needs and feedback, and how it values employees. If innovation is indeed the new social responsibility of business, we need innovations that place customers ahead of profits, treat employees well, and conform to ethical standards. A question that emerges here is whether customers will indeed demand, and be willing to pay for sustainable innovations. Here, behavioral research needs to be combined with ethical awareness-raising in influencing consumer demand in the direction of sustainable products and services.

The urgent conversation that unfortunately seems to remain marginal in many of our discussion is that of how we should (re)define the purpose of the firm. Influencing and responding to “need” in a sustainable way will entail a process of ethical evaluation, i.e., a process of investigating and reconsidering what we value. Ethics refers both to those principles that have emerged as worthy of protection over time, and to the habits that shape our existence on an everyday basis. Contemplating the “ethos” that we want to protect through thought and action is supposed to help us evaluate how we want to live, and what we ought to do to protect what we value. The disciplines of business ethics and CSR have largely been focused at telling us how to “manage” business as usual in more ethical ways, but for some reason, it has stopped asking the first, more important question—namely, how should we live? What should we value? And how should capitalism conform to, and support what we value?

Some authors, like James Gustave Speth (2006) present us with the chilling implications of the continuous growth imperatives of modern capitalism. The question is whether these facts can bring us to challenge the idea that “growth” is how corporate success has to be defined. Unfortunately no-growth arguments tend to pit environmentalists and business leaders against one another in ways that are not always helpful. The challenge lies in identifying the kind of growth that optimizes what we as human beings value. Some companies have already started doing this. Some decide against growth because they feel that sustaining their current product line, employee base and interactions with communities makes more sense as a sustainable relational reality. This does not mean that there is no growth, it just implies growth in different areas, and growth of a different nature. Strengthening relational ties with customers and suppliers, fostering good relationships with their employees, building strong teams, and staying in touch with their local community are some of the most pressing concerns for these companies (Burlingham 2006).

It is clear that considering these questions requires leadership and some broad-based changes in mindsets, which brings us to Dr. Straub’s discussion of
transformational leadership. Transformational leadership, as an alternative to transactional leadership, does allow us to look beyond short-term transactional objectives towards longer-term relationships with a variety of stakeholders. Scholars have also underscored the importance of a leader’s commitment to core values and his/her ability to inspire others to pursue values-driven goals and aspirations (Collins and Porras 2002, 2006). Though transformational leadership has gone a long way towards displaying the importance of values-driven leadership, the focus of this leadership paradigm remains on a few exceptional individuals who display certain specific leadership traits and are assigned to specific positions within a corporate hierarchy. The problem is that when it comes to the sustainability challenge, important as individual leaders may be, they may not be able to drive the changes that are needed at the speed and scale required, and may not have the insight into everyday operational challenges to mainstream the sustainability agenda into every part of the corporation. Within the leadership literature there have been significant research into models that allow us to redefine leadership in more relational terms (Maak and Pless 2006; Painter-Morland 2008), in order to build the kind of networks and relationships that will allow comprehensive moral responsiveness and accountability to emerge and to be sustained.

From the perspective of systemic leadership, leadership is not necessarily restricted to individuals appointed to positions of authority. Multiple authors, drawing on various disciplinary perspectives, reiterate the importance of understanding leadership as something that goes beyond individual “leaders” in order to explore and acknowledge a distributed understanding of leading. For instance, it has been informed by Peter Senge’s work on organizational learning and change, and Karl Weick’s sense-making theories. The basic contention is that an organization cannot properly learn, change or create meaning without the sharing of information and cooperative agreements. In this process, a variety of people and teams “lead” at different moments. Senge and Kaufer (2000) speak about “communities of leaders,” while others make reference to “distributed leadership” (Friedman 2004), or relational leadership (Maak and Pless 2006).

An influential definition of systemic leadership is provided by Collier and Esteban (2000, 208) who describe leadership as “the systemic capability, distributed and nurtured throughout the organization, of finding organizational direction and generating renewal by harnessing creativity and innovation.” This however does not mean that there is no place for assigned leadership roles and hierarchy. Systemic leadership involves a number of different leadership dynamics. Uhl-Bien, Marion and McKelvey (2007, 311) describe these as “administrative,” “adaptive”
and “enabling” leadership. Whereas administrative leadership applies to those assigned to positions of authority, adaptive and enabling leadership are emergent phenomena that allows various individuals to step in and out of the leadership role, and enable others to do so as well, as the situation requires. In facing up to sustainability challenges, we need to work towards broad-based change, on various operational levels, and across organizational silos. Systemic leadership offers the possibility of doing so, and sustaining the responsive leadership patterns that will be required to respond to the challenges as they continue to emerge.

If Dr. Straub succeeded in stimulating some critical reflection within our community, it is because of his ability to focus our attention on certain paradigms that remain firmly in place within contemporary capitalism, namely: fulfill the economic mission first, recognize the creation of the customer need as a crucial component of fulfilling this mission, prioritize employees as important partners, and find the individual transformational leaders to drive this process. As an academic who shares Dr. Straub’s commitment to see sustainable enterprise become a reality, I wonder if we could place the emphases in slightly different places. Could we redefine the economic purpose of the firm as one committed only to values-driven growth? Could we listen to communities’, customers’ and employees’ conceptions of value, before we invent non-sustainable “value” for them? If consumers are inevitably being influenced, could this be done in a way that reflects the priority of creating sustainable enterprises? And could we empower a broader group of people to lead on sustainability, along with the many transformational leaders who may already be committed to the cause, but lack the capacity to mainstream this agenda? Responding to the urgent challenges that face us requires honest and open conversation about these possibilities. Exploring these questions together, as academics and practitioners, is surely our best chance at coming up with some solutions.

Endnotes


References


Sustainability, Neoliberalism, and the Moral Quality of Capitalism

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Abstract: Paradoxically, the rise of neoliberal economic thinking and its rejection of concepts of both state intervention in the economy and the pursuit of purposes by business that are not directly related to profit maximization, has been accompanied by intensified social criticism of business and concerns about sustainability. The article explores the implications of these paradoxes and relates them to active consumerism and to the issue of market externalities.

Key Words: neoliberalism, moral capitalism, externalities

Since the 2008 financial crisis there has been an enhanced debate over the moral qualities of a capitalist economy; and it is a debate that cannot be stilled by insisting that it is not the job of corporations or the market to be concerned with moral issues, and that these are matters for governments (or for no-one at all). Business leaders engaged in corporate responsibility have been aware of this for far longer, but a series of events has brought it to the fore. The behaviour of bankers that produced the crisis itself has of course been one cause of the renewed debate. But there has also been the related concern over growing inequalities that seem to separate a tiny corporate (and especially financial) elite from the rest of the population. Also relevant is a succession of major corporate scandals of various kinds, from Enron in the USA at the end of the 1990s to News International in the UK in 2012. These have not been scandals in shady firms in the margins of the economy...
but, as in the two cases cited, vast corporations which are, particularly relevantly, politically highly engaged and well connected.

The criticisms have also come not just from the margins. In the UK, for example, such leading conservative (and Conservative) newspapers as the *Daily Telegraph* and *Daily Mail* have voiced unease at the conduct of several corporate leaders. During 2011 both *Die Zeit* and *Cicero*, leading organs of centrist opinion in Germany, carried series of articles critical of business. That in *Die Zeit* asked whether capitalism had become evil (*böse*). And behind the more recent causes of questioning loom the large issues of whether our current economic practices are sustainable—issues ranging from the sustainability of practices in the global financial system to climate change.

To ask such a question as whether capitalism might have become ‘evil’ implies that capitalism might also be moral, and that takes us to the heart of a deep, long-running debate. For orthodox economic theory, a firm has neither the duty nor the right to decide what is moral behaviour (Jensen 2001; Sternberg 2000). Its task is to maximize profits. If it tries to do this in ways that morally offends customers, it will lose business and therefore have to change its behaviour if it wants to achieve its goal. In this way, morality would be imposed in the market on firms, not hierarchically by them. If not many customers are interested in morality, then so be it. Capitalism by itself is not capable of being either moral or evil. It responds to the society around it, and cannot display a higher morality than that society. Furthermore, it is not democratic if an economic system imposes certain moral values on people, as state socialism used to do. It is better, it can be argued, if the economy enables us to express our own moral preferences—or not, if we have none—and the capitalist market does this better than any other system. An amoral but open, liberal capitalism is thus seen as the best vehicle for morality in complex, multi-cultural, secularized societies in which many people would like to act in an ethical way, many do not care, and where there is in any case diversity and disagreement over how ethical behaviour is to be defined.

Objections to that line of reasoning mainly take three forms. First, it can be argued that customers lack knowledge of how firms behave, so are unable to judge their moral adequacy. What do I know of the lives of the Chinese workers whose starvation wages and appalling living and working conditions enable me to buy cheap shoes? Or of the environmental damage done to produce some of my favourite goods? Or of the irresponsible trading activities indulged in by a bank in order to get me a mortgage that I would otherwise be unable to afford? If this were really just a matter of knowledge, it could be remedied by publicity campaigns; though
there remains the problem that firms possess far stronger publicity resources than their critics.

But it is not just about knowledge, and this is where a second set of objections appears. The customers for any product might be a small sub-set of the public. And customers have more ‘clout’ the richer they are, as the wealthy make more purchases. A morality shaped solely by customer power is therefore a morality shaped by the rich. Further, our role as customers represents only a small part of our lives. When buying a product I might consider only its price, but when reflecting as a citizen I might think other values are significant. This point becomes particularly important when a third factor is taken into account: the weakness of customers as a disconnected mass of individuals. If I, alone, boycott a bank because of its behaviour in derivatives markets, or a clothing firm because it is paying starvation wages in order to keep the prices of its garments as low as possible, I do nothing at all to change banking or clothing industry behaviour—partly because my action is so small, partly because virtually all banks and all clothing firms have been acting in the same way. All I can do is suffer the pointless inconvenience of keeping my money under my bed or going around in old clothes.

Finally, and most important of all, normal market relationships between producers and customers are not equipped to cope with issues of long-term sustainability. We all have a clear interest in maximizing our gains now at the expense of the long-term future, because expectations of what will happen in the future have to be discounted by uncertainty—including the uncertainty whether we shall ourselves survive into that future. The sustainability issues that affect us today operate over very diverse time spans. If the Anglo-American financial system is not reformed, it may lead us within a few years into a further crisis of the scale of 2008, as trading in high-risk assets is not sustainable. If we neglect climate change, some forms of damage are starting to be felt already—too late for us to affect, while other, larger damage that we might affect will not have an impact for generations.

Individual customers can do nothing about issues of this magnitude, but ethically based movements of customers increasingly believe that, sufficiently organized, they could (Friedman 1995; Hilton 2008). At least they believe strongly that they must try. This customer movement is itself part of the critical reaction against certain kinds of business practice, which does not itself fit easily into the orthodox economics paradigm of how markets work. Economists can predict and explain our behaviour as customers only if we respond to price; all other preferences—for colour, fashion, ethical quality—are matters of taste. It is only a market economy
that makes it easy to express such taste preferences, but economic analysis cannot tell us much about them.

It is impossible to avoid talk of a moral dimension when considering issues of sustainability, as the answer to these issues can never be solved by individual action (Etzioni 1988). Sustainability is a collective, general or public matter, and harnessing individuals’ personal interests to this level usually requires a moral approach and appropriate agencies for organizing individuals around it. For most of human history the logical source of such agencies has been religion; though in most cases religion has needed the support of state power when it has wanted to go beyond faith and exhortation in order to achieve general conformity to its principles (Crouch 2011a). For several centuries now—at least in the European world and its diaspora—the balance has shifted steadily towards the state, and today it is primarily to that institution that people are likely to look when they seek an assertion of values in the conduct of collective life. But the state—like the church before it—often has questionable moral credentials of its own, which renders its exalted role problematic. Further, to bring us back to more familiar territory in discussions of the role of the state, it is often contended that, when states intervene in the economy, whether for moral or other reasons, they interfere with profit maximization and therefore reduce the overall wealth of society and probably increase unemployment. In the modern global economy, they also drive firms away to less scrupulous countries, achieving nothing for the causes at stake. All they do is reduce the job prospects and living standards of their own populations—something which itself might be described as evil.

There is today perhaps more awareness than in the past several decades of these problems, mainly because of the size and range of the sustainability questions that affect us. This is itself a consequence of the growth in human capacity. The more extensive and global our actions, whether in relation to the physical world or in terms of the scope of institutions like a financial system, the more damage we can inflict on the resilience of our environment. At the same time the questions raised over the role of the state leaves those believing in a moral quality to collective life perplexed about what institutions might be appropriate for these tasks. If that search fails, amorality is imposed on all collective action, returning us again to the futile gestures of the isolated individual as the only space for moral action in the economic sphere.

In recent decades objections to political attempts to impose a moral framework on economic life have become increasingly triumphant, as neoliberal ideas about the superiority of markets and corporations over government action have
become dominant. The same ideology has also encouraged us to bring more and more areas of life within the compass of this economic reasoning. Fields like health and education, which in the past were seen as having their own sets of values, have been brought within the market. Not only is profit maximization the sole goal of corporations as such, but it has seemed that no other institutions in society should try to establish alternative goals. Meanwhile globalization has been increasingly separating corporate activity from the values of specific human communities.

We see this process particularly clearly in the growing dominance in corporate law of the Anglo-American model of the firm. This presents the firm with a single goal: the maximization of shareholder value. Nothing else counts. This focuses managers’ attention on making their activities as efficient as possible, maximizing profits and therefore making society richer. It is contrasted favourably by economists with traditional German corporate law, which saw a firm as having several stakeholders in addition to shareholders, including employees, whose interests must be reconciled with each other. The result of this, it is argued, is a confusion of goals, lower profits, and therefore lower wealth creation.

However, the story does not stop there. The years during which the Anglo-American concept was coming to dominate the world were also the years when the idea of corporate social responsibility (CSR), which meant having regard for goals other than profit, was being strongly promoted—and proclaimed by some major enterprises, including many prominent Anglo-American ones. The CSR movement asserted that corporations could not escape having a moral personality. The case has been developed as a response to increasingly intense criticism of the morality of many aspects of corporate behaviour. Arguments about the total priority of shareholder value have failed completely to put an end to controversy over a mass of issues, ranging from the treatment of labour in global supply chains, to the responsibility of western firms in Africa for the spread of HIV/AIDS, to the conduct of investment banks in derivative markets, to very many questions around pollution and environmental damage. Sustainability issues have placed these questions in a more embracing and urgent frame. It is not just a question of whether corporate action does a little social good or avoids doing social harm. If business practices are unsustainable—as for example is the current operation of derivatives markets—then firms are cutting the ground from under their own future feet if they proceed with them. Many corporate leaders have found it necessary to declare that their businesses pursue goals in these areas, alongside profit maximization.

Important voices from business argue, not just that concern for sustainability can be reconciled with profit maximization or may be necessary for longer-term
maximization, but that firms that listen to changing public moods on these issues are likely to be generally in touch with the societies from which their customers come, and therefore also likely to be sensitive to new market opportunities, and therefore be particularly successful as businesses. It is further argued that firms that seek to maximize their profits by ignoring the issue of social responsibility will be doomed to remain as ‘bottom feeders,’ always seeking the low road to success and therefore never developing the more challenging, and possibly more forward-looking and more profitable, qualities required to innovate and compete at the higher ends of the market. This argument is applied in a number of contexts: to firms relying on child or slave labour or at least on maintaining very low incomes among their third-world suppliers; to those inflicting damage on the environment and climate through dirty production processes; to those making their profits by evading regulation or by depending on customers’ ignorance. But none of these very different objections to seeing CSR as a challenge to profit maximization can refute the main point: firms are being required to respond to important ethical challenges.

Something very interesting happens as we slip from ethical practices embedded in law (as was the most likely outcome of such challenges in the recent past) to those chosen by business leaders themselves. The initiative in formulating a moral agenda then passes from political and legal elites to corporate ones. Both groups can claim some democratic legitimacy, and both of these claims are vulnerable. Politics has all formal democratic legitimacy on its side, but can be accused of manipulating the people’s voice through the tricks of the political trade. Corporate leaders can make no formal democratic claims, but they can argue that they are in touch with the preferences of masses of consumers through the market. It can then be counter-argued that consumers have no voice with which they can articulate their demands; they can simply purchase or not; control over marketing strategy, including any CSR components of it, rests with corporate leaders.

The Paradox of Neoliberalism

These debates over CSR, and the wider debates over the ethics of corporate behaviour to which it relates, enable us to reach two important conclusions. First, despite globalization and the dominance of the profit-maximization model, disputes over the ethical quality of the economic system have not gone away. If anything, they are stronger and more diverse now than at many times in the past.

Second, and particularly interesting, it is the very triumph of neoliberal arguments and practices that has landed corporations in the middle of the controversy.