such enterprise—alternative stock markets which allow for 'Social return on investment.' But over the long-run, our ultimate goal would be to transform markets in such a way as to not need 'niche' businesses like Fair Trade. Beyond responding to immediate concerns for poverty reduction, people need to earn a higher living wage in the developing world, if only to provide markets for economic growth and the sale of new products in future.

7.3. Changing behaviours/modifying actions

It is relatively easy to define the institutions that are needed to manage the global commons. It is far more difficult to instigate the behaviours necessary to get there. There are grand actions—government taking leadership and regulating, for example, and there are smaller steps. Each of us, within our sphere of influence, has choices to make that could lead towards the grand actions themselves: Malcolm Gladwell's famous 'Tipping Point' model comes to mind.

But to get there, we need to unpack the existing 'chain of pressure' within the marketplace, from consumer behaviour, right through to the different layers within businesses, and ultimately, the investment community in order to define the current types of decisions and behaviours that each point within the chain makes, that now help to maintain the status quo. "Anyone wanting to change the behaviour of fund managers needs to look closely at the incentive system within which they are obliged to operate." [17]. Furthermore, it is necessary to have the ability to define alternative behaviours, at all levels within and outside organisations, which might enable different, more sustainable outcomes.

7.4. Consumers confidence

The passive consumer does have the ability to move beyond apathy, as has been demonstrated by the successes of a few 'ethical minnows.' But individuals, too, have abdicated their responsibility for what and how they consume. Governments are finding new ways to alter consumer behaviour—such as various pay-as-you-charge schemes, like London's congestion charge, or Toronto's garbage scheme. The responsible consumer, as opposed to the 'ethical consumer' is a trend that has yet to be tapped for the future of ethical business. Understanding consumer motivations, beyond price, too (and indeed how to change these) is a critical piece of the puzzle.

7.5. Revolution by middle managers?

Successful social movements of the past, from the Suffragettes at the turn of the century, right through to the Fuel Protests just a couple of years ago, have only succeeded when the middle classes have caught on. Argentina's recent bankruptcy has only held the attention of the international community, because it has seen the fur-cladded middle class housewife take to streets. Is there a possibility of bringing about more active change through catalysing the middle managers that seem to sit silently within companies, making decisions that are apparently outside of their control?

Campaigners have had moderate successes in attacking single companies on a particular issue—Balfour Beatty on the Illisu Dam project; BP for its activities in Alaska or Shell in the Ogoniland, Nigeria. But rather than the monolithic company, we need to get beyond its walls to the 60,000 employees within it. What options does a finance officer have when he or she makes decisions? Are their social and environmental outcomes of their decisions? And can they be rewarded on that basis, beyond profit alone?

7.6. Limited leaders

Corporate Leaders, of course, have an enabling role to play beyond what they seem prepared to currently accept. One of the primary barriers to government action is the fact that the business community is silent on matters of social and environmental regulation, even if it might further their long-term aims. Jean-Pierre Garnier, Chief Executive of Glaxo Smith Kline has notably called on business to do more in the world of charity—yet he lacks the courage to address the structural problems that result in the need for charity in the first place—like re-designing intellectual property rights; or restructuring profit models that results in the CEO earning extraordinary sums of money, even when profits go down [20].

Part of the problem lies in the role of the company, as dictated by company law, which is to respond to investors first and foremost. One of the more effective levers for change would be to inspire leadership from company directors, perhaps most effectively through non-executive directors who have a wider interest beyond financial performance.

8. Conclusions—The future?

Is big business to blame for the state we are in? Perhaps not. They are simply acting within the confines of a marketplace that for the last decade or more, is myopically focussed on creating 'shareholder value.' The demand for reporting on quarterly profits—a trend which started in the US and has recently been reinforced by the European Union's proposal for legislation in this area—means that investments in long-term sustainability issues will continue to be sacrificed where there is no immediate financial return to be made.

But the current state of play does not necessarily have to dictate the future, either. For those advocating for change, the methods fall between vague incrementalism and revolution. As Futurologist Yorick Blumenfeld writes, "Suggesting any radical new path for the economy is full of risk. Economics is serious business. The very lives of billions of people are dependent upon it. That is why pragmatism usually overwhelms anyone tackling basic economic reform" [4, 304]. But incrementalism eventually leads to its own demise, and may even sow the seeds for more catastrophic outcomes. CSR is no different.

Much of the problem lies within our assumption about what business is for. If it is to serve society's needs rather than dictate them, then we might be far less defensive of maintaining the status quo. How rational is it for business to fight regulation by voluntarily developing their own codes and standards, spending inordinate amounts of time trying to define what stakeholders want, producing glossy reports and so on, while at the same time using their public affairs groups to defend any threat of intervention by regulators? Would it not be wiser to support the idea of regulation that would enable business to understand what society's expectations are and plan accordingly?

In Africa, Unilever has been distributing condoms through its distribution sources, as an immediate strategy to combat Aids. But there is a troubling, if not irrational dilemma when business assumes the responsibility for public health away from governments. Would it not be more rational for Unilever to find a way to work with public authorities to enable them to do the job, rather than confusing the space between public and private agendas?

Of course, from the outside, it is easy to argue that this short-sightedness will fail a business in the long-run. But our market system of risk and rewards do not necessarily lead to business considering the longer-term implications of their behaviour—the unintended consequences.

Journalist and author David Boyle finds that big companies actually perpetuate the trap that seems to have been created. Their structures, systems and approaches towards creating big global brands ultimately leads us towards technocratic solutions and a myopic approach towards making money. "Technical innovation is, to some extent, still driving the way we live. But the real challenges are social" [5, 273].

The Ethical Minnows, however, seem to offer a gem of inspiration. One could foresee a future whereby big business no longer exists at all. What the ethical minnows have is an ability to innovate: to be closer to the people that produce and consumer their products and develop products that serve, rather than drive human need. They tend to drive out the middle-man and make new rules that satisfy a social end. The New Economics Foundation, amongst others, have called this 'social innovation.'

But a future of 'minnows' demands boldness, institutional and individual change. It probably also requires a system of Global Governance that seems unlikely to be achieved in the near future. Ultimately, the future of ethical business will rely on an acknowledgement that several pressures, beyond the business case, need to come together to bring about more substantial change—from regulation, to behavioural change. Whether this turns out to be a small shift to the side of CSR, bending it to fit our aims, or in fact a radical re-brand of the CSR agenda will have to be seen.

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