

Beyond Reasonable Greed: Why Sustainable Business is a Much Better Idea!

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~ 2 EVOLUTION ~

Taken As A Whole

2.1 Falling down a rabbit hole

Being in business these days is a lot like falling down a rabbit hole. The latter, if you remember Lewis Carroll's classic *Alice's Adventures in Wonderland*, is a chaotic and confusing place to be. All the tried and tested rules of the past don't seem to work so well anymore. The formerly familiar environment keeps transforming itself into new, unrecognisable landscapes. Strange, distracting characters have a habit of popping up randomly and then suddenly disappearing. And the clear, rational perspectives that used to spell out solutions keep getting stretched, warped and turned on their head, like the reflected images in a house of weird mirrors.

It was not always this way. There was a time, not too long ago, when things were a lot simpler. Not necessarily easier, but clearer. Corporate leaders knew what was expected of them. The rules were unambiguous. Their job was to make more money for their shareholders. Success equated with a good return on investment. The challenge was in how to make more profits; how to beat the competition; and how to keep the customers coming back for more.

Ask any business executive if their world is still so clear. We have no doubt that they will admit to things being much more fuzzy now. The demigod once known as the shareholder has mutated into a multi-headed beast called the stakeholder. Accounting, the time-honoured introspective discipline of counting beans (or gold or money or shares), has been turned inside out and become nerve-racking accountability to the big wide world out there. Arthur Anderson can testify to that in the wake of Enron's collapse. And profitability, which used to be a trustworthy financial measure, has multiplied into a triple bottom line by blurring together economic, social and environmental performance.

For Alice, as she meandered through Wonderland, a lot of the changes she had to cope with were related to size. She alternatively shrunk as small as a mouse and then grew as large as a house. As a result, she was forced to see the world through the eyes of the

smaller creatures, as well as to realise her potentially destructive impact as a big, clumsy human. Also, in Wonderland, everything could talk – the white rabbit, the playing cards, the pipe-smoking caterpillar. Of course, the rules of the game were different as well. Croquet, for example, was played using flamingos as mallets and hedgehogs as balls.

In the topsy-turvy Business Wonderland of the twenty-first century, the changes also have to do with size, communication and different rules. Not only have some companies become as large and powerful as countries - Exxon Mobil's revenue in 2000 of \$210 billion surpasses the Gross Domestic Product of most of them - but the world has shrunk with the communications revolution. Suddenly, the formerly mute public citizen has an amplified voice through technology-enabled networking. The bark of a small NGO watchdog can resonate around the world. And the rules are changing at a dizzying speed – whether it is mushrooming e-commerce and free information, or rising expectations on corporate social, ethical and environmental responsibility.

2.2 Avoiding the boiled frog syndrome

In this bewildering commercial climate of whirlwind changes, it is not surprising that many companies operate on high alert and are permanently in an emergency response mode. They spend their corporate lives reacting to the latest crisis or opportunity – the quarterly results, the stock market fluctuation, the fiscal adjustment in the government's budget, the resource price, the technology upgrade, speculations in the media, the analyst's rating, the trade union's demand, the community's complaint, the factory accident, or the ecological disaster.

To some extent, business is just reflecting our natural human tendency to respond instinctively to obvious, dramatic changes in our environment. Like all animals, we are biologically programmed to react to visible, immediate danger through an in-built fight-or-flight mechanism. In this sense, we are well suited to deal with crises like war or catastrophe. Perhaps it is not surprising, therefore, that our Western corporate culture is saturated with military jargon – we formulate strategies, fight the competition, deploy sales forces, target customers, launch products and employ marketing tactics.

Needless to say, for companies battling amidst this storm of change, it is often difficult to see the wood for the trees – to stand back and take a more strategic, evolutionary perspective. In fact, metaphorically speaking, business in most cases cannot even distinguish between the passing hurricane (the short term change) and the more fundamental change in the overall pattern of the climate (the long term shift). And yet making this distinction is critical, since each scenario calls for a very different response. The hurricane requires swift, defensive action, while climate change demands a more significant shift in overall *modus operandi*.

When business fails to distinguish the long-term effects of gradual changes, it displays the classic 'boiled frog' syndrome. If a frog is placed in boiling water, it immediately jumps out providing it is free to do so. However, if the water temperature is cool to begin with and then gradually increased, the frog fails to register any threat to its well-being and

consequently allows itself to be literally boiled alive. Such a creeping sensation has recently been felt by asbestos-mining and cigarette companies. By contrast, it is only the company that deliberately sensitises itself to these underlying, systemic changes that will be sufficiently prepared in advance to cope with them.

There are many examples of threats that could boil the corporate toads: creeping income inequality; the spread of HIV/AIDS; marginalisation of certain regions from the world economy; the cancerous burden of Third World Debt; alienation of people with low incomes or no jobs; accelerating biodiversity loss; global climate change; rising chemical concentrations in the earth's water systems; disintegration of cultural identities; the spread of violent crime among the youth; the breakdown of the nuclear family unit; and the risk of executive kidnapping, anthrax-laced letters and computer viruses, to mention but a few.

It is the contention of this book that most companies are already in hot water (perhaps mistaking the cooking pot for a jacuzzi?). They do not recognise that the rules of the game are changing in radical ways that will soon make their cherished business thinking and practices obsolete. And they do not understand, or perhaps they have been too busy fighting shareholder-value fires to realise, that some of the imminent evolutionary changes will make for a life-changing experience. Returning to the Enron debacle, you can bet the relationship between large companies and their auditors will now change forever. How many have woken up to that fact already? No doubt, the slow ones will be surprised when their knee-jerk policy responses, procedural tinkering or technology-based solutions prove to be too little too late, only bumping them from the frying pan into the fire.

2.3 Spotting the hundredth monkey

The best chance for companies to survive an accumulation of changes to the environment is to develop a better understanding of how evolution itself works. The popular Darwinian notion of a slow, incremental process of continuous improvement by random trial and error is only partially accurate. Evolution also happens in great leaps of sudden transformation, so-called discontinuities.

Small changes have a cumulative effect so that when certain thresholds are reached, dramatic metamorphoses are triggered. As a mathematician would say, most systems go non-linear at some specific tipping point. When they do, that final change does something to the system out of all proportion to its own significance. The famous example given is of the butterfly fluttering its wings and causing a typhoon on the other side of the Earth. The weather was so finely balanced! But what are some of the real watershed moments in evolutionary development? In technological evolution, we can think of the discovery of fire, the wheel, the steam engine, the computer and satellite communications. In socio-economic terms, perhaps it was the replacement of monarchy with democracy, the abolition of slavery and the triumph of free-market capitalism over communism. A more day-to-day but interesting example is the conversion of smoking from a social to an anti-social behaviour. In each case, a few people at first apply the new science or the new idea

and change their social habits. For a time the new phenomenon grows slowly. Then, kaboom! it spreads like wildfire, leaping all barriers in its path. Epidemics break out the same way: they start slowly but when they round the bend to the steep side of the 'S' curve, watch out.

This kind of step-change is often called the hundredth monkey phenomenon. The term refers to an experiment whereby certain behaviours taught to a group of monkeys were, after a particular threshold number was reached, somehow rapidly adopted by other monkeys of that species, without them having had any instruction or contact with the original experimental sample. A similar phenomenon was observed and tracked in the spread of the self-taught ability to open milk bottle tops among blue tit birds in the UK in the 1930s and 1940s. Experiments involving foreign languages, Morse Code and the QWERTY keyboard have even suggested that this 'threshold' dynamic applies to people's ability to acquire new knowledge or learn new skills. The more people already know, the easier it is for the next generation of students to learn. Pioneering biologist Rupert Sheldrake calls this phenomenon morphic resonance.

The important thing is that the point of inflection, the so-called tipping point, is always a relatively small number – substantially less than the 50/50 that one might suppose is necessary to tip the scales. This notion of discontinuous change was the idea behind the important concepts of critical mass and paradigm shifts which became popular catchwords in the 1980s and 1990s. Marilyn Ferguson, whom we previously mentioned, was one of the first to apply this insight to personal and social transformation. In her exhaustively researched book, *The Aquarian Conspiracy*, she mapped out growing evidence that our underlying pattern of beliefs is undergoing a fundamental change. Across diverse fields, from physics and biology to medicine and economics, our picture of the universe and society as a rational, mechanical construct is giving way to a new creative, holistic understanding.

The emergence of the corporate social responsibility and environmental movements over the past few decades, culminating in the slippery slogan of sustainability, is a prime example of the hundredth monkey phenomenon. When companies began to be challenged on social issues in the 1960s by the likes of consumer activist Ralph Nader in the United States, these concerns were treated by business as distractions from their main purpose of profit-making. Likewise, multinational companies saw environmental issues in the 1970s as unreasonable demands by crackpot 'greenies'. In those days, greenies were a red menace. However, environmental and social concerns have risen like a tide over the intervening decades so that, today, sustainability stands on the brink of transforming the underlying business model that has been so successful over the past few hundred years.

2.4 Seeing the greater whole

For a perspective on evolution which will help prepare business for the step-change coming down the track, we must surprisingly look back to 1926. It was then that South Africa's former Prime Minister, Jan Smuts, published his book *Holism and Evolution*. In this

philosophical treatise Smuts draws on Darwin's theory of evolution, Einstein's theory of relativity and his own insights to reach the conclusion that there is a common driving force in all creation and evolution - a golden thread for which he coined the term holism. When fully appreciated, holism is a revolutionary concept that is highly applicable to business: so bear with us as we spend just a little time here on the theory.

Holism, Smuts explained, is a fundamental tendency within Nature (including human society and its institutions) to form wholes of ever-greater synergy. Synergy is the now well-known concept of the whole being greater than the sum of the parts. What characterises these wholes is increasingly complex relationships between their diverse elements, resulting in progressively higher levels of intelligence and creativity. The relationships between things are therefore as important as the things in themselves. Smuts shows this tendency at work in the most basic mineral and chemical elements of Nature through to the organisational levels of plants, animals and humans. Interestingly, the real creativity in Nature occurs where fields overlap – where the outer edges of different wholes mingle.

Subsequently, holism has formed a sound theoretical foundation for extensive work on the nature of organisation and organisational change by people like James Lovelock, Peter Russell, Fritjof Capra and Peter Senge. For example, James Lovelock - a NASA astronomical scientist - applied the principal of holism at a planetary level although he may not have read Smuts' book. Lovelock discovered that the Earth displays the very same characteristics that are found in living organisms. He named his theory the Gaia Hypothesis after the Greek goddess of the Earth, Gaia.

Physicist Peter Russell extended Lovelock's thinking to include the social sphere. He suggested that human intelligence acts like the 'global brain' of this living, self-regulating, self-sustaining Earth system, with our growing communication networks forming the nervous system. Fritjof Capra, also a physicist, synthesised these ideas of interaction and self-regulation into a Living Systems Theory which is applicable to various human disciplines such as ecology, biology, medicine, physics and economics. For example, it is a well-known fact in quantum physics that what you see is what you get. Light is a wave when you look at it as a wave and a particle when you look at it as a particle. In other words, interaction between the observer and the object he is observing will determine the outcome of the experiment. Finally, Peter Senge, business professor at Massachusetts Institute of Technology, applied living systems theory to business under the label of the 'learning organisation' in his book, *The Fifth Discipline*. Wise businesses understand that they not only impact on the external environment but the external environment impacts on them. Only by gaining knowledge of the interactive process between the physical universe, the markets, the other players and your own self will you come up with anything approaching sensible decisions. And even then you may be wrong because you underestimated the complexity of the situation or misread the dependency of one variable on another.

Looking at the development of human society over the past few thousand years, and especially the last one hundred years, the tendency towards more complex relationships is clear. Our global village is criss-crossed by almost instantaneous communication networks as well as increasingly rapid transportation links. Moreover, it has common economic structures. Indeed, just using the term 'global village' to describe the world is testimony to our growing recognition of ourselves as an interconnected whole. The emergence of multinational companies, international financial markets and a global trading system is therefore a manifestation of holistic evolution in progress. The Euro is but the latest example of a new whole being formed. Time will tell whether it is a sustainable whole which passes all the tests of evolution at the political and economic level. For that to happen, the new whole must function as a result of the willing cooperation of all its parts or sub-wholes. In contrast, when an individual component operates myopically at the expense of others or the diversity of the original groupings is completely sacrificed, the integrity of the greater whole is jeopardised.

Unfortunately, in many countries and companies holism gets short shift. As this book will argue, some strategies of global business and the rivalry between certain nations show more similarities to selfish cancer cells taking over a body than a synergistic higher-order organisational form.

2.5 Searching for a new symbol

Symbols are like stories. They are a powerful way to tug at people's emotions, stimulate their interest and tacitly get their loyal commitment to a particular idea or set of values. Symbols of religion, mascots of football teams, the secret signs of cults – they focus the energy of the group by instilling a special sense of belonging in each member. But that characteristic invites division and exclusivity, the very opposite of what we want to achieve as authors. So our symbol is going to have to be carefully chosen if we are to get the corporate sector to buy into a more inclusive model.

For, the central argument of this book is that the current model driving business has outlived its usefulness. The symbols of earnings-per-share growth, capital appreciation of the share, return on capital employed, market capitalisation, economic value added, so beloved by CEOs, the financial media and market analysts alike, are beginning to look empty beside the clouds building up on the global horizon. We have clear and present dangers in the economic, social and environmental spheres which are exerting enormous pressure on the existing mould. It therefore no longer fits. Like aircraft cannot land if there is no airport traffic control, the world cannot function if everybody is blindly pursuing his or her self-interest and there are no other rules of the game to ensure that the system as a whole remains intact. We are one world and business can react in two ways. They can either try to strengthen the present mould, perhaps by tinkering with its design a little to accommodate the stresses and strains in a better fashion. Trading in emission permits falls into this category. Even this is too much for the die-hard proponents of the old maxims like 'the business of business is business' and 'unrestricted free markets automatically ensure

the greatest public good'. Any fractional deviation from this philosophy is pounced upon by these purists as a 'fatal conceit', to use the phrase of their champion Friedrich Hayek.

Alternatively, business can search for a new mould, one that will make for a more comfortable fit with the new realities that are emerging. At the moment, the outlines of that fresh mould are still shrouded in mist, so it needs a new symbol around which it can take shape. The symbol indeed must be powerful enough to change the value systems of business people - especially hardened CEOs - so that they make decisions and behave in a different way, but on a voluntary basis. We certainly do not believe in a return to the type of society where such behavioural change is forced upon people by central planning or heavy state intervention. Be that as it may, we've already given you a sneak preview in the introduction of what our symbol is to be: an animal with no predatory instincts and, despite its size, a natural empathy for all creatures great and small. Such is the stuff of sustainability for the animal kingdom as a whole – and such is the stuff for those of us who roam the plains of business.

2.6 Shapeshifting our beliefs

Each time the world changes – when civilizations rise and fall, when new scientific theories challenge our understanding of the universe, when technological innovation reinvents our lifestyle, when political revolution breaks down the old structures of society, or when a global crisis threatens to destroy our planet – humanity is forced to let go of some of its most cherished beliefs in order to create a new mythology to guide its collective psyche.

We are living through such a time of profound change, and no more so than in the business arena. The old ways, which have dominated for the past century or more, are no longer appropriate for a post-industrial, sustainability-driven society. Sustainability is not only a new scientific, political, social and legal concept, but an entirely new business philosophy based on a new mythology. It requires that business think differently about its role in society and how it goes about what it does.

The changes needed in order for business to survive and thrive in an age of sustainability are so fundamental that they are akin to changing its identity, its underlying nature. At the moment, we believe that the majority of business embodies the characteristics of a lion – an impressive predator. However, the future calls for different strengths, such as those displayed by the mighty elephant – a wise leader. Consequently the question is a simple one: how will today's lion companies change into tomorrow's elephant companies? Answer: they will need to shapeshift.

Shapeshifting is a magical or spiritual phenomenon contained in the beliefs of many of the world's ancient cultures and indigenous peoples. It refers to the ability of ancestors, gods, animals and gifted humans to change their form and take on the shape or the characteristics of a particular animal, often the totem of their particular tribe. Sometimes, this shapeshifting occurs to avoid imminent danger, or to ensure survival in the face of catastrophic change; other times, its purpose is to pass on special instructions for success or to impart timely knowledge and wisdom about life.

Faced with all the changes and challenges which the twenty-first century will bring, the knowledge and skill of shapeshifting is going to be indispensable to companies. This is not a new idea. A number of corporate shamans have admonished business to begin shapeshifting. Each of these soothsayers chooses his or her own mode of transformation based on the particular vision of the future which that individual has. For example, one of us advised that companies should change from bureaucratic hedgehogs into entrepreneurial foxes. The vision of the future driving this particular transformation was that of a world changing so fast that only an animal with the adaptability, resourcefulness and radar system of a fox could survive.

The image that fills the lens of this book's magnifying glass is the one of sustainability, a world in which business is required to balance and integrate its economic, social and environmental goals. This balancing act is not just a dry policy statement made by the directors in the annual report or some glossy brochure. It is a passionately embraced philosophy that infuses every level of management and every action that the company takes. It lives! Shortly, we shall look at why corporate lions are ill-suited to respond to this challenge and why elephant companies will be the new leaders.

2.7 Pre-empting elephant prejudice

Inevitably, this book will challenge long held beliefs and uncover hidden prejudices. One of these, which we'd like to deal with upfront, is any prejudice people might have against elephants. That may sound strange, but what we mean is this. In Western culture particularly, elephants have acquired various negative associations. If these are not recognised and laid aside, the metaphor chosen for this book will be undermined - unfairly we believe.

The first and most important issue is size. Elephants are commonly seen as representing bigness, but in the worst possible way. For many people, elephants conjure up words like 'oversized', 'clumsy', 'lumbering', 'slow' and 'dim-witted'. Disney's Dumbo comes to mind. Obviously, these characteristics are not on the most-desired list for any business (or in choosing a spouse!). Nor are we suggesting, by selecting the elephant as a metaphor for sustainable business, that they should be. Certainly, we are not advocating that 'bigger is better'.

The elephant's size, however, does make it a relevant symbol of modern business. After all, there is nothing small about today's multinational companies. The critical issue is what they do with their immense size and power. As a point of fact, elephants do not fit any of the other descriptions given above. They are appropriately sized for their environment, extremely agile, one of the fastest land mammals, and one of the most intelligent creatures on the Earth.

A second commonly held stigma surrounding elephants has to do with their power or strength. It is often seen as overly destructive, aggressive or abusive. This, again, is certainly not the image that we are trying to convey about companies of the future; precisely the opposite in fact. But let us dispose of this perception very quickly. Elephants

are only aggressive when they are threatened. For the most part, they are gentle giants that live in peaceful co-existence with all other animals. It is true that elephants can have a significant impact on surrounding vegetation, but this is only problematic when their habitat range has been artificially confined (as is the case with wildlife reserves). Apart from this, the elephant's feeding habits are actually an aid to other creatures, making previously inaccessible vegetation accessible.

We find it a telling observation that it is mainly in the West that the elephant has a somewhat tarnished image: whereas it is a revered animal in the East. Interestingly enough, in the East and in Africa, elephants often have the same association with royalty that lions have enjoyed so strongly in the West. But more about the elephant's positive qualities later. We start our metaphorical story with a closer look at the lion's symbolic supremacy in modern business.