



Beyond Corporate Responsibility: The 'Spiritual Turn' and the rise of Conscious Business

Gianni Zappalà

The Centre for Social Impact (CSI) is a partnership between the business schools of the University of New South Wales, the University of Melbourne, Swinburne University of Technology and The University of Western Australia. It brings together the committed hearts and business heads of the philanthropic, not-for-profit, private and government sectors in pursuit of social innovation. It provides socially responsible business management education and research in the common cause of building a stronger civil society for Australia.

The CSI background papers review academic, media or government commentary on a topical issue and its impact on the third sector.

Opinions expressed in these papers are those of the individual authors and do not necessarily represent the views of the Centre for Social Impact.

Abstract

A key movement concerned with reforming business that has grown in influence and acceptance over the last two decades is Corporate Responsibility (CR). While it has attracted criticism from across the political spectrum, it is fair to say that it has also achieved much in a relatively short space of time. Nevertheless, we need to ask whether CR and the CR movement can transform business practices such that the corporation can be the type of organization that will assist society address some of the key challenges we face in terms of human and environmental sustainability. This paper suggests that the answer is no if CR continues down the path of many previous reform movements and becomes 'captured' by the dominant business school models which are still linked to the 'modern world view'. The answer could be yes if CR takes a different path, one that is still being paved, but that is embedded within the 'emerging world view', which is informed and underpinned by the new spirituality. The paper outlines five schools of thought or movements that are beginning to move beyond CR informed by the emerging world view and 'spiritual turn' occurring in society. These five schools of thought are grouped under the term 'Conscious Business'. This work has in common the desire to overcome the limitations of CR and move beyond it to provide clues to what the corporation of the 21st century might look like.

'To restore integrity to the corporate form we must reconcile its programmed, mechanical drives with its nature as a lifelike system in touch with human needs' (Robert Monks)¹

Introduction

This is the third paper in a series on the relationship between spirituality and business.² In the first paper, I examined the conceptual and definitional issues surrounding the term spirituality and suggested that part of the confusion and difficulty in defining spirituality is that the terms spirituality and religion have traditionally been used synonymously.³ The paper also outlined the polarization of views that has occurred more recently between spirituality and religion and the attempts to reach reconciliation between them. Three main disciplinary approaches (theological, psychological and biological) were identified that have attempted to reconcile religion and spirituality and in the process outline what they see as an 'appropriate' definition of spirituality. It was argued that the biological view offers the best starting point for examining spirituality in the context of business and organizations.

The second paper focused on the reasons that may account for the increased interest in spirituality.⁴ It suggested that a significant factor that may explain or contextualize the increased interest in spirituality is that we are experiencing a shift in world views – away from the previously dominant materialist and Modern world view towards an Emerging world view informed by a new spiritual consciousness. Within this macro-level shift certain economic, socio-political, and demographic changes were also discussed. In totality, this shift is leading people and organizations towards taking what has been described as a 'spiritual turn'. Both these papers also noted the growing scholarly interest in spirituality.

This third paper expands upon some of the concepts and ideas outlined in the previous papers and begins to examine what the shift in world views means for organizations and for the concept and practice of Corporate Responsibility (CR).

There are two widely held and generally accepted propositions. First, humanity and the planet are facing some of the most significant challenges in terms of survival that perhaps we have ever faced. The list is depressingly long but well known – global warming, environmental degradation, species extinction, continuing global poverty and so on. Second, that one of the institutions responsible for many of the items on the list can now, *faute de mieux*, also potentially play a key role in addressing those very issues. The institution is of course the corporation, an institution that has evolved over the

¹ Robert A.G. Monks, *The Emperor's Nightingale – Restoring the integrity of the corporation*, Oxford, Capstone, 1998.

² An edited version of this paper was presented as a keynote address at the Spirituality, Leadership and Management (SLaM) 7th National Conference, 'Leadership for the emerging world', Sydney 11-14 February 2010.

³ Gianni Zappalà, 'Spirituality is the new black...and it has a social impact! Part I – definitions and concepts', CSI Background Paper No.1, May, 2009.

⁴ Gianni Zappalà, 'Spirituality is the new black ...and it has social impact! Part II – Explaining the increased interest in spirituality', CSI Background Paper No.3, June, 2009.

last 400 years and gone from humble beginnings to become the dominant economic organizational form. From the first joint stock companies to the global corporations of today – to what Wade Rowland has referred to as the 'cybercorporation', a term that reflects the integration of machine and human elements in the almost autonomous and self regulating modern corporation of today.⁵ The creation and evolution of the corporation has brought us (at least in the West) material prosperity never dreamed of and with its rise to power on such a grand scale have also come concomitant calls for greater corporate responsibility and accountability.

Such calls and movements for reforms are not new but have emerged and disappeared with the evolution of the corporation. A key movement concerned with reforming business that has grown in influence and acceptance over the last two decades is Corporate Responsibility (CR). Beginning with initial writings on trying to clarify the social responsibilities of business in the 1950s to more holistic frameworks based on notions of Corporate Citizenship in the 1990s, there has now developed a significant body of literature, practice, advisors and thought leaders that have attempted to re-frame the nature of the social contract between business and society.⁶

Leaving aside the semantic minefield of trying to precisely define Corporate Responsibility, stated simply, CR can be seen as an amalgam of earlier notions of Corporate Social Responsibility (CSR) – that business had a series of different types of responsibilities to society (e.g. economic, legal, ethical and philanthropic) with the concept and practice of Stakeholder theory. Later refinements have used the lens of citizenship or sustainability but the message or intent is the same: understanding and minimizing a company's negative impact or footprint on society and a broad range of stakeholders including the planet and environment, its employees, the communities in which it operates and the governments which make the laws.

While CR in its various guises has attracted criticism from across the political spectrum, it is fair to say that it is not a fad and has achieved much in a relatively short space of time. It has primarily been a response from business to regain the legitimacy and trust that it once enjoyed. With the victory of western liberalism by the end of the last century, the broader CR movement (a loose alliance of thinkers, practitioners and activists) has also been about making capitalism more humane, or 'civilising' the corporation and giving capital a human face.⁷

The aim of this paper is not to provide a review of CR or the CR movement. Nevertheless, CR has reached a state of maturity and broad acceptance among business, business schools, governments, and the media that it is timely to ask whether CR and the CR movement can *transform business*

⁵ Wade Rowland, 'Reflections on metaphor and identity in the Cyber-Corporation', *Journal of Business Ethics*, 90, 2009, pp.15-28.

⁶ Sandra Waddock, 'Parallel universes: companies, academics, and the progress of corporate citizenship', *Business and Society Review*, 109(1), 2004, pp.5-42.

⁷ On the notion of a CR movement see Sandra Waddock, *The Difference Makers: How social and institutional entrepreneurs created the Corporate Responsibility Movement*, Sheffield: Greenleaf Publishing, 2008; and 'Making a Difference? Corporate Responsibility as a Social Movement', *Journal of Corporate Citizenship*, 33, April, 2009.

practice such that the corporation can be the type of organization that will assist society address some of the key challenges it faces in terms of human and environmental sustainability or will the corporation continue to be part of the problem?

Like many complex questions the answer inevitably depends on a variety of contingent factors. The answer is *No* if CR continues down the path of many previous reform movements and becomes 'captured' by the dominant business and business school models which are still engrained within the 'modern world view'. The answer is *Yes* if CR goes down a different path, one that is still being paved, but that is embedded within an 'emerging world view', a view which is informed and underpinned by a new spirituality.

So before we move onto examining CR in a little more detail, it is important to situate the discussion within the broader concept of world views. People and the institutions they form all think and act according to the assumptions of a particular world view. Having a model of the world is foundational to most people contemplating (if not answering) the most basic existential questions. World views however also create constraints – they keep us and the institutions we lead and work in from seeing the assumptions that underlie our beliefs and subsequently our behaviour. As a recent report stated:

An increasingly greater proportion of people are recognizing that habitual ways of thinking and doing must change or we risk catastrophic outcomes. And yet the shifts in perspective being called for seem to exceed our capacity to respond. We are constrained by a limited way of thinking about the world and our potential – a worldview – that we have inherited from the past and that may be incapable of overcoming the challenges it has created.⁸

Many people now acknowledge that we are standing at a point of transformation (a place between world views) and as has occurred at other times in history (e.g. the Copernican revolution) the dominant world view is nearing its use by date. The transition in world views has implications for a range of societal institutions such as the corporation and those interested in its reform.

The modern world view, the corporation and Corporate Responsibility

This section provides a vignette of the influence that the modern world view has had on organizational life. The modern world view (from approximately the 17th Century to the mid 20th) morphed into being with the coming of the enlightenment and the scientific advance associated with the Industrial Revolution, and has been on the decline since the mid 20th century. During this time the church was stripped of its legitimacy of being the sole and authoritative interpreter of the world with this role passing largely to the nascent group of scientific professionals. The spiritual and the sacred became the preserve of the subjective self and 'external reality' was a neutral object devoid of spirituality and

⁸ Institute of Noetic Sciences, *The 2007 Shift Report: Evidence of a World Transforming*, INS, 2007.

open to investigation using the techniques of the scientific method and also to control and manipulation by humans.

Newtonian science, with its mechanistic laws was able to interpret and predict the behaviour of cosmic events as well as becoming the basis for much of the West's material progress. The Newtonian world view was also influential in the design and functioning of institutions. Like the science that dominated this era, organizations were seen as mechanical systems that operate according to linear, predictable, controllable processes. The whole was nothing more than the sum of the largely isolated and separate working parts. Organizational problems are therefore often referred to with terms that reflect this design influence, such as organizations suffering from a 'silo mentality', or organizational re-engineering.

When working well, the organization was a well functioning machine with management its 'mechanical engineer'. This led to a 'mechanistic management paradigm' based on seeing relationships solely in terms of cause and effect, and the use of similar tactics to address seemingly similar issues. Jobs were viewed as a series of pieces that could be assembled into tasks and then segmented into departments and functions (hence the problem of 'silos'). In order for this to work effectively, employees require clearly defined roles and position descriptions that are kept to clearly delineated areas. Authority is vertical and hierarchical and the tacit and explicit knowledge of employees is manipulated to achieve organizational goals. As leading organizational theorists put it:

We focused on creating organizations as well oiled machines designed by bright engineers. Organizational leaders, or teams, could figure it all out ahead of time. If they were smart, the machine worked well. If their design failed, they simply went looking for another solution to impose upon us.⁹

This was and in many cases still is the world of 'spiritually uninformed' management with the two archetypal management ideologies being scientific management – where managers create scientifically/rationally designed organisational contexts and Systems rationalism – where managers design organisations as information-processing machines, with forecasting, planning, and controlling functions.¹⁰ As Zohar and Marshall summarize:

Today's capitalism was conceived by a small handful of British Enlightenment philosophers inspired by Newtonian physics. It was the work of thinkers like Adam Smith...who admired Newton's work and who in their turn contributed to Frederick Taylor's paradigm of scientific management theory.¹¹

⁹ Margaret J Wheatley & Myron Kellner-Rogers, 'Breathing life into organizations', *Journal for Quality and Participation*, July/August, 1995, p.1.

¹⁰ Miguel Pina e Cunha, Arménio Rego, & Teresa D'Oliveira, 'Organizational Spiritualities – An Ideology-Based Typology', *Business & Society*, 45(2), 2006, pp. 211-234.

¹¹ Danah Zohar & Ian Marshall, *Spiritual Capital – wealth we can live by*, Bloomsbury Publishing, London, 2004.

This mechanistic world view led to the subjugation of human traits such as feelings, desires, motivations, *spirituality*, and connectedness to others and nature. The assumptions of neo-classical economic theory which was trying to model itself on the science of the time held sway, namely, humans are primarily driven by economic factors and act to maximize their utility – *homo economicus* was king and the 'heart and spirit of being human disappeared from organizations'¹².

Combined with a legal structure and framework that buttressed the neo-classical economic vision, the organization moulded by the modern world view emerged as the classical profit and shareholder maximizing model of the business corporation.

The limitations of Corporate Responsibility

This sketch is necessarily simplified and elides several progressive developments that have occurred in both the theory and practice of the business corporation during this time. Nevertheless, it is true to say that this perspective is still dominant in most organizations and business schools. The most recent and significant challenge to it has come from the Corporate Responsibility movement. At one somewhat simplistic level, the success of the CR movement is evidenced in several ways, for instance:

- The websites of most global corporations are likely to contain a tab with one of the following labels: Corporate Social Responsibility; Corporate Citizenship; Corporate Responsibility; or Sustainability outlining what it is doing in this area;
- Many (if not most) of these companies will also have a comprehensive report outlining the company's policies and practices in each of the various spheres or dimensions in which it has an impact: the workplace, the supply chain, the environment, the community and so on;
- Many reports will have been externally verified and assured and will list the various responsibility ratings and indexes they are a part of;
- One can point to the extensive range of soft-law initiatives at national and international levels such as the Global Compact, the Global Reporting Initiative, the AccountAbility AA1000 standards, the OECD Guidelines for MNEs, ISO 14000 series, Social Accountability 8000, most recently ISO26000 and so on to which most global corporations now adhere;
- Some countries such as the UK have appointed Ministers for Corporate Citizenship, others have enacted legislation making some form of sustainability reporting mandatory;
- The concept and practice of multi-sector partnerships between business and civil society organizations and at times government is now the norm in many countries;
- The mainstreaming of the concept and practice of responsible investment while not yet reality has made considerable progress, assisted most recently by the United Nations Principles for Responsible Investment (PRI) initiative;

¹² Wheatley & Kellner-Rogers, op.cit. p.2

- Units of study on Corporate Responsibility (often as core units) are now relatively common place within most MBA programs, not to mention specialist Masters and MBA programs in sustainability and CR. According to the Aspen Institute, seven out of ten business schools it recently surveyed require students to take a course on business and society, a 30% increase on 2001;¹³
- There has been an explosion of books and specialist Journals (both scholarly and practitioner) on CR;¹⁴
- Finally, many Universities in Australia and overseas have now established teaching and research centres in the area of CR.¹⁵

There are undoubtedly other indicators that can be pointed to suggestive of the CR movement's achievements. Yet it is also fair to say that doubt remains about the broader and deeper impact that CR has made on sustainable development and significant societal issues.¹⁶ Most of the CR guidelines, standards and reporting frameworks that have been developed over the last decade have remained primarily at the level of capturing companies' inputs and in some cases outputs with respect to their social, environmental and economic initiatives. They generally remain silent with respect to outcomes and impact of CR initiatives on the target group.¹⁷ Instead the focus of measurement has been instrumental in nature – on the impact of CR initiatives to the company itself so that 'we know much more about the business case, and company attitudes, awareness and practices, than we do about how CSR affects the major areas of social and environmental change where its proponents claim it has an impact...we know surprisingly little about the impact of CSR in developing countries, or about its contribution to social justice'.¹⁸ The aim of this paper is not to provide a thorough critique of CR but rather to highlight seven areas that illustrate the limitations of CR and its modern world view origins.¹⁹

1. The integration of Corporate Responsibility

One of the mantras of the CR movement has been on the importance of achieving Corporate Responsibility integration, or embedding CR policies and practices within and across all the key functions and operations of a company. In brief, CR integration refers to companies that have managed or at least attempted to align CR with business objectives within the overall company strategy; integrated CR across all or most operations and functions and institutionalized it via the

¹³ Aspen Institute, Beyond Grey Pinstripes, www.beyondgreypinstripes.org

¹⁴ See for instance the *Journal of Corporate Citizenship*; and *Ethical Corporation*.

¹⁵ For Australia see the Centre for Social Impact at YNSW; the Asia-Pacific Centre for Sustainable Enterprise at Griffith University; the Graduate School of Management at La Trobe University. Key centres in the US include those at the Kennedy School of Government at Harvard, the Center for Responsible Business in the Haas School of Business at University of California, Berkeley, and the Boston College Centre for Corporate Citizenship.

¹⁶ See Ralph Hamann, 'is Corporate Citizenship making a difference?' *Journal of Corporate Citizenship*, 28, 2007, pp.15-29.

¹⁷ Denni Ari & Gianni Zappalà, 'Why do companies ignore measuring the social impact of their Corporate Community Involvement programs?' CSI Briefing Paper No.4, August, 2009.

¹⁸ Michael Blowfield, 'Reasons to be Cheerful? What we know about CSR's impact', *Third World Quarterly*, 28(4), 2007, p.693

¹⁹ For comprehensive non-Friedmanite critiques see S. B. Banerjee, *Corporate Social Responsibility – the good, the bad and the ugly*, Edward Elgar, 2007; Joel Bakan, *The Corporation – The pathological pursuit of profit and power*, NY, Free Press, 2004.

embedding of strategies, policies, processes and systems into the fabric of the company.²⁰ In other words, CR is built in rather than bolted on and CR takes a central role in the strategic decision making process within companies. Integrated CR is often contextualised as a mature stage within broader developmental models of the evolution of the CR concept and practice and supposedly began to emerge at least a decade ago.²¹

It is difficult to reach an overall or universal conclusion on the extent to which CR has in fact reached an 'integration' stage. This is due to a wide range of differences in the studies that have included measures or indicators of integration such as: country of origin, the size of firms, whether attitudes or actual behaviours and practices are measured, whether survey or case study based, whether it was undertaken by academic researchers or consulting firms, the time of the study, and the role of the respondent (e.g. CEO, functional head, CR manager).

Nevertheless, research suggests that an integrated approach to CR is not widespread. In contrast, it has been limited to a few 'leader' companies over the last 10 years, with CR generally not linked to business strategy, operations or functions in most companies. Measurement of CR processes and outcomes is weak or non-existent and minimal training is provided at all levels regarding the relationship between CR and the nature of the business. While there is some evidence that CR is exercising the minds of Boards and top management (especially in terms of risk management and reputation), there is little real leadership provided at this level. In contrast, CR remains fragmented and reactive.²²

Non-academic studies also confirm this picture. To provide just a small selection, a McKinsey & Co survey of Global Compact members undertaken in 2007 found that even though almost three quarters of CEOs (72%) agree that CR should be embedded into their strategy and operations, only half thought their firms did so. Only 60 per cent thought that CR should be infused into their global supply chains, with just over a quarter (27%) doing so. In another McKinsey & Co survey of corporate philanthropy undertaken in 2008, the personal interests of the CEO and Board (with respect to the recipients of support) were perceived as more important (49%) than alignment with business needs (23%). In yet another McKinsey & Co survey conducted in 2009, just over half (53%) of CSR professionals did not know what effect their ESG programs had on shareholder value; less than a quarter (21%) of CFOs believed they had no effect at all and an equal amount (22%) did not know.²³

²⁰ Allen White, 'Fade, integrate or transform? The future of CSR', BSR, 2005.

²¹ P. Mirvins & B. Googins, 'Stages of Corporate Citizenship', *California Management Review*, 48(2), 2006, pp.104 – 126; Simon Zadek, 'The Path to corporate responsibility', *Harvard Business Review*, December 2004, pp.125-132.

²² Bradley K Googins, Philip H Mirvis & Steven A Rochlin, *Beyond Good Company – Next Generation Corporate Citizenship*, NY: Palgrave Macmillan, 2007; Sylvia T Kinnicutt & Philip Mirvis, *Structure and Strategies – Profile of the Practice 2008: Managing Corporate Citizenship*, Centre for Corporate Citizenship, Boston College, 2009.

²³ Cited in Peter Shergold, 'Global Financial Crisis and economic downturn: Implications for Corporate Responsibility', Issues Paper No.1, Centre for Social Impact, May, 2009.

2. The role & place of the CR function

Related to the previous point is the issue of how CR is organised and managed within companies and whether it is conducive to an integrated approach. CR proponents point to the fact that the CR function has experienced a professionalisation and growth over the last decade with a commensurate rise in its power and influence. This is evidenced by the increase in dedicated CR departments and managers within companies. In one US study, for instance, 71% of companies had a department that owned and managed CR, with 70% of the CR departments employing between 1 to 10 full time employees and over a quarter (28%) of the companies surveyed having a full time senior executive responsible for CR.²⁴

The few studies that have been undertaken on the organization of CR however suggest that the CR function, whether institutionalized through a dedicated department or as a role within another department lacks resources and power. They have found that:

- Those that head CR units are generally not integrated into top executive teams;
- CR managers are rarely given access to decisions about investment strategy or risk;
- Many CR managers have never worked in another corporate function, casting doubt on their ability to integrate it throughout the organisation;
- CR managers/teams are often located in Public Relations or Communications units, suggesting that CR is primarily seen as being about portraying the right external image;
- Where there are stand alone CR departments, they tend to work most closely with departments responsible for Human Resources, Marketing and Communications/PR compared to Accounting/Finance, Legal, Production/Operations and Procurement/Supply Chain, once again suggesting that CR is less likely to be integrated into core decision making processes;
- The CR function and/or department has a relatively small budget; and
- CR teams rarely influence the traditional business model.²⁵

As some have pointed out, there is 'an industry of CR that has created a myth that corporate responsibility is at the core of company behaviour...many of the things they say in (sustainability reports) they have no way to verify. And they have no way to integrate it into their daily business...corporate responsibility teams have no power. Saying that corporate responsibility people have any powers is a fundamental intellectual dishonesty that permeates the CSR industry...even very large companies...usually have only four or five people in the corporate responsibility team. How can they have any real impact across the organization?'²⁶

²⁴ Kinnicutt & Mirvis, op.cit.

²⁵ Ibid; Interview with Jonathon Porritt, former Chairman of the Sustainable Development Commission in the UK, in *Ethical Corporation*, September 2009.

²⁶ Chandran Nair cited in Rajesh Chhabara, 'Service with an ethical smile', *Ethical Corporation*, October 2009.

A somewhat harsher critique relating to CR integration is that if CR was truly embedded in corporations then a separate CR function would not be required at all. A sign that CR has succeeded (in an integration sense) would be that there were no longer any CR departments within companies, that total integration of CR means that everyone is responsible for it. The reality is that in those companies that have reached a certain level of CR integration, the CR department often operates primarily as an internal advisory role to the various business functions to whom responsibility for CR has been devolved, but its lack of influence on core business strategy remains.

3. The Business case

Companies engage in CR initiatives for a variety of reasons including reputation and brand management, Public Relations, employee engagement, gaining a social license to operate, regaining trust and deterring regulation. Binding all these factors together is what is usually referred to as the business case for Corporate Responsibility, or as David Vogel has stated, often the 'most important driver of corporate interest in CSR is the argument that good corporate citizenship is also good business'.²⁷ The aim is not to enter into the debate that has been the exclusive focus of CR researchers – namely trying to establish and confirm (in one direction or the other) the empirical relationship between corporate responsibility and corporate financial performance but whether this should in fact be the main driver for companies to act responsibly. As some have pointed out, would we argue for *corporate irresponsibility* if corporate responsibility was shown to lead to lower profits?²⁸ As Margolis and Walsh have argued the business case argument validates the very behaviour (i.e. putting profits first) that CR proponents are trying to change!

Furthermore, as Vogel documents, the market for virtue has limits and not all CR activities and initiatives will necessarily result in improved profitability. It may do so for some firms in some cases, depending on a range of factors, but it can and has just as easily result in negative impacts on profitability for other firms in different circumstances.²⁹

4. Incentive structures

Incentive structures guide our behaviour every day whether we admit to it or not. They do so at home, work and the activities we participate in. Corporations are no different and their behaviour is influenced and driven by the myriad internal and external systems of rules and norms that have developed alongside the evolution of the corporation. These incentive structures and signals include but are not limited to the purpose of the corporation as it has become ingrained and understood in corporations law, the current structures of ownership and governance and internal performance management and pay systems.

²⁷ David Vogel, *Market for Virtue: The potential and limits of corporate social responsibility*, Brookings Institution Press, 2005, p.11.

²⁸ Joshua D. Margolis & James P. Walsh, 'Misery loves companies: rethinking social initiatives by business', *Administrative Science Quarterly*, 48, 2003, pp.268-305.

²⁹ Vogel, *op.cit.*; A McWilliams & D Siegel, 'Corporate social responsibility and financial performance: correlation or misspecification?' *Strategic Management Journal*, 21, 2000, pp.603-609.

Overall, it is fair to say that there has been little to no change in the main incentive structures that drive corporate behaviour since the first modern day corporations appeared 400 years ago. Notwithstanding the greater acceptance that so-called ESG (environmental, social and governance) factors now have in some sections of the financial markets, a short-term perspective remains dominant due to the pressures from an unholy trinity of financial analysts, share options, and hedge funds. CEOs continue to narrowly focus on quarterly earnings results with the state of the share price a daily obsession. Most incentives remain perverse and continue to encourage the externalisation of costs and impacts that adversely affect society and the environment.

Some of the most insightful analysis in this area has been done by Lawrence Mitchell, professor of law at George Washington University, who highlights two types of incentive structures that are increasingly encouraging corporate irresponsibility. The first is what he terms the 'role of roles'. We all fulfil several different roles in our lives. While most roles are not legally proscribed, many are socially defined, that is, society sanctions what is seen as appropriate or inappropriate role behaviour. Mitchell argues that the role of the 'corporate manager' (a term he uses to capture directors and executives of corporations) has been redefined to that of profit maximiser and in particular maximizing short-term shareholder profit. Ironically this shift occurred at the same time as the rise of the CR movement. He writes:

Every corporate manager knew...that his or her company will be be punished by the stock market if it fails to meet its quarterly earnings projections...every manager knows that powerful institutional investors will seek his or her dismissal if the stock price falters. Add to this the corporation's traditional shield of limited liability...and the role created for managers was to externalize all of the costs of shareholder profit maximization onto everybody but the shareholders'.³⁰

Societal role construction and expectations of behaviour by managers are therefore the first type of perverse incentives when it comes to the corporation. The second type of perverse incentives are those that relate to the compensation and bonus systems of directors and executives. Once again the bulk of these incentive schemes give primacy to short-term maximization of profits and share price such that 'only the most extraordinarily public-minded of managers would be willing to allow her corporation to incur the short-term costs even of avoiding actions that might be harmful to community, environment, or workers.'³¹ As Mitchell concludes, even the 'most elegant statements of social responsibility and corporate ethics will matter little if the incentives driving the actors constantly undercut the public statements and principles'.³²

³⁰ Lawrence E Mitchell, 'Roles and incentives – the core problems of corporate social responsibility', *Ethical Corporation*, September, 2005.

³¹ *ibid*

³² *Ibid.*

5. Public policy

The last decade has also seen an increased attempt by the CR movement to highlight the role of government and public policy in CR. A spectrum of options has been outlined ranging from a minimalist endorsing role to an interventionist regulatory role based in hard law.³³ Different countries have followed different routes but several general observations that illustrate the limitations in this area can be made. First, CR is not on the public policy or public agenda in any significant way and when it is the debate tends to get stuck in a 'voluntary' versus 'mandatory' framework. Reforms that have occurred have been ad hoc and piecemeal, often in response to crisis events and incidents from single companies rather than a well intentioned and systematic approach. Enquiries that have been undertaken in the CR area have tended to have a narrow focus such as on the appropriateness of directors' duties or trustee law rather than a broad based approach encompassing the overall role and purpose of the corporation.³⁴ A broader and more inclusive public policy approach would put questions such as 'What is the central purpose of the corporation?'; 'Why and for whom do corporations exist?' at centre stage. In contrast, corporate purpose as seen in public policy generally remains narrow and focused on profit and shareholder value rather than for the public interest and benefit. In short, corporate purpose in public policy remains informed by 19th century law and traditions rather than 21st century challenges.

There are two further points which continue to limit public policy with respect to CR. The first is that the judiciary still plays a dominant role in driving and shaping the corporation, a role that commenced in earnest at the start of the 19th century. The judiciary has been instrumental in defining corporate rights but generally remaining silent with respect to corporate responsibilities. This was highlighted only recently with the latest U.S. Supreme Court ruling that further reinforces the doctrine of corporate personhood by overturning corporate spending limits in federal elections, which some fear will further entrench corporate power in the public policy process.³⁵

The second point relates to perceptions which can often be more powerful than reality, and that is that the corporation as it exists has come to be seen as 'untouchable', as an institution that is naturally structured in the way that it is and always will be, as something similar to 'natural law'. This perception is quite ingrained among business school students in particular who tend to assume that the companies behind the well known brands and products have always been there, or at least assume that the corporate form and structure beneath them is 'normal' and an unchanging part of the economic and social landscape. The reality – that corporations are the creatures of legal, social and

³³ Gianni Zappalà, 'Corporate citizenship and the role of government: The public policy case', Research Paper No.4 (2003-04), Information and Research Services, Dept. of the Parliamentary Library, Parliament House, Canberra, 2003.

³⁴ See for instance the two recent inquiries in Australia: the Parliamentary Joint Committee on Corporations and Financial Services into Corporate Responsibility and that of The Corporations and Markets Advisory Committee into CSR. For a review of these and other similar inquiries for other countries see Shelley Marshall & Ian Ramsay, 'Stakeholders and Directors' Duties: Law, Theory and Evidence', University of Melbourne Law School Research Series, 2009.

³⁵ Citizens United v. Federal Election Commission, January 2010. For analysis see Ronald Dworkin, 'The "Devastating" decision', *The New York Review of Books*, 57(3), February 25, 2010.

political systems and can be subject to contestation and change by legislatures, parliaments, and social movements has somehow been conveniently forgotten. Public policy makers need to be reminded of Robert Dahl's dictum that 'Business corporations are created and survive only as a special privilege of the state...Corporations exist because we allow them to do so'.³⁶ Indeed, they would do well to remember that the corporation as an organisational form was banned for close to a century by an Act of the British Parliament in the 18th Century.³⁷

6. Employees as stakeholders

It has become common to hear CEOs and Senior Executives state that a key reason their company has embarked on CR is for their employees. Employees are a key driver and supposedly a key beneficiary of CR initiatives. The nature of the relationship between CR and Human Resource Management (HRM) however is symbiotic.³⁸ On the one hand, CR provides new tools that can potentially assist organisations implement best practice HRM that provides benefits to the organisation and employees. These include engaging employees in Corporate Community Involvement activities, employee volunteer programs, and workplace giving which are argued to be important ways for eliciting employee commitment, engagement and trust. On the other hand, the achievement of CR outcomes largely depends on employees' willingness to collaborate and their perceptions that the company's approach to CR is genuine and ethically driven. Employees are after all the foot soldiers responsible for implementing a company's corporate citizenship policies and programs and therefore need to be motivated and committed to do so.³⁹

An earlier criticism was that the HRM function appeared to be largely absent from CR policy within companies given the supposed benefits for employees and that this did not bode well for a genuine and integrated approach to CR.⁴⁰ As expressed among some consultants, CSR – HR = PR! A seeming paradox has emerged from the evidence – that despite signs that the HRM function has been playing a greater role in CR and employees continue to be the primary target of CR communications, employees still appear to be the least informed stakeholder group within companies when it comes to CR.⁴¹ One likely explanation is that companies' CR efforts continue to remain externally focused for reputation and PR reasons and genuine employee engagement is yet to occur. It is a viscous cycle for without the active support and commitment of employees CR will remain superficial but in order to achieve that support and commitment CR must first be seen to be genuine.

³⁶ R.A. Dahl, 'Governing the giant corporation', in R. Nader & M.J. Green (eds) *Corporate Power in America*, NY: Grossman Publishers, 1973. p.11.

³⁷ John Micklethwait and Adrian Wooldridge, *The Company: A Short History of a Revolutionary Idea*, NY: Modern Library Chronicles, 2003.

³⁸ Nicole Renee Baptiste, 'The symbiotic relationship between HRM practices and employee well-being: A Corporate Social Responsibility perspective' in David Crowther & Nicholas Capaldi (eds), *The Ashgate Research Companion to Corporate Social Responsibility*, Ashgate, 2008

³⁹ Jane Collier & Rafael Esteban, 'Corporate social responsibility and employee commitment', *Business Ethics: A European Review*, 16(1), 2007, pp.19-33.

⁴⁰ Gianni Zappalà, 'Corporate citizenship and Human Resource Management: A new tool or a missed opportunity?', *Asia Pacific Journal of Human Resources*, 42(4), 2004, pp.185-201.

⁴¹ Kinnicutt & Mirvis, op.cit.

7. Accountability

The final limitation relates to corporate accountability which can be simply defined as the 'extent to which companies acknowledge, assume responsibility for and are transparent about the impacts of their policies, decisions, actions and products'.⁴² There are of course several mechanisms to hold corporations to account but the focus of the CR movement has been on sustainability reporting. Accountability is about power, in particular the power of stakeholders to use information being disclosed about CR to hold companies to account.⁴³ And one might well conclude that progress has been made at least with respect to disclosure. There is evidence that at least among the largest global corporations sustainability reporting has gone mainstream. The most recent KPMG survey conducted in 2008 for instance suggests that four in five (80%) of the largest 250 companies globally issued a sustainability report (up from 50% in 2005). The factors for this once again vary, for instance some countries now have mandatory sustainability reporting laws for certain types and sizes of companies and of course reputation and PR considerations once again come into play.

What this alludes to is whether we can be confident that sustainability reports are in fact providing a genuine account of corporate behaviour and impact. As a spokesman for the Australian Shareholder's Association observed, 'It seems to be that any sustainability reporting is coming more from a company's marketing and reputation departments, rather than us seeing any effective – any real – change in processes'.⁴⁴ This raises the issue of assurance as well as the ability of stakeholders to engage with the accountability process. Not only has the extent of sustainability report assurance lagged behind reporting levels, but reviews of best practice in sustainability reporting and assurance have found little evidence that stakeholder concerns are being genuinely addressed.⁴⁵ In other words apart from the focus remaining on financial stakeholders the evidence to date suggests that sustainability reporting and assurance is not only varied in quality but is still some distance away from bringing stakeholders truly into the accountability equation.

One could continue to point out several other areas that illustrate the limitations of CR. Such limitations have been highlighted by commentators and scholars from across the political spectrum. By and large the solutions of those that are critical of CR because they feel it has not gone far enough in reforming the corporation are to propose a greater role for government regulation, such as making CR reporting mandatory. It is also fair to say that most critics and their proposed solutions, especially those on the Left, remain within the modern materialist world view perspective.

⁴² AccountAbility, AA1000, *Accountability Principles Standard*, 2008, AccountAbility.

⁴³ Stuart M Cooper & David Owen, 'Corporate social reporting and stakeholder accountability: The missing link', *Accounting, Organizations and Society*, 32, 2007, pp.649-667.

⁴⁴ Stuart Wilson, Australian Shareholders Association, cited in Ashley Midalia, 'Sustainability: not a big read', *Australian Financial Review*, 21 May, 2008.

⁴⁵ Brendan O'Dwyer & David Owen, 'Seeking Stakeholder-Centric Sustainability Assurance', *Journal of Corporate Citizenship*, 25, 2007, pp. 77-94.

The problem is that the change brought about by CR is limited because (with some minor exceptions), CR has primarily developed and been shaped within the same modern world view that gave birth to the corporation itself, a world view that denies the potential for organizations to have spiritual and relational aspects. To borrow the well known comment from Albert Einstein, 'you cannot solve a problem from the same consciousness that created it. You must learn to see the world anew'. Or as Newell recently put it, 'CSR is ultimately and inherently a product of the neoliberal political economy from which it emerged and which aims to legitimate and advance, reproducing its modalities, technologies of governance and failings'.⁴⁶

The origins of CR have meant that it has been primarily instrumental in approach and attempted to address symptoms rather than root causes. As Pruzan has noted 'the current focus is primarily on how to operationalize CSR – how to integrate it into the corporation's vocabulary, policies, stakeholder communications, and reporting systems. In this rush towards pragmatism something very important is missing: a sincere inquiry into what corporate leaders really mean when they speak of responsibility at the individual and organizational level'.⁴⁷

As was noted earlier, a new CR function has been created but it is a function that leaves the essential nature of the mechanistically designed corporation intact. It merely creates another 'silo'. To an extent this is also reflected in the way that CR is being taught within MBA programs and business schools, as yet another 'functional unit' (usually elective rather than compulsory) that sits alongside (usually uncomfortably) the traditional fare of Corporate Finance, Management Accounting, Operations, Corporate Law and so on. For CR to be integrated in the corporation it also needs to be integrated throughout every unit of the business school curriculum, not seen as a 'soft' elective. CR is being taught, implemented and practiced in the classic mechanistic linear fashion beloved of the modern world view with a focus on governance, risk management and the business case. Rarely do texts or courses on CR acknowledge the history of the corporation, essential to understanding not only the reasons for CR but its limitations, nor can they envisage a future where the corporation as we know it today no longer exists.

The emerging world view, the corporation and Conscious Business

So the important question is not whether CR can transform business practice. As has been argued, it cannot – for the simple reason that CR as it has come to be conceived and practiced is on the whole part of the consciousness that created the corporation and its limitations are rapidly being exposed. How then do we move beyond CR? First, questions of corporate reform need to be situated and framed within a new world view. Second, the questions themselves need to go back to first principles,

⁴⁶ Peter Newell, 'CSR and the Limits of Capital', *Development and Change*, 39(6), 2008, pp.1063-1078. (p.1069)

⁴⁷ Peter Pruzan, 'Spirituality as a firm basis for Corporate Social Responsibility', in A.Crane, A McWilliams, D.Matten, J. Moon & D.S. Siegel (eds) *The Oxford Handbook of Corporate Social Responsibility*, Oxford: Oxford University Press, 2008, p.553.

namely, 'If we were to design the corporation so that it was informed by the emerging world view, what would it look like? What features would it have - in terms of governance, the workplace, leadership, incentive systems and so on?

It is first useful to sketch some of the key features of the emerging world view. It is a world view that is difficult to characterize as we are in a period of transition from a rapidly deteriorating modern world view to a new vision which is still in the process of formation – a time of 'cross pressures' between the narratives of science-based materialism and an emerging spirituality.⁴⁸ A useful summary of this emerging world view has been provided by Bourne:

Humanity finds itself in the midst of a major shift in world view. Such a shift involves a fundamentally new way of perceiving the world, the environment, each other, and ourselves... the shift involves a movement away from a material view of the universe and our place in it to a more spiritual view... Nature is no longer merely a neutral object for scientific investigation or a resource for industrial exploitation. It is a sacred order infused with intelligence and purpose – one with which humanity needs to cooperate.⁴⁹

Just as Newtonian science was a key part of the modern world view the rise of the new science of Complexity is a critical part of the emerging world view.⁵⁰ The main shift that has occurred in the basic paradigm of science is from the metaphor of the machine (belonging to the modern world view) to that of the self-organizing living organism in the emerging world view. A central concept of the new science is that of 'complex adaptive systems' (CAS), systems where organization arises spontaneously and can adapt to the changing external environment. Complex Adaptive Systems are characterized by nonlinearity, unpredictability, and instability. They are systems that:

- Are less amenable to being controlled;
- Cannot be broken down into more simple parts;
- Are characterized by the whole being greater than the sum of its parts;
- Emerge through self-organization (a spontaneous ordering process); and
- Adapt and evolve with the environment.

This 'new science' has led to the welcoming back of human traits such as creativity, passion, *spirituality*, meaning, connectedness, and the link to nature and ecosystems.⁵¹ The new scientific world

⁴⁸ Charles Taylor, *A Secular Age*, Mass.: Harvard University Press, 2007.

⁴⁹ Edmund J Bourne, *Global Shift: How a new worldview is transforming humanity*, Oakland, CA: New Harbinger, 2008, p.53

⁵⁰ There are several very good expositions of Complexity and Chaos theory, see for instance Fritjof Capra, *The Web of Life: A New Scientific Understanding of Living Systems*, New York: Anchor Books, 1996; J. Gleick, *Chaos: the making of a new science*, New York: Penguin Books, 1987; Stuart Kauffman, *At home in the universe: the search for the laws of self-organization and complexity*, New York: Oxford University Press, 1995.

⁵¹ Margaret Wheatley, *Leadership and the new science, Discovering order in a chaotic world (3rd Edition)*, San Francisco: Berrett-Koehler, 2006.

view is consistent with notions of spirituality that emphasize aliveness, mindfulness, embodiment, oneness, belonging, connectedness and relational consciousness.⁵² Importantly, the emerging world view 'restores a *profound sacredness to the world*, but one that is entirely different from the medieval sacredness that existed prior to the Renaissance and Scientific Revolution'.⁵³ And just as organizational life was influenced by the modern world view so too it will be and is being moulded by the emerging world view. In brief, this is the world of 'spiritually informed' management and 'holistic organizations'.⁵⁴

One of the seminal books that illustrate how organizations can be designed and influenced by the emerging world view is *Spiritual Capital*, by Danah Zohar and Ian Marshall. They define spiritual capital as, 'a sense of wider meaning, the possession of an enlivening or inspiring vision, the implementation of fundamental human values, and a deep sense of wider purpose as the "commodities of exchange"'.⁵⁵ They see Spiritual Capital as a genuine and deeper form of CR, one that goes beyond CR as spin or as a defensive strategy. Their framework draws upon developments in Complexity theory to develop a model of organisational design and change (Spiritual Capital) and the means to build it (Spiritual Intelligence or SQ). From each of ten principles of Complex Adaptive Systems (such as self-organization, emergence, holism, bounded instability and adaptation) they show how it informs its potential counterpart at an organizational (and individual) level to develop twelve principles of Spiritual Capital and Spiritual Intelligence (e.g. Self awareness, Spontaneity, Vision & value led, Holistic, Compassion, Celebration of diversity, Field-independent, Asking why?, Reframe and Positive use of adversity).⁵⁶

The remainder of this paper highlights a range of ideas and work that like *Spiritual Capital* are beginning to move beyond CR. And hence to the sub-title of this paper for much of this work is informed either explicitly or implicitly by the emerging world view and is generally influenced by the 'spiritual turn' that has occurred in society broadly since the end of the 20th century and is also making its way through a range of academic disciplines.⁵⁷ This work is loosely grouped under the term 'Conscious Business'. My use of the term implies that the conceptualization (and practice) of the corporation contains at least some of the following features:

That corporations:

- Have a purpose that goes beyond the maximization of profits or share price;

⁵² Capra, op.cit. & Fritjof Capra, *The hidden connections: A science for sustainable living*, London: HarperCollins, 2002; Zappalà, Part I, op.cit.

⁵³ Bourne, op.cit, p.53

⁵⁴ Miguel Pina e Cunha et al. op.cit.

⁵⁵ Zohar & Marshall, op.cit.

⁵⁶ Interestingly some scholars within the CR field have explored the application of Complexity to the corporation and its role in society but unfortunately this had little influence, see, for instance the two articles by William C Frederick, 'Moving to CSR4 – What to pack for the trip', *Business & Society*, 37(1), 1998, pp.40-59; and 'Creatures, Corporations, Communities, Chaos, Complexity – A naturological view of the corporate social role', *Business & Society*, 37(4), 1998, pp.358-389.

⁵⁷ Zappalà, Parts I and II, op.cit.

- Are managed for the benefit of all stakeholders in their ecosystem;
- Are led by spiritually evolved and conscious servant leaders;
- Are seen, designed and operate as complex adaptive systems;
- Are about the creation of Financial, Social, Human and Spiritual capital;
- Enable people to bring their whole selves to work and nurture their spirituality through meaningful work and opportunities for community connectedness; and
- Are informed by the emerging world view.⁵⁸

A key focus of much of this work is on overcoming the limitations of CR and so move beyond it and begin to provide clues to what the corporation of the 21st century might look like.

Corporate Re-design

The first is the work of 'Corporation 20/20' based at the Tellus Institute in Boston. Through their work over the last few years they have begun to address the design challenge of the 21st century – how can corporations be designed so that social, environmental and financial considerations are core to their operation?⁵⁹ This movement recognizes that CR has limits and is part of the corporate design of old. Instead, transforming business practice requires both external and internal transformation of the corporation and consciously re-designing the current corporate architecture with respect to law, charters, governance, internal incentives and the relationship with money markets. Unlike existing public policy discourse it directly addresses the purpose of the firm and the systems and structures that will sustain that purpose. Implicitly recognizing aspects of the emerging world view, two of the movements key founders acknowledge that the corporation should not be designed as a machine but conceived as a living organism:

'The corporate system is analogous to an organism that has lost its capacity to self-regulate. Living systems...have feedback loops that modulate growth. Yet in the corporation, all feedback systems seek the same relentless ends: faster growth, limitless scale, and greater short-term profits'.⁶⁰

Importantly, they recognize that we must go back to the drawing board and have therefore articulated six key principles that should guide and inform the design of the corporation of the future. The first principle refers to *Corporate Purpose* and states: 'The purpose of the corporation is to harness private interests to serve the public interest'. This is about fundamentally returning to some of the original intentions behind why corporations were created when they were granted a Charter by the Crown to

⁵⁸ The first three features are from 'What is conscious capitalism', Bentley University (www.bentley.edu/conscious-capitalism/conscious-capitalism.cfm)

⁵⁹ Marjorie Kelly & Allen White, *Corporate Design – The missing business and public policy issue of our time*, Tellus Institute, Boston, 2007; Marjorie Kelly & Allen White, 'From Corporate Responsibility to Corporate Design – Rethinking the purpose of the Corporation', *Journal of Corporate Citizenship*, 33, 2009, pp.23-28.

⁶⁰ Kelly & White 2007, op.cit., p.5.

undertake particular activities that were considered in the public interest. It is about accepting that corporations have a broad range of responsibilities (including profitability) but not at the expense of the public good.

Several years ago for instance corporate lawyer turned corporate reformist, Robert Hinkley, put forward a proposal for a Code of Corporate Citizenship to redefine the doctrine of shareholder primacy in corporate law.⁶¹ He suggested that simply adding 28 words to the duty of directors to maximize profits could over time ensure corporations' rights were balanced with obligations and that the costs of dealing with negative externalities were internalized. The proposed Code would add the following words: '...but not at the expense of the environment, human rights, the public health or safety, the communities in which the corporation operates or the dignity of its employees'. He went on to outline how the Code could be implemented and enforced and is a good example of how some of the external architecture and incentive systems that guide corporate behaviour can begin to be redesigned.

The second principle relates to *Capital* and states that: 'Corporations shall accrue fair returns for shareholders, but not at the expense of the legitimate interests of other stakeholders'. This is about reconfiguring the relationship between corporations and the capital markets through public policy measures (e.g. capital gains tax on short-term trades) as well as redesigning some of the incentive schemes discussed earlier (e.g. introducing longer periods of time that shares need to be held before voting rights are granted; changing compensation plans and so on).

The third principle is *Sustainability* and states: 'Corporations shall operate sustainably, meeting the needs of the present generation without compromising the ability of future generations to meet their needs'. The aim here is to embed sustainability principles and policies within the corporation's governance structure, namely at Board level and may involve existing practices such as Board sub-committees responsible for sustainability as well as more significant changes like establishing dedicated Board seats for sustainability experts.

The fourth principle relates to *Wealth*, and states that: 'Corporations shall distribute their wealth equitably among those who contribute to wealth creation'. This is once again moving away from shareholder primacy by ensuring that all stakeholders that contribute to a firm's profits share equally in its distribution. This may involve the introduction of different profit distribution models that would be reviewed at Board level to ensure the equitable distribution of profits to all contributing stakeholders; public policies to encourage and even mandate employee ownership and profit sharing schemes.

The fifth principle is about *Governance* and states: 'Corporations shall be governed in a manner that is participatory, transparent, ethical and accountable'. The governance of a corporation is the centre of power, symbolically and in law. The aim here is to ensure that those in the seat of power are able to bring the refashioned purpose of the corporation to life and articulate a broad based and holistic vision

⁶¹ Robert Hinkley, '28 words to redefine Corporate Duties – The Proposal for a Code for Corporate Citizenship', *The multinational monitor*, 23(7/8), 2002.

that goes beyond profitability. Redesign with this principle in mind may involve examining current models of company ownership, voting rights, Board membership, Board focus and ensuring Boards are able to track progress with respect to sustainability issues.

The sixth and final principle refers to *Polity* and states that: 'Corporations shall not infringe on the right of natural persons to govern themselves, nor infringe on other universal human rights'. This principle once again draws on the origins of the corporation and is about accepting that they are creatures of the State and the State is the institution which confers their rights which must be exercised within (and not transgressing) the wider social and public interest. This might mean constraining the ability of corporations to participate in the political sphere via lobbying and campaign contributions.⁶² It also means that the rights of artificial personhood enjoyed by the corporation for much of its history do not take precedence over natural person rights such as internationally recognized human rights.

According to the authors these Principles can be implemented through a process of what they term 'facilitated internalization', where guidance and oversight is provided by government, corporations undertake a degree of compliance together with pressure and vigilance from civil society organizations through perhaps a Charter renewal process. Furthermore, since the articulation of these principles the movement has held two 'Summits on the Future of the Corporation' whose published proceedings have begun fleshing out a variety of policies, internal and external incentives and frameworks consistent with the principles that would enable the re-design of the corporation for the 21st century.⁶³

The B Corporation

Another initiative which is beginning to re-design corporations in a direction similar to the Corporation 20/20 movement is the B Corporation movement where the B stands for 'beneficial'. A nonprofit entity called the 'B Lab' was first formed in Philadelphia in 2006 in the U.S. and provides certification standards for companies that wish to become 'B Corps', of which there are now over 200 from across 50 industries. Once again addressing the purpose of the corporation is a key part of this movement, with the aim that corporations use the power of business to solve social and environmental problems.

B Corporations move beyond CR because they must meet comprehensive and transparent social and environmental performance standards (an assurance process which provides a degree of confidence to employees, consumers and investors) and they institutionalize stakeholder interests as B corporations must make legal changes to their articles of incorporation to ensure their Boards also consider the interests of employees, communities and the environment. B corporation boards are therefore able to take a long-term view of their best interests. The B corporation movement is seeking to harness the power of ethically conscious consumers, investors (both individual and institutional) and government procurement to grow and expand the number of B corps and is also working to introduce

⁶² On this point see also Robert B Reich, *Supercapitalism: The Transformation of Business, Democracy, and Everyday Life*, Random House, 2007.

⁶³ See Allen White & Marjorie Kelly (eds) *Summit on the Future of the Corporation*, Tellus Institute, 2007; Allen White (ed) *2nd Summit on the Future of the Corporation – Paper series on restoring the primacy of the real economy*, Tellus Institute, 2009.

legislation on a new corporate form in California that would radically broaden corporate purpose and introduce higher standards of transparency and accountability.⁶⁴

Hybrids

Related to the B Corporation movement is the growing rise of so-called 'hybrid organisations', many of which are also B Corporations.⁶⁵ Hybrid organizations are ones that are both market-oriented and mission-centred and attempt to address societal and environmental challenges by using business models embedded with values-based missions. These organizations blur the distinction between nonprofit and for-profit entities and are linked to emerging trends in social enterprise and social business.⁶⁶ As one of the co-founders of Corporation 20/20 has stated these hybrid organizations' '... ownership, governance, capitalization, and compensation structures – are designed to support this dual mission...it is this design that enables companies to escape the pressure to maximize short-term profits and instead to fulfill a more fundamental purpose of economic activity: to meet human needs and be of benefit to life'.⁶⁷ Such organizations are now also benefiting from the increase of mission investing among some sectors of the investment community and social purpose venture capital funds.⁶⁸ A recent survey and case study based review of hybrid organizations found that they achieve their dual purpose by:

- Employing innovative products in niche markets;
- Leveraging patient capital to meet their non-financial objectives;
- Encouraging shared rather than top-down leadership; and
- Maintaining consistently high levels of environmental sustainability integration throughout their operations.⁶⁹

In addition, those that were found to be best practice were embedding their mission in the business model and all key decisions across the organization; had close personal connections with suppliers, producers and customers; exercised patience with respect to financial and non-financial goals; scaled their business within defined limits so as not to jeopardize their social mission; and competed on quality rather than price.⁷⁰

Corporate Social Entrepreneurship

Another related concept and movement which is perhaps less an attempt to move beyond CR than making it a more powerful change agent is Corporate Social Entrepreneurship (CSE), also known as

⁶⁴ *B Corporation Annual Report 2009*; See also Jenna Lawrence, 'Making the B List – The B Corp seal of approval distinguishes truly responsible businesses from mere poseurs', *Stanford Social Innovation Review*, Summer, 2009.

⁶⁵ Brewster Boyd, Nina Henning, Emily Reyna, Daniel E. Wang, Matthew D. Welch, *Hybrid Organizations: New Business Models for environmental leadership*, Greenleaf, 2009.

⁶⁶ Cheryl Kernot, 'Social Enterprise: A Powerful Path to Social Inclusion', CSI Issues Paper No.5, 2009

⁶⁷ Marjorie Kelly, 'Not just for profit', *strategy+business*, 54, Spring, 2009.

⁶⁸ Janette Corcoran & Kylie Charlton, 'Background Issues to Addressing Disadvantage in Social Investment', CSI Issues Paper No.6, 2009

⁶⁹ Boyd et al, *op.cit.*

⁷⁰ *Ibid*

Social Intrapreneurship.⁷¹ Expressed simply CSE is an attempt to bring together some of the practices and thinking of Corporate Social Responsibility, Social Entrepreneurship and Corporate Entrepreneurship and has been defined as 'the process of extending the firm's domain of competence and corresponding opportunity set through innovative leveraging of resources, both within and outside its direct control, aimed at the simultaneous creation of economic and social value'.⁷² In other words, it is about companies applying the principles of social entrepreneurship within their organisation in order to generate economic and social value.

The authors identify five key elements to the process of CSE:

- *An enabling environment*: an entrepreneurial mindset championed from the top is required together with performance measurement indicators for economic and social value so that the creation of social value is integrated into the business;
- *The Corporate Social Intrapreneur*: this role is different to that of the traditional CSR manager, as CSE requires internal change agents and champions that will create innovative solutions to entrenched social problems. CSE is not about managing CSR programs but creating disruptive change to pursue new opportunities;
- *Corporate Purpose*: similar to the other movements, CSE also requires re-thinking the traditional purpose of the corporation and making social value generation an essential component in the organisation's mission and values;
- *Value Creation and the Double Return*: also similar to some of the concepts discussed earlier, CSE also requires moving from a position of maximising returns to investors to one of optimising returns to all relevant stakeholders. The process of social value creation needs to be embedded in reporting systems and given the same weight as traditional financial measures;
- *Co-generating value*: finally, CSE requires that firms form strategic alliances with other organisations in business, government and civil society such that the combined strength of different and complementary skills, resources and competencies can be applied to social problems.

It is still too early to judge if CSE is indeed as some have suggested the 'new wave in CSR' or a different approach to integrate CR into an organisation⁷³ or a trendy term that will fall by the way side, although empirical work is being undertaken in several countries and it does contain aspects consistent with Conscious Business such as the need to redefine corporate purpose, a multi-stakeholder focus and social value creation.

⁷¹ James Austin & Ezequiel Reficco, 'Corporate Social Entrepreneurship', *The International Journal of Not-for-Profit Law*, 11(4), 2009, pp.86-92.

⁷² Ibid

⁷³ Jane Simms, 'Innovation's new frontier', *Director Magazine*, October 2008

Spirituality at Work/Organizational Spirituality

The final movement goes by several names – Spirituality at Work, Workplace Spirituality, Organizational Spirituality and Spirituality and Management. Although it is a broad church the main focus of this work has been to explore how spirituality (defined in a variety of ways) manifests in organizations, workplaces, and the people that lead and work within them and what impact it has on organizational and employee performance. While it would be misleading to suggest that this work has become part of the mainstream of business and management studies, it has nevertheless achieved a degree of acceptance as evidenced by:

- The publication of several special issues of management journals dedicated to the issue of spirituality and organizations, spirituality and the workplace and/or spirituality and leadership;⁷⁴
- A growing number of conferences, books and articles on the same topics including the first handbook on spirituality and workplace performance in 2003⁷⁵ and the founding of the academic *Journal of Management, Spirituality and Religion* in 2004;
- The formation of an approved interest group on Management, Spirituality and Religion as part of the Academy of Management in 1999;
- An increasing number of courses on spirituality and business being offered in MBA programs and the establishment of academic centres for teaching and research in the area in at least eight universities in North America including Princeton, Yale and Harvard.⁷⁶

The aim is not to review what is now an extensive literature as several good reviews exist but make some observations on its role in the 'beyond CR' context.⁷⁷ The first point to note is that by its very focus the Spirituality at Work research is informed by the emerging world view which as was noted restores the sacred to our understanding of the world. The themes it addresses, such as people's need to bring their whole selves to work, the need for meaningful work, of the workplace and organisation as an important site for community and interconnectedness, of spirituality as a basis for leadership, are all integral components that need to be kept in mind in any redesign of the corporation for the 21st century. Leaving aside the debate as to whether organisations (as opposed to those that comprise

⁷⁴ See for instance: *Journal of Management Inquiry*, (2000, 2005); *Journal of Managerial Psychology* (1994, 2002); *Journal of Organizational Change Management* (1999, 2003, 2004); *Journal of Management Education* (2000); *Organization* (2003); *Leadership Quarterly* (2005)

⁷⁵ R.A. Giacalone & C.L. Jurkiewicz (eds), *Handbook of Workplace Spirituality and Organizational Performance*, Armonk, NY: M.E. Sharpe, 2003.

⁷⁶ On MBA courses, see C. Driscoll & M. McKee, 'Restorying a culture of ethical and spiritual values: A role for leader storytelling', *Journal of Business Ethics*, 73, 2007, pp.205-17. In 2008 I developed and taught the first (to my knowledge) graduate course on spirituality and business at the University of Sydney as part of the Master of Public Policy/Public Affairs program.

⁷⁷ See most recently Jerry Biberman & Ien Tischler (eds), *Spirituality in Business – Theory, Practice, and Future Directions*, NY: Palgrave Macmillan, 2008.

them) can ever be 'spiritual'⁷⁸ the corporation of the future must at least enable those that work within it to express and develop their spirituality, it must 'recognize that workers are spiritual beings whose souls are either nurtured or damaged by the work.'⁷⁹ To this extent then, it is important for the previous bodies of thought outlined above to learn from and take greater interest in the insights from the Spirituality at Work movement.

The second point is less positive, and that is, somewhat ironically, that much of this work has 'its origins in the positivistic social science paradigm exemplified by psychology and other social sciences [which] emphasizes the importance of objectivity and the tools and approaches of the scientific method'.⁸⁰ This has in part led to an instrumental approach to the topic with an overwhelming focus on whether spirituality in the workplace improves organisational performance, on 'demonstrating the correlation and, if possible, causality, between a spirit-friendly workplace and enhanced organisational performance, the business case for organisational spirituality'.⁸¹ This usually involves empirically testing how workplace spirituality (defined by survey responses to questions about the extent to which an employee's work is meaningful and provides a sense of purpose; the extent to which an employee feels a sense of community at work; and the extent to which an employee's values are in alignment with the organization's values and mission) relates to organizational outcomes such as organization commitment; employee intention to quit; work satisfaction; job involvement; and organization-based self-esteem.⁸²

Interesting though it may be, it is at times hard to distinguish some of this work from that in mainstream disciplines like Human Resource Management or Organisational psychology that examine similar issues only without labelling it spirituality. The Spirituality at Work literature is often about the extent to which there is an alignment between the individual and the organisation, rarely is the focus on challenging the underlying purpose, structure and incentives of the corporation. There is a similar instrumental focus in many of the studies examining spirituality and leadership.⁸³ And the same criticisms that were made earlier with respect to CR and its focus on the business case apply just as much if not more with respect to Spirituality at Work, for as some have suggested this business case perspective 'is another form of neo-liberalism in that it aims at capturing the hearts and souls of individuals for financial gain'.⁸⁴

⁷⁸ Reva Berman Brown, 'Organizational Spirituality: The Sceptic's version', *Organization*, 2003, 10(2), pp. 393-400.

⁷⁹ Donde P Ashmos & Dennis Duchon, 'Spirituality at work: A conceptualization and measure', *Journal of Management Inquiry*, 9(2), 2000, pp.134-145. (p.136)

⁸⁰ Jerry Biberman & Len Tischler, 'Introduction' in Biberman & Len Tischler. Op.cit, p.5

⁸¹ Eve Poole, 'Organisational Spirituality – A Literature Review', *Journal of Business Ethics*, 84, 2009, pp.577-588 (p.577)

⁸² See for example, John Milliman, Andrew J Czaplewski & Jeffery Ferguson, 'Workplace spirituality and employee work attitudes – An exploratory empirical assessment', *Journal of Organizational Change Management*, 16(4), 2003, pp.426-447.

⁸³ See for instance Louis W (Jody) Fry, 'Spiritual Leadership: State-of-the-Art and future directions for theory, research, and practice' in Biberman & Tischler, op.cit.

⁸⁴ Marjolein Lips-Wiersma & Venkataraman Nilakant, 'Practical Compassion: Toward a critical spiritual foundation for Corporate Responsibility', in Biberman & Tischler, op.cit, p.57.

The third point to note is that despite over a decade of research publications, conferences, and centres of research and teaching, the Spirituality at Work and the CR movement have by and large ignored each other. Only recently has some acknowledgement between the two emerged and this has come more from the former attempting to provide a spiritual framework or underpinning to traditional CR. For instance, there is a brief chapter on Spirituality and CSR in the *Oxford Handbook of CSR*⁸⁵ and a chapter on spirituality as a critical basis for CR in an edited collection on Spirituality in Business.⁸⁶ A recent edited collection, *Spirituality and Corporate Social Responsibility*, attempts to make a more explicit connection between the two fields although disappointingly few of the individual chapters within the book actually explicitly address the two areas together.⁸⁷

There needs to be greater dialogue and integration of ideas and concepts between those in the Spirituality at Work and CR camps in order to maximize the contribution to the wider Conscious Business movement. As has been argued with respect to CR, the Spirituality at Work movement needs to acknowledge and address some of the fundamental design flaws of organizations as well as understanding the ways in which spirituality may manifest and be nurtured within organizations. This is beginning to occur and there is the potential that it can further enrich the work being undertaken in the broader frame of Conscious Business. As some within the Spirituality at Work camp recently concluded 'to become a force for social change...Workplace Spirituality needs to work with and give meaning to the tensions that arise from acting in accordance with a purpose beyond profit in a neo-liberal business climate'.⁸⁸

Conclusion

This paper is the third in a series that examines the intersection of spirituality and business. It began by outlining two propositions: that society and the planet face significant challenges to their continued survival as we know it and that one of the institutions responsible for threatening that survival, the corporation, can potentially play a key role in addressing those challenges. A key movement concerned with reforming business that has grown in influence and acceptance over the last two decades is Corporate Responsibility. While it has attracted criticism from across the political spectrum, it is fair to say that it has also achieved much in a relatively short space of time. Nevertheless, several limitations of CR were outlined that suggest that it is unlikely that the current state and development of CR can *transform business practices* such that the corporation can be the type of organization that will assist society address some of the key challenges we face in terms of human and environmental sustainability.

⁸⁵ Pruzan, op.cit

⁸⁶ Marjolein Lips-Wiersma & Venkataraman Nilakant, op.cit.

⁸⁷ David Bubna-Litic (ed), *Spirituality and Corporate Social Responsibility – Interpenetrating Worlds*, Gower, 2009.

⁸⁸ Marjolein Lips-Wiersma & Venkataraman Nilakant, op.cit, pp.69-70.

It was argued that these limitations stem primarily from the fact that CR is a product of the same modern world view that witnessed the birth of the corporation itself. CR has been primarily instrumental in approach, addressing symptoms rather than root causes, and is taught, implemented and practiced in the classic mechanistic linear fashion beloved of the modern world view. It fails to acknowledge the history of the corporation and therefore is unable to envisage a future with a different type of institution.

It was suggested that in order to move beyond CR corporate reform needs to be situated and framed within an emerging world view which is informed and underpinned by a new spirituality. Five schools of thought or movements that are beginning to move beyond CR informed by the emerging world view and 'spiritual turn' occurring in society were then outlined. These five schools of thought were grouped under the term 'Conscious Business'. This work has in common the desire to overcome the limitations of CR and move beyond it to provide clues to what the corporation of the 21st century might look like. It has several common and underpinning elements:

- A central aim and tenet is the necessity to re-define corporate purpose;
- That the corporation needs to be re-designed in terms of its internal and external structures, processes and drivers and incentives;
- It is influenced by features of the Emerging rather than Modern world view;
- Value creation is *broader* than the economic and encompasses the social, environmental and spiritual and *longer* in terms of time horizons;
- Shareholder primacy gives way to a multi-stakeholder orientation; and
- All three sectors: business, government and civil society have a role to play in the reform and change process.

Finally, a key argument was that just as an emerging world view is starting to crystallise and take shape so to the CR movement must draw from and embed itself within this new world view if it is to have genuine and deep influence on the future of the corporation. Only then can CR truly transform business practice, otherwise it runs the risk of going the way of many other management fads and corporate reform movements and fade slowly away.

Acknowledgements

Thanks to the participants at the *Spirituality, Leadership and Management (SLaM) 7th National Conference*, 'Leadership for the emerging world', held in Sydney 11-14 February 2010 for the positive response and feedback to the ideas contained in this paper.

About the Author

Dr Gianni Zappalà is an Associate Professor at the Centre for Social Impact, UNSW; Adjunct Associate Professor at the University of Sydney and Director of *Orfeus Research*, a boutique consultancy that assists organizations develop responsible citizenship strategies through research, evaluation and training. He has a First Class Honours degree in Economics & Industrial Relations from the University of Sydney, a Masters (with Distinction) in Political Science from the University of London and a Doctorate from the Faculty of Economics & Politics at the University of Cambridge.

Prior to being appointed to CSI, Gianni has held teaching, research and policy positions at the universities of Sydney, Cambridge, Wollongong, the Australian National University, Parliament House Canberra, NSW Government agencies and The Smith Family. Over the last decade he has consulted with organisations from the business, not-for-profit and government sectors including The Westpac Foundation (currently consultant Executive Officer); Mallesons Stephen Jaques; Fundraising Institute Australia; Mission Australia; WorkVentures; The George Institute and CanTeen.

He has taught and published on a wide range of social and economic policy issues including Corporate Citizenship and Spirituality and Business. At CSI he is responsible for developing and teaching Graduate and Executive courses in Corporate Responsibility and Spirituality and Business as well as contributing to the Centre's other courses in the Social Economy, not for profit management and impact measurement.