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# World Review

October–December 2009

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A synopsis of the key strategic developments in corporate responsibility around the globe over the last quarter

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## The Copenhagen climate change debacle

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IN DECEMBER 2009, THE ATTENTION OF the world's media turned to Copenhagen and the United Nations Climate Change Conference, called to negotiate an agreement on international action on climate change. Given widespread international concern about carbon emissions leading to abrupt climate changes, the expectations of some were high. However, by the end of two weeks (December 7–18), the conference's 'noting' of an accord that specified no firm target for limiting the global temperature rise, no commitment to creating a legal treaty, no target year for peaking carbon emissions, and no clear mechanism for creating an internationally equivalent price for carbon emissions, meant that the summit appeared to many

as a disappointment.<sup>1</sup> Some delegations were calling it a disaster for their nations, yet others welcomed the collapse of the summit. Both the outcome and the way the summit unfolded led some commentators to suggest it marked a new era in international relations. What this implies for responsible management research and practice in light of Copenhagen is one of the key themes of this review.

The blame game that was played at the end of the Copenhagen summit was perhaps indicative of the overall dissatisfaction. Many leaders from the G77 block of developing countries blamed the high-income nations of the EU and the USA as they attempted to obtain consensus on a

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<sup>1</sup> 'Copenhagen deal reaction in quotes', BBC News, 19 December 2009; <http://news.bbc.co.uk/2/hi/8421910.stm>.

Danish-drafted agreement that many argued favoured the richer nations.<sup>2</sup> Others pointed the finger at the Chinese, who did little to help the talks' progress, further impeding proceedings during the last days by convening meetings of large non-Western economies to set out what they did and did not want in an agreement, including the rejection of any international targets, even for the 'developed' nations.<sup>3</sup> Despite this approach from China, the leaders of the G77 delegation blamed only the West for the limited commitments made. Civil society also found fault in many quarters. The international campaigning group Avaaz blamed the corporate lobbyists from the US (where over 2,000 lobbyists now work on climate change policy), who they said made it impossible for the US president to have much credibility in signing any agreement, given the attitudes of the US congress. As a result, Avaaz launched a campaign against the US Chamber of Commerce.<sup>4</sup> Others in civil society began blaming themselves for having been wrong-footed and not realising where the real power lay, and for wasting too much time advocating what the EU and US should do rather than working on encouraging climate mitigation ambitions in other powerful nations.

Irrespective of who is to blame, the Copenhagen Summit helped the world see that climate negotiations are not about preventing climate change. Even if the world had implemented the Kyoto Protocol to the full by reducing emissions to 1990 levels, it would have only delayed global warming by six years; yet CO<sub>2</sub> emissions are now 40% higher than their 1990

targets.<sup>5</sup> The objectives were always too low but, as the Copenhagen summit illustrates, the interactions of nation states are inadequate when it comes to addressing global challenges. Clearly, most countries came to the talks with narrow and short-term economic self-interests framing their agendas, whether personal or national; and in such a situation the dominant economic force of the 21st century—China—held sway. The fact that the lead negotiator for the G77 was from an oil-exporting nation, whose controversial government is dependent on Chinese investment, was not reflected by most media or indeed the non-governmental organisations (NGOs). The previous lead negotiator for the G77, a renowned ethical and tough negotiator, was removed just before the conference by the President of the Philippines, a lady whose husband has been embroiled in corruption scandals involving multi-million-dollar payments from Chinese businesses.<sup>6</sup> In light of this example, it may never be fully understood what other behind-the-scenes positioning took place around Copenhagen. Demonstrably, the global ideology of economic growth overshadowed all deliberations, as nations sought to protect their growth rates, rather than their populations, without understanding the difference.

Forward thinkers must now question how to overcome the intergovernmental impasse and better organise themselves. John Sauven, executive director of Greenpeace UK, said, 'It is now evident that beating global warming will require a radically different model of politics than the one on display here in Copenhagen.'<sup>7</sup> This is par-

2 The Group of 77, the world's largest inter-governmental organisation, was established in 1964 to provide countries of the South a means to articulate and promote their collective economic interests ([www.g77.org](http://www.g77.org)).

3 M. Lynas, 'How do I know China wrecked the Copenhagen deal? I was in the room', *The Guardian*, 22 December 2009; [www.guardian.co.uk/environment/2009/dec/22/copenhagen-climate-change-mark-lynas](http://www.guardian.co.uk/environment/2009/dec/22/copenhagen-climate-change-mark-lynas).

4 'The People vs Polluters', Avaaz; [https://secure.avaaz.org/en/people\\_vs\\_polluters](https://secure.avaaz.org/en/people_vs_polluters).

5 C. Booker, 'Copenhagen accord keeps Big Carbon in business', *The Telegraph*, 19 December 2009; [www.telegraph.co.uk/comment/columnists/christopherbooker/6845686/Copenhagen-accord-keeps-Big-Carbon-in-business.html](http://www.telegraph.co.uk/comment/columnists/christopherbooker/6845686/Copenhagen-accord-keeps-Big-Carbon-in-business.html).

6 P.S. Romero, 'Copenhagen talks: RP negotiator out, Arroyo party in', [abs-cbnNEWS.com/Newsbreak](http://abs-cbnNEWS.com/Newsbreak), 4 December 2009; [www.abs-cbnnews.com/nation/12/04/09/rp-dumps-climate-change-negotiator-copenhagen-talks](http://www.abs-cbnnews.com/nation/12/04/09/rp-dumps-climate-change-negotiator-copenhagen-talks).

7 J. Vidal, 'Low targets, goals dropped: Copenhagen ends in failure', *The Guardian*,



photo credit: Rose/Greenpeace

GREENPEACE'S JOHN SAUVEN: BEATING GLOBAL WARMING WILL REQUIRE A RADICALLY DIFFERENT MODEL OF POLITICS

ticularly true in countries such as China, where the limited scope and role of civil society means NGOs play a very cautious political role and seek favour with leaders. So, while some NGOs such as Avaaz consider Copenhagen to be the mobilisation of a people's movement around the world, civil society still needs to reflect on how to best influence non-Western governments.<sup>8</sup> The growing power of civil society and, more recently, of well-intentioned business leaders in helping encourage governments to act may be a positive sign, but ultimately the development and efficacy of both of these emerging global governance dynamics must be held up against a backdrop of radical shifts in the global centre of economic power.<sup>9</sup>

Some companies and their associations, such as the US Chamber of Commerce, still deny that curbing carbon emissions is a priority for public policy and lobby against it, or focus on obtaining exemptions or special treatment for their own

sectors in order to reduce costs.<sup>10</sup> In the US, Washington DC 'can now boast more than four climate lobbyists for every member of Congress'.<sup>11</sup> However, it should be noted that a negative approach to carbon regulation is not welcomed by all executives today, a recent example being Apple, who in October 2009 withdrew from the Chamber in protest. In a letter to the president of the US Chamber of Commerce, Apple's Catherine Novelli wrote, 'we strongly object to the Chamber's recent comments opposing the EPA's effort to limit greenhouse gases', further explaining, 'Apple supports regulating greenhouse gas emissions, and it is frustrating to find the chamber at odds with us in this effort'.<sup>12</sup>

As a consequence, groups such as the Climate Disclosure Project, the Institutional Investors Group on Climate Change and the Business Leaders Initiative on Climate Change now bring together large swaths from the private sector that lobby privately and advocate publicly on the need for an intergovernmental agreement on climate change. On the one hand, this is very promising, representing a wiser approach to business that recognises systemic threats to value creation, and the role of government to provide frameworks for innovation. The work of HSBC in analysing the environmental components of

<sup>19</sup> December 2009; [www.guardian.co.uk/environment/2009/dec/18/copenhagen-deal](http://www.guardian.co.uk/environment/2009/dec/18/copenhagen-deal).

<sup>8</sup> A. AtKisson, 'The earthquake in Copenhagen: Reflections on CoP-15 and its aftermath', 21 December 2009; <http://alanatkisson.wordpress.com/2009/12/21/the-earthquake-in-copenhagen-reflections-on-cop-15-and-its-aftermath>. See also J. Bendell, 'What's an NGO to do?', 17 July 2007; <http://jembendell.wordpress.com/2007/07/17/whats-an-ngo-to-do>.

<sup>9</sup> The broader implications of these shifts with respect to corporate responsibility worldwide were explored to some extent in J. Bendell *et al.*, *The Eastern Turn in Responsible Enterprise: The Lifeworth Review of 2008* (Lifeworth, 2009; [www.lifeworth.com/lifeworth2008](http://www.lifeworth.com/lifeworth2008)).

<sup>10</sup> The position of the USCC was critiqued in the *New York Times* and *Washington Post*: 'Editorial: Way Behind the Curve', *New York Times*, 29 September 2009; [www.nytimes.com/2009/09/30/opinion/30wed3.html](http://www.nytimes.com/2009/09/30/opinion/30wed3.html); and 'Editorial: The US Chamber vs. honesty: At war with the truth, and with its own constituents', *Washington Post*, 27 October 2009; [www.washingtonpost.com/wp-dyn/content/article/2009/10/26/AR2009102602714.html](http://www.washingtonpost.com/wp-dyn/content/article/2009/10/26/AR2009102602714.html).

<sup>11</sup> M. Lavelle, 'Gore business: 2340 climate lobbyists', *Politico*, 25 February 2009; [www.politico.com/news/stories/0209/19255.html](http://www.politico.com/news/stories/0209/19255.html).

<sup>12</sup> S. Goldenberg, 'Apple joins Chamber of Commerce exodus over climate change scepticism', *The Guardian*, 6 October 2009; [www.guardian.co.uk/environment/2009/oct/06/chamber-commerce-apple-climate-change](http://www.guardian.co.uk/environment/2009/oct/06/chamber-commerce-apple-climate-change).

government stimulus packages is one such example.<sup>13</sup>

On the other hand, further legitimating corporate involvement in public policy development may present a threat not only to effective action on curbing climate change, but to accountable and efficient governance in general. This new paradox of private sector policy advocacy was highlighted by the very agenda in Copenhagen—the development of carbon cap-and-trade markets which has been riddled with self-interest and abuse of the system since the very start.

Here we need to note the US's influence in pushing for such a system; when the Kyoto Protocol was adopted in 1997, with the subsequent emissions trading schemes (ETS), the then US Vice President Al Gore proposed it as the only option it would sign. This was after intensive lobbying by Enron, the corrupt company that had profited significantly from trading in energy derivatives and the cap-and-trade sulphur markets in the USA. After the Protocol was agreed, Enron's senior director for environmental policy, John Palmisano, celebrated it as an agreement that was full of 'immediate business opportunities'.<sup>14</sup> Recognising this, other governments followed suit as, of all the policy tools available, this posed the least threat to the polluting industries, and promised the creation of a whole new market for the financial service providers. Hence it is no surprise that banks such as Goldman Sachs are pushing so vehemently to establish the EU model of carbon trading in the US and, according to political journalist Matt Taibbi, potentially 'creating what may be the biggest and most audacious bubble yet' as they profit from the derivative markets that they then create.<sup>15</sup>



JAMES HANSEN: SCEPTICAL ABOUT EFFECTIVENESS OF EMISSIONS TRADING

But the banks are not the only big business winners. As carbon credits are allocated to large polluters, the opportunity to profit from their sale remains, ironically, with these companies—without necessarily reducing emissions. A recent example is Tata: 1,700 workers from the Corus steelworks lost their jobs in Redcar, North Yorkshire after the closure of the plant. By stopping production at Redcar and increasing production in locations outside ETS areas, Corus/Tata is able to sell its carbon allowances from the EU without having any effect on carbon emissions.<sup>16</sup> According to James Hansen, one of the world's leading climate scientists, who blew the warming whistle in the 1980s, the belief that the European emissions trading scheme has had an effect on emissions is completely misguided: 'what happened was the products that had been made in their countries began to be made in other countries, which were burning the cheapest form of fossil fuel, so the total emissions actually increased.'<sup>17</sup>

13 N. Robins, R. Clover and C. Singh, 'Climate for Recovery: The Colour of Stimulus Goes Green' (London: HSBC, 2009; [www.globaldashboard.org/wp-content/uploads/2009/HSBC\\_Green\\_New\\_Deal.pdf](http://www.globaldashboard.org/wp-content/uploads/2009/HSBC_Green_New_Deal.pdf)).

14 O. Reyes, 'Taking Care of Business', *New Internationalist*, December 2009; [www.newint.org/features/2009/12/01/corporate-influence](http://www.newint.org/features/2009/12/01/corporate-influence).

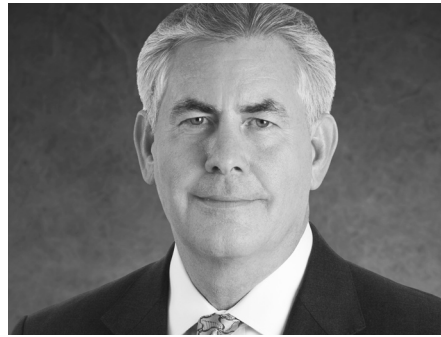
15 M. Taibbi, 'The Great American Bubble Machine', *Rolling Stone*, 13 July 2009; [www.rollingstone.com/politics/story/29127316/the\\_great\\_american\\_bubble\\_machine](http://www.rollingstone.com/politics/story/29127316/the_great_american_bubble_machine).

16 C. Booker, 'What links the Copenhagen conference with the steelworks closing in Redcar?', *The Telegraph*, 12 December 2009; [www.telegraph.co.uk/comment/columnists/christopherbooker/6798052/What-links-the-Copenhagen-conference-with-the-steelworks-closing-in-Redcar.html](http://www.telegraph.co.uk/comment/columnists/christopherbooker/6798052/What-links-the-Copenhagen-conference-with-the-steelworks-closing-in-Redcar.html).

17 'Leading climate scientist James Hansen on why he's pleased the Copenhagen sum-

Paradoxically, then, the issue is not that there is business lobbying both for and against international agreements but rather that it is happening due to the commercial costs and opportunities of climate change. The irony is that, to move intergovernmental processes forward, the influence of business is a necessity; yet corporate lobbying is plagued by narrow short-term commercial interests that have, to date, damaged the intergovernmental process, not only by holding it back but by shaping its agenda in misguided ways. Moreover, this increasing divergence in business lobbying on climate change presents an additional complexity for representatives of civil society.

Although the lobbying by climate change sceptics received the most media criticism, most of the visible corporate lobbying of the 15th meeting of Conference of Parties to the UNFCCC was in favour of an agreement. WWF made this situation clear by adding up the market capitalisation of firms that had signed on to various initiatives: US\$11 trillion.<sup>18</sup> For instance, the Corporate Leaders Group on Climate Change launched the Copenhagen Communiqué and received the support of 1,000 business CEOs from across all G20 countries. It called for ‘an ambitious, robust and equitable global deal on climate change that responds credibly to the scale and urgency of the crises facing the world today’, including ‘a reduction of 50–85% by 2050’ of greenhouse gases.<sup>19</sup> But, as the Copenhagen summit bottlenecked under the current climate policy paradigm, more people began to wonder whether a carbon tax was a more appropriate policy response to emissions than the cap-and-trade system being debated. Even Al Gore, who had focused on cap and trade for the past 18 years, declared



EXXONMOBIL CEO REX TILLERSON: CARBON CHARGE MAKES MORE SENSE THAN CARBON TRADING

that he personally favoured a carbon tax, despite his inaction on the issue.<sup>20</sup> Earlier in 2009, the chief executives of Caterpillar Inc. and FedEx said they prefer a tax on carbon dioxide emissions and criticised the cap-and-trade measure being debated in Congress.<sup>21</sup> ExxonMobil’s CEO Rex Tillerson has also said a carbon charge made more sense than carbon trading, as it is ‘a more direct and transparent approach’.<sup>22</sup>

These latter examples highlight how many business leaders see the seriousness of the climate challenge and the necessity to work on a new solution that reflects such urgency, not an old agenda that was created when the will for decisive action was still not there. In the meantime, cap and trade has already generated a lot of momentum and there is now a community of business, banks, NGOs and others who have a vested interest in cap-and-trade systems being expanded and would see a global carbon charge as

mit failed, “cap and fade,” Climategate and more’ (James Hansen interviewed by Amy Goodman), *Democracy Now!*, 22 December 2009; [www.democracynow.org/2009/12/22/leading\\_climate\\_scientist\\_james\\_hansen\\_on\\_](http://www.democracynow.org/2009/12/22/leading_climate_scientist_james_hansen_on_)  
18 [http://assets.panda.org/downloads/action\\_bybusiness\\_onclimate\\_paper\\_corrected.pdf](http://assets.panda.org/downloads/action_bybusiness_onclimate_paper_corrected.pdf)  
19 [www.copenhagencommuniqué.com](http://www.copenhagencommuniqué.com)

20 ‘Gore in Copenhagen: Favors carbon tax; calls deniers “reckless fools”’, *Common Dreams*, sourced from *The Guardian*, 16 December 2009; [www.commondreams.org/headline/2009/12/16-4](http://www.commondreams.org/headline/2009/12/16-4).

21 ‘Caterpillar, FedEx favor carbon tax over cap-and-trade measure’, *Carbon Offsets Daily*, 2009; sourced from [Bloomberg.com](http://Bloomberg.com), 24 September 2009; [www.carbonoffsetsdaily.com/news-channels/usa/caterpillar-fedex-favor-carbon-tax-over-cap-and-trade-measure-14799.htm](http://www.carbonoffsetsdaily.com/news-channels/usa/caterpillar-fedex-favor-carbon-tax-over-cap-and-trade-measure-14799.htm).

22 A. Van Engelen, ‘Carbon tax versus cap-and-trade’, *Triplepundit*, 28 January 2009; [www.triplepundit.com/2009/01/carbon-tax-versus-cap-and-trade](http://www.triplepundit.com/2009/01/carbon-tax-versus-cap-and-trade).

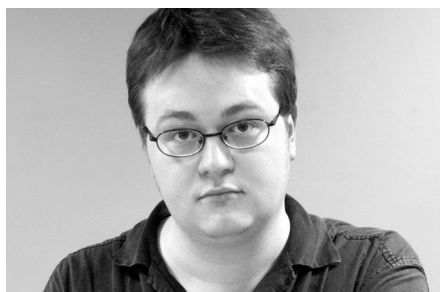


undermining their financial self-interests. With no controls via multi-enterprise or multi-stakeholder initiatives to oppose cap and trade and to promote a global carbon-charging framework, progress will be tentative at best.

Part of the reason for that is the failure of international civil society to articulate a principled position on climate justice. While there appears to be a coming-together of environment and social concerns with development charities such as Oxfam and Christian Aid advocating tough action on climate change, it remains a new issue for them and organisation is still needed to build a concerted campaign for change.<sup>23</sup>

But a potentially more sinister outcome could rear its ugly head if businesses, governments and civil society don't learn some fast lessons. If it appears that the use of political access and public goodwill accorded to corporations for engaging in an issue of major concern has actually helped them to seek profits in ways that threaten civilisation, then there will be major implications for our political systems, and rightly so. First, it will challenge the foundation of the modern corporate social responsibility field, which is founded on the idea that everyone can benefit if a business becomes active in considering and managing its social impacts. Instead, CSR would be viewed in its full context as either deliberate political public relations (PR) or consequential political PR, creating that deadly side effect of poisoning political processes. Second, it will lead many to see existing forms of governance as not only unfair, but dangerous to society, and thus encourage more radical action.

Nonetheless, the failure of the Copenhagen talks may represent a turning point as it has made more people aware of the issues at hand, opening opportunities for



THE *INDEPENDENT*'S JOHANN HARI: FROM THE WRECKAGE OF COPENHAGEN COULD ARISE A STRONGER DEMAND FOR A TRUE SOLUTION

different responses. As Johann Hari affirmed in the *Independent* in December, 'Copenhagen has soured into a con—but from the wreckage, there could arise a stronger demand for a true solution.'<sup>24</sup> In a radio interview after the talks, climate scientist James Hansen concurred. 'I'm actually quite pleased with what happened at Copenhagen because now we have basically a blank slate.'<sup>25</sup>

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## The pulse of CSR in Asia

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THE FINAL QUARTER OF 2009 CONFIRMED the continuing interest in the nexus between sustainability and business in the Asia region with conferences focusing on the topic.

Singapore is a major hub for international conferences as well as education. It is already home to the Social Innovation Park,<sup>26</sup> which organises the Global Social Innovators Forum (GSIF) annually, and Syinc, a network which connects people to seek innovative solutions for social change.<sup>27</sup> In October, the Singapore Management University debuted on the business-and-society conferencing scene

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23 J. Bendell and A. Ellersiek, *Noble Networks? Advocacy for Global Justice and the 'Network Effect'* (Geneva: United Nations Research Institute for Social Development, 2009; [www.unrisd.org/80256B3C005BCCF9/search/A93CF6EAA4EDAD27C125757D002931BA?OpenDocument](http://www.unrisd.org/80256B3C005BCCF9/search/A93CF6EAA4EDAD27C125757D002931BA?OpenDocument)).

24 J. Hari, 'Leaders of the rich world are enacting a giant fraud', *The Independent*, 11 December 2009; [www.independent.co.uk/opinion/commentators/johann-hari/johann-hari-leaders-of-the-rich-world-are-enacting-a-giant-fraud-t837963.html](http://www.independent.co.uk/opinion/commentators/johann-hari/johann-hari-leaders-of-the-rich-world-are-enacting-a-giant-fraud-t837963.html).

25 Democracy Now!, *op. cit.*

26 [www.socialinnovationpark.org](http://www.socialinnovationpark.org)

27 [www.syinc.org](http://www.syinc.org)

with its 'Social iCon' to explore what it calls 'social innovation'.<sup>28</sup> The concept of social innovation is popular in Singapore, perhaps because it allows people to discuss social progress in a space outside the governmental sector, yet without overtly challenging the government, since phrases such as 'social change' can raise an eyebrow in some countries. The use of the term 'innovation' also resonates with the enthusiasm for all things 'new' across East Asia at the moment, due to the close embrace of modernity, and the rapid economic changes happening there.

The conference itself, of about 300 delegates, was populated mostly by non-profit-sector professionals and business people who volunteer. It appears common in Singapore for civil society leaders to also have full-time day jobs in business or government, perhaps due to the limited civil society funding, and the current low status of being in the voluntary sector. This also reflects how volunteering has a form of cultural cachet if it is something one does in one's leisure time as an extra-professional activity. A key impact of events such as Social iCon could be to help promote the idea that working on social progress outside of the governmental sector is a worthwhile profession.

The speakers were a diverse mix of charity leaders doing traditional charity projects such as housing development; entrepreneurs running small businesses that deliver some social benefit in creative ways; and a few large corporations who sought to promote the positive social impact of their companies. One such company at the conference was Second Life, the world's largest user-created online 'virtual community', whose chief executive argued that they create social value through the amount of charitable donations that have been made through the platform. He was not challenged on whether these were donations that would have been made in other ways, and if that small aspect of Second Life qualifies it to

be seen as a social enterprise. It appeared that the spirit of the conference was to celebrate action, not to inquire into the form and impact of that action, and its contribution to social progress.

Given this emphasis on celebration, the level of discussion was limited. The lack of debate did little to develop a shared concept of what social innovation may entail—a particular shame given that the concept, and its articulation in the Asian context, is weakly understood. Without an easy frame of reference within which to relate different contributions, the sheer diversity of presentations, and the selection of moderators for their perceived status rather than their ability to synthesise lessons from specific cases, meant that opportunities for deeper synthesis were sorely lacking. Although the focus on innovation at Social iCon and the GSIF can create a positive outlook, it can also impede the discussion from discussing longer-term struggles. With a focus on celebrating innovation, the spirit of the audience is to applaud people for doing easily recognisable and non-contentious 'good' things in (apparently) new ways. In such a setting, a woman working for 30 years training migrant workers while struggling against a sceptical government might not be an obvious choice for the speakers' roster. In comparison, a more likely candidate would be the wife of a millionaire who set up an orphanage for children after the tsunami, especially if there is a transfer of skills to make items that can be sold, thereby generating revenues for the orphanage. As a result, there is a danger of narcissism and political conservatism in the 'social innovation' field in Asia, which could undermine learning about progress in business–society relations.

Despite the general tone of the event, there were some inspiring people who are applying the concepts of sustainability in innovative yet practical ways. The best example of this was Tri Mumpuni, Executive Director of IBEKA, in Indonesia. 'We are tackling the challenges of rural electrification and economic devel-

28 [www.lcsi.smu.edu.sg/Social\\_icon/2009/speakers.asp](http://www.lcsi.smu.edu.sg/Social_icon/2009/speakers.asp)



opment by creating community-owned micro-hydropower systems throughout Indonesia,' she explained in a very small breakout session. 'We use micro-hydro, so our electrification can be managed by communities. By giving communities equity in the operations and training them to manage the micro-hydropower systems technically and financially, we are creating jobs and revenues, as well as an environmentally sustainable source of electricity.' The integration of ecological, economic and community needs in this small-scale work is an inspiration for those hoping for non-carbon-intensive development.

Notable by their absence from Social iCon were CSR managers of large corporates in Singapore or the region. The profile of the delegates contrasted with those at CSR Asia's event a few days later in neighbouring Kuala Lumpur.<sup>29</sup> The CSR Asia conference marked a watershed. It also had 300 delegates, compared to 100 the previous year, who were mostly CSR or PR managers from the private sector. The majority were from East Asia, and were not from the base of the supply chain. There was a distinct lack of voices from wider society such as consultants, unions, religious institutions, strongly critical NGOs and academics, none of whom were on the speakers' list. Only the voice of a rogue journalist seemed to challenge the status quo. So the homogenous character of the conference raised not only questions about racial diversity but also diversity of classes and sectors. This illustrates that CSR in Asia is now as much about large firms adopting their own CSR approaches as it is being driven by the need to conform to social and environmental audits from overseas. This was further emphasised at the close of the conference when CSR Asia co-founder Steven Frost commented that Asia now has its own CSR constituency and is developing its own CSR agendas.

Despite promoting the conference as being about sustainability, there was only one presentation that looked closely at new business models that place an integrated

notion of sustainability at its heart. This was from Shokay founder Marie So, also a graduate of Harvard University. She explained how the company 'aims to impact the lives of Tibetan herders in China oppressed by poverty. By introducing luxury yak down to the global market, we hope to create a market for yak fibre, thus increasing the value of the raw fibre to provide herders with long-term employment and a greater sustainable income.' She explained that, as the business is doing well, with a new partnership agreed with luxury brand Shanghai Tang for 2010, Shokay's development impact is fourfold: direct income generation, preserving the local culture, promoting sustainable use of the environment, and community development. 'We currently work with 2,600 people, providing a sustainable source of employment and income to these herders. By setting up fibre cooperatives in each sub-village, it is our goal to help grow each ecosystem to provide a safe and transparent vehicle for addressing local development.'<sup>30</sup>

In light of Marie So's involvement in international networks such as that convened by CSR Asia, there is a strong chance that there are other innovators who are embodying forms of business that can be part of a fair and sustainable economy. If a conference organiser could go about finding these innovators, profiling them, provide funding to attend, helping them to learn how to present in ways of mutual benefit, and organising workshops where people can learn from their experiences but also work on their challenges, then that would be a powerful event.

Could such an event be an academic conference? Probably not, unless conferences come to be understood as potential mechanisms for research rather than just research dissemination and discussion. In November, the Asia Pacific Academy of Business in Society (APABIS) conducted its third international conference entitled 'Finding Solutions to Global Problems'. Drawing together practitioners and researchers from across business,

29 [www.csr-asia.com/summit09](http://www.csr-asia.com/summit09)

30 [www.shokay.com](http://www.shokay.com)

civil society, government and academia, the conference aimed to explore the role of stakeholder engagement, new social partnerships and strategic alliances in the transition to what it termed a ‘sustainable enterprise economy’ (SEE).

Hosted by the Asia Pacific Centre for Sustainable Enterprise (APCSE), at Griffith University, the conference was set against a background of three interlinked global imperatives: responding to climate change, the global financial crisis, and a moral crisis within economic practice—themes that echoed through many of the presentations. It also aimed to showcase the challenges and opportunities, strategic partnerships, innovation and education/skills-training necessary for a transition to a SEE.

While the usual case studies proved fruitful in providing examples of programmes and initiatives that organisations are implementing to contribute to sustainability, probably the most challenging session highlighted a re-conceptualisation of what ‘economy’ means. Illustrating the multi-disciplinary approach of the conference, this plenary brought together an unlikely mix of speakers: namely, the CEO of a large employment company, the head of an Indian corporate foundation, a sustainable fund manager, and an engineering and research projects consultant, to talk about change and action for the new economy.

Nick Fleming, Chief Sustainability Officer at Sinclair Knight Merz and participant of the plenary panel, described a sustainable economy as one that not only works towards sustainable development but also demythologises traditional models of scarcity, and counters the power structures that support and maintain such paradigms. He proposed we think of a sustainable economy with ‘the notion of abundance replaced by limits. Economic value replaced by real societal value—with erosion recognised. Regulated commerce that promotes societal benefit.’

Matthew Tukaki, CEO of Drake International, and Ashoke Joshi of the TVS Srinivasan Services Trust (TVS-SST), recounted



NICK FLEMING OF SINCLAIR KNIGHT MERZ:  
ECONOMIC VALUE SHOULD BE REPLACED BY REAL  
SOCIETAL VALUE

the practical challenges of developing and promoting the skills necessary for sustainability in both developing and developed economies. In relation to climate change, Tukaki explained, ‘We’re going to see a lot of debate about what green jobs are or what a green collar worker will be. Our focus is on developing the skills, jobs and industry to respond to climate change. Most of the arguments against trading schemes, for example, focus on the jobs that will go. Lost in the debate are the jobs created. We’re working to make that happen; to create the skills for the transition.’

Describing the skills training and health services provided to 80,000 rural Indian families through the TVS Motor Company’s social trust, Ashoke Joshi evoked both the vast spectrum of material and social justice issues in working toward a SEE, but also the profound economic, social and political upheavals involved. Sharing a case study from a company factory, Joshi described an initiative run by the trust and funded by the government, which trained local women to cook chapattis, with an understanding that the factory would buy them at a set rate if they were of a high-enough standard. Today the women make 25,000 chapattis, of which the factory buys a fifth, and markets the rest to other factories up to 50 km away. However, ‘As the women started making money the menfolk became jealous; they felt the women were getting powerful, and worried they would lose their authority. So they came up with an ingenious argu-

ment. They said, “You’ve been cooking chapattis in the community hall, which is meant for meetings only, so you can’t do it here anymore.” So that almost ended the programme. But by then the women were strong enough, had the confidence, had some money and went to the bank. They bought land, built a factory and now have a balance of 6 million rupees. So then you had domestic violence. But that is getting better now.’

The approach of the conference was well received by most participants. As one plenary speaker noted, ‘I’ve been on many sustainability panels, but to have people approaching the topic from such different places—that’s very rare. It made for an interesting conversation.’

For the Asia-Pacific region this might be one of the most significant contributions of the conference, given the current pattern of development of CSR in the region. As discussed in Issue 33 of *JCC*,<sup>31</sup> and further in *The Eastern Turn in Responsible Enterprise*,<sup>32</sup> if CSR in the Asia-Pacific develops as a mix of the interests of Westerners and, increasingly, local elites, it will not respond to those that are directly impacted by business activities within the Asia-Pacific.

The APABIS conference hoped to offer something different to the elite focus of CSR for Asia through its cross-sector and multi-disciplinary approaches that embraced differences, and to spark the creative thinking necessary to envision a SEE. By incorporating stakeholders other than business managers and government officials, there was a deepening of the systemic reflection necessary to envision new economic concepts. As a result, there was a new focus on economic justice rather than the more philanthropic concepts of CSR that are dominant in Asia, indicating a potential shift in how the Asia-Pacific region is starting to think about CSR.<sup>33</sup> However, while more than 20 nationali-



JEAN PALUTIKOF OF THE AUSTRALIAN NATIONAL CLIMATE CHANGE ADAPTATION RESEARCH FACILITY: ‘THE SUSTAINABLE ENTERPRISE ECONOMY MEANS VERY LITTLE TO ME’

ties were present at the conference and case studies presented in breakout sessions were drawn from throughout the region (including Australia, New Zealand, Vietnam, Indonesia, Japan, India, Myanmar [Burma] and Fiji), the conference participants were overwhelmingly from Australasia, although there also was strong representation from Japan and Vietnam. If APABIS is to become an important forum for cross-cultural and cross-sectoral dialogue on matters of business in society, there is much work to be done.

Both the conference’s approach and its focus were nevertheless not without their critics, illustrating in turn the challenges of systemic change. As argued by Professor Jean Palutikof, Director of the Australian National Climate Change Adaptation Research Facility, ‘the sustainable enterprise economy means very little to me—I think it is used to disguise the fact that no one is doing much about carbon emissions’.

While the conference highlighted and bemoaned the ‘silo mentality’ found in government, business and industry, and academia, at times the format and participants struggled to break out of the well-worn stand-and-present routine. Disciplinary and institutional divides are well recognised as limits to exchange and innovation in thinking and processes to adapt to the sustainability imperative. While striving to bridge these divides, this conference demonstrated both the need and

31 J. Bendell, C. Ng and N. Alam, ‘World Review’, *Journal of Corporate Citizenship* 33 (Spring 2009): 11–22.

32 Bendell *et al.*, *op. cit.*

33 *Ibid.*

the difficulty in engaging in what could be called ‘trans-disciplinary’ conversations; the importance of moderators skilled in conversations on systemic issues; and the promotion and further development of these more innovative conference formats.

## Sustaining innovation

THE SINGAPORE CONFERENCE ON social innovation also reflects the popularity of the term ‘innovation’ in management conferences and initiatives on business–society relations. Two design conferences in the fourth quarter of 2009 also suggest that the nexus between sustainable enterprise and design is an emerging trend. The International Design Conference on Sustainability and Design in Mumbai in November explored the theme of Sustainability, Design and Enterprise.<sup>34</sup> A month earlier, the Design Management Institute (DMI) held its annual conference entitled ‘Design, Complexity and Change’ to present case studies that draw out lessons on how design can help reframe, rethink and reinvent futures.<sup>35</sup> They illustrate how design is a concept that goes beyond the creation of products and is concerned with exploring the role of design in sustaining, developing and integrating human ideas into broader ecological and cultural environments.

So what does innovation mean? According to BusinessDictionary.com, innovation is the ‘process by which an idea or invention is translated into a good or service for which people will pay. To be called an innovation, an idea must be replicable at an economical cost and must satisfy a specific need. Innovation involves deliberate application of information, imagination, and initiative in deriving greater or different value from resources, and encom-

passes all processes by which new ideas are generated and converted into useful products.’<sup>36</sup> It is in essence a systematic and systemic approach that directs acts of invention towards a shared purpose, this purpose being of public benefit in the case of social, sustainable or responsible innovation.<sup>37</sup>

Recognising the systemic change necessary for such complex innovation, Paul Toni presented WWF’s *Climate Solutions 2* report as part of the APABIS conference in November. The report modelled the ability to grow low-carbon industries within a market economy and highlighted some of the challenges to such innovation. On the practical side, such industries have constraints to growth caused by limits to resource, technology, capital and workforce size and skills but, as Toni explained, ‘these limits are measurable and make it possible to calculate the time required to transform the energy and non-energy sectors to avoid a 2° warming’. According to Toni, ‘there are 24 low-carbon resources, industries and practices available today that are sufficiently large to provide 9 billion people with significant economic development’. However, the maximum possible rate of growth for these industries is lower than 30% a year. Therefore, unless public policy creates the right frameworks for massive investment in such industries to achieve the 30% annual growth rate needed from 2014 onwards, it will not be possible to achieve the necessary reductions in carbon emissions to keep world temperature rises below the 2° threshold.<sup>38</sup> So, systemically, there are innovation constraints as well.

As such, Paul Toni argued that there are three main reasons why innovations are held back, or at least not promoted by gov-

34 ‘In a Planet of Our Own’, 2009; [www.inaplanetofourown.net/conference.html](http://www.inaplanetofourown.net/conference.html).

35 Design Complexity and Change, 2009; [www.dmi.org/dmi/html/conference/annual09/annual.htm](http://www.dmi.org/dmi/html/conference/annual09/annual.htm).

36 [www.businessdictionary.com/definition/innovation.html](http://www.businessdictionary.com/definition/innovation.html)

37 T. Golsby-Smith *et al.*, *High Performance Thinking: Methods to Shape Strategic Thinking* (workbook; Sydney: Second Road, 2007).

38 P. Toni, WWF Australia, ‘Innovation and the Emerging Sustainable Enterprise Economy in Asia-Pacific’, presentation at APABIS Conference, Brisbane, 6 November 2009; [www.apabis.org/asset/media/pтони.pdf](http://www.apabis.org/asset/media/pтони.pdf).

ernment. First, ‘incumbent firms argue to maintain the status quo—how can they do otherwise without breaching their duty to the shareholders?’ he explained. Second, ‘industry associations are particularly vocal opponents of change because they represent the whole spectrum of opinions in the industry—including those of the least efficient companies and least prepared’. Third, ‘Departments of Industry are usually supportive of incumbents for similar reasons and are seldom promoters of change.’ As a consequence, regulations that would compel innovations are fought against, usually with the argument that they are too costly and would cost jobs. However, Toni presented evidence showing that industry calculations of the cost of regulations in the fields of asbestos, benzene, coke ovens and vinyl chloride were exaggerated by between 50% and 1,500% before regulations were introduced. Part of the reason was that, once regulations came into effect, industry began to innovate and find cost savings in so doing. Therefore, he called on governments to influence markets and promote the rapid scaling of needed technologies.<sup>39</sup>

Other deep-seated impediments to sustainable innovation from within businesses themselves were explored in a Boston Consulting Group (BCG) publication in October 2009 entitled *The Business of Sustainability*. The report detailed the results of a global survey of over 1,500 corporate executives and managers which sought to better understand the business implications of sustainability.<sup>40</sup> One of the conclusions of the report was that, although 92% of businesses were trying to address sustainability issues, most companies struggled on execution demonstrating a lack of coherence between the desire to act and the ability to implement bold action.

<sup>39</sup> *Ibid.*

<sup>40</sup> M. Berns, A. Townend, Z. Khayat B. Balagopal, M. Reeves, M. Hopkins and N. Kruschwitz, *The Business of Sustainability: What it Means to Managers Now* (BCG, October 2009; [www.bcg.com/expertise\\_impact/publications/PublicationDetails.aspx?id=tcm:12-32196](http://www.bcg.com/expertise_impact/publications/PublicationDetails.aspx?id=tcm:12-32196)).

The report detailed that one of the major obstacles was the difficulty in modelling a business case for sustainability due to three major factors:

- ▶ Forecasting and planning beyond the one- to five-year time horizon typical of most investment frameworks
- ▶ Gauging the system-wide effects of sustainability investments
- ▶ Planning amid high uncertainty

While these three points illustrate the ambiguity that businesses face, they also demonstrate the typical decision-making mechanisms that businesses use in determining future direction. Expanding on the third point in particular, the report stipulated that ‘Strategic planning, as traditionally practiced, is deductive—companies draw on a series of standard gauges to predict where the market is heading and then design and execute strategies on the basis of those calculations. But sustainability drivers are anything but predictable, potentially requiring companies to adopt entirely new concepts and frameworks.’<sup>41</sup>

In criticising deductive logic, where theories arrived at through past experience are used to predict what will happen in future, BCG were giving voice to other forms of knowledge in a domain traditionally dominated by economics, as illustrated by a range of strategy management journals. Economics is a discipline that is highly reductionist and determinist, meaning that, to provide insight into society, it reduces complex interactions into a few key variables (reductionism), and then seeks correlations between the variables as a means of identifying cause and effect (determinism). As such, economics has its limits in revealing insight into complex realities. Beyond economics, many of the tools used to describe major trends in society that inform the fields in which companies focus their innovation depend on quantitative data, includ-

<sup>41</sup> *Ibid.*: 17.

ing analysis of the subjective opinions and experiences of individuals through surveys. The reliance on what can be inscribed and aggregated not only enables some useful macroscopic views of trends, but also means there is a temporal and physical distance between the analyst and the realities studied. The data shows how things used to be, not how they could be, and does not provide insight into the complexity of people's lived experiences. It is as if, by looking for the 'helicopter view' of a situation, one has to travel away from the phenomenon to look back at it through a telescope. What is lost from this approach is not only an understanding of complex consumer needs and wants, but also the potential for a conversation with consumers about what they might want, and how their expressed behaviours might not actually be how they would wish to behave if they had other choices. For instance, the reason that people spend two hours in traffic everyday might be an observed preference, as it is their behaviour, but it is not necessarily their desired preference.

A key lesson here is that, in order to become better at strategy, businesses need to get closer to consumers. But the main focus of BCG was on the restrictive effects of business executives requiring 'proof' of a business plan, where what constitutes proof is narrowly defined, before making a decision to invest in innovation. This was also the focus in *Fast Company* magazine in November 2009. Being interviewed on innovation in business, Roger Martin, Dean of the Rotman School of Management at the University of Toronto, explains that 'Most companies try to be innovative, but the enemy of innovation is the mandate to "prove it." You cannot prove a new idea in advance...' <sup>42</sup>.

The alternative, he suggests, requires 'design thinking'. A simple definition of design thinking is any process that ap-



ROGER MARTIN OF THE ROTMAN SCHOOL OF MANAGEMENT: YOU CANNOT PROVE A NEW IDEA IN ADVANCE

plies the methods of industrial designers to problems beyond the scope of how a product should look. 'Design thinking' is a user-based approach that observes people in order to create practical solutions in product design and for social problems. It focuses on the nature of the problem itself. Put this way, such a methodology means that products are created in sync with consumer needs rather than creating a product and pushing it into the marketplace. Mr Martin suggests that design thinking is a conduit between the intuition of new ideas and the more structured approaches of analysis which 'enables the organization to balance exploration and exploitation, invention of business and administration of business, originality and mastery'. <sup>43</sup>

This suggests that, by thinking like a designer, organisations may be freed from the burden of proof so that the *best solution* can be explored rather than the illusion of what can be proven.

A November 2009 special report in *BusinessWeek Online* highlighted how design thinking is impacting business. <sup>44</sup> The article illustrated how companies such as Procter & Gamble (P&G), GE Healthcare and Philips Lighting use design thinking to solve their problems. At P&G, the number of design facilitators has grown

<sup>43</sup> *Ibid.*

<sup>42</sup> L. Tischler, 'What's thwarting American innovation? Too much science, says Roger Martin', *Fast Company*, 4 November 2009; [www.fastcompany.com/blog/linda-tischler/design-times/whats-thwarting-american-innovation-too-much-science-says-roger-mar](http://www.fastcompany.com/blog/linda-tischler/design-times/whats-thwarting-american-innovation-too-much-science-says-roger-mar).

<sup>44</sup> V. Wong, 'How business is adopting design thinking', *BusinessWeek Online*, 3 November 2009; [www.businessweek.com/innovate/content/sep2009/id20090930\\_853305.htm?chan=innovation\\_design+index+page\\_special+report+---+design+thinking](http://www.businessweek.com/innovate/content/sep2009/id20090930_853305.htm?chan=innovation_design+index+page_special+report+---+design+thinking).



from 100 to 175 since 2008 in an attempt to embed such methodologies throughout the organisation; and, judging by their enormous growth between 2000 and 2008 when revenue doubled from \$40 billion to \$83 billion, it isn't surprising that their performance is being heralded as a triumph of design thinking.<sup>45</sup> GE Healthcare has also adopted design thinking and, according to a 2003 report by the Danish Design Center, increased design activity such as design-related employee training boosted the company's revenue on average by 40% more than other companies over a five-year period.<sup>46</sup>

These earnings may convince companies that 'design thinking' is central to the future of innovation, but what might it imply for the social and environmental performance of business, including the challenge of scaling innovation as rapidly as described above? There are two areas of potential benefit. First, as design thinking challenges dominant views of what constitutes proven knowledge in strategic planning, and allows for more complexity and uncertainty in decision-making, so investments in innovation may gain more attention. This is because, as BCG noted, 'Decisions regarding sustainability have to be made against a backdrop of high uncertainty. Myriad factors muddy the waters because their timing and magnitude of impact are unknown. Such factors include government legislation, demands by customers and employees, and geopolitical events.'<sup>47</sup>

Second, design thinking could encourage businesses to respond to the needs of consumers, rather than seeking ways of marketing existing things to them. This is closely connected to developing a functional perspective on what consumers do, and why they do it. With this view, a car is no longer just a car, but a means of

fulfilling a range of functions to the consumer, such as mobility, status and fun. With that perspective and recognition of growing resource constraints, changing values and technologies, designers could explore how to serve those needs in different ways. Thus needs for mobility, status and fun could be provided separately, or more sustainable transport solutions infused with characteristics that meet the non-mobility functions of existing cars. Making bicycles cool, for instance, or providing more ticket classes and benefits in public transport. The importance of taking a consumer need perspective, or 'functional approach', and seeking to meet that within resource constraints, was identified by the UN Environment Programme as a key sustainability policy paradigm for governments in 2001 and explored in these pages in 2006.<sup>48</sup>

The shift in mind-set in design thinking is one that moves from regarding a product as simply a physical thing to regarding it as part of a set of relationships that fulfil various purposes for different people; and so those relationships are as important as the thing in itself. In marketing, this view is often discussed in terms of focusing more on the experience of the consumer. There are also strong resonances here with systems thinking, which emphasises that everything is a set of relationships.

The use of design thinking in business innovation has the potential for encouraging more sustainable design, but it depends on what criteria the observation of users is based, the choice of their needs to be explored, and the intention of the company. In the case of P&G designing cosmetic products, for instance, do their designers question their users about the wider consequences of the products, or the reasons why consumers have particular 'needs' and tastes? In light of the Environmental Working Group's cosmetic safety

45 D. Patnaik, 'Forget design thinking and try hybrid thinking', *Fast Company*, 25 August 2009; [www.fastcompany.com/blog/dev-patnaik/innovation/forget-design-thinking-and-try-hybrid-thinking](http://www.fastcompany.com/blog/dev-patnaik/innovation/forget-design-thinking-and-try-hybrid-thinking).

46 Wong, *op. cit.*

47 Berns *et al.*, *op. cit.*: 14.

48 UNEP, *Consumption Opportunities: Strategies for Change. A Report for Decision-makers* (Geneva: UNEP, 2001); J. Bendell and J. Cohen, 'The Lifeworth Review of 2006'; [www.lifeworth.com/2006review/qtr36-2006.htm](http://www.lifeworth.com/2006review/qtr36-2006.htm).

database which details hundreds of P&G products containing potentially harmful toxic chemicals, perhaps user observation needs to be coupled with user education in order not to avoid certain environmental and social issues.<sup>49</sup> Design may be used to support innovation and the bottom line, but there is also the risk that the broader ecological boundaries are deliberately circumvented to the detriment of others. So, despite the enormous potential of design thinking as highlighted by the examples of P&G and GE, until environmental and social issues become part of the purpose of the organisation, new products may not necessarily be more sustainable.

That said, P&G is starting to apply sustainability criteria to some of its products. Called 'Sustainable Innovation Products' or SIPs, P&G has a goal to deliver \$50 billion in cumulative sales of products with improved environmental impact by 2012. SIPs must have an overall use reduction of 10% in the areas of transport, energy, water or materials, or have replaced non-renewable materials with renewable ones.<sup>50</sup>

Design thinking is not a magic bullet for social and environmental effectiveness of corporations, and should not be understood as a new function within business, but just one way of practising a more connected and holistic way of doing business. A *Harvard Business Publishing* article in October 2009 suggested that the success of design thinking is as much about embracing different points of view as it is design methodologies.<sup>51</sup> Although Peter Merholz, the author of the article, founded a company that is dedicated to experience design, he suggests that the



DEV PATNAIK OF JUMP ASSOCIATES: DESIGN THINKING IS THE CONSCIOUS BLENDING OF DIFFERENT FIELDS OF THOUGHT . . .

effectiveness of design thinking is that it embraces many different experiences and disciplines. He affirms that 'What we must understand is that in this savagely complex world, we need to bring as broad a diversity of viewpoints and perspectives to bear on whatever challenges we have in front of us. While it's wise to question the supremacy of "business thinking," shifting the focus only to "design thinking" will mean you're missing out on countless possibilities.'

His comments supported an article in *Fast Company* earlier in the year that commented on the role of Claudia Kotchka, P&G's first-ever VP for design strategy.<sup>52</sup> The author, Dev Patnaik, CEO and founder of Jump Associates, a firm that helps companies create new businesses and reinvent existing ones, was quick to point out that Ms Kotchka was an accountant by training and spent most of her professional life in marketing and thus had no design experience when she started the role. He insists that what design thinking ultimately embodies is the 'conscious blending of different fields of thought to discover and develop opportunities that were previously unseen by the status quo'.

So, while Ms Kotchka immersed herself in design thinking, combining it with her other experiences was what made her such a powerful example of design. As Mr Patnaik concluded, 'To walk away concluding that design thinking is what

49 Environmental Working Group's 'Skin Deep Cosmetic Safety Database', 2009; [www.cosmeticsdatabase.com/wordsearch\\_free.php?hq=Procter+%26+Gamble&go=go](http://www.cosmeticsdatabase.com/wordsearch_free.php?hq=Procter+%26+Gamble&go=go).

50 P&G, 'Sustainability: Strategy, Goals and Progress'; [www.pg.com/en\\_US/sustainability/strategy\\_goals\\_progress.shtml](http://www.pg.com/en_US/sustainability/strategy_goals_progress.shtml).

51 P. Merholz, 'Why Design Thinking Won't Save You', *Harvard Business Publishing*, 9 October 2009; [blogs.harvardbusiness.org/merholz/2009/10/why-design-thinking-wont-save.html](http://blogs.harvardbusiness.org/merholz/2009/10/why-design-thinking-wont-save.html).

52 Patnaik, *op. cit.*

makes P&G great would be like going to the movies and concluding that Indiana Jones is a great hero because he always wears a hat.'

It should be of no surprise that corporations using design thinking are now employing people from the social sciences such as sociologists, anthropologists, ethnologists and the like because they can open up thinking through entirely different points of view. The key here is the need to transcend organisational silos and the single lenses that come from specialisation in marketing, finance, human resources, strategic planning, operations and so on. The new popularity of design thinking, like systems thinking, reflects how organisations are trying various ways to overcome silos. Having teams of experts from different specialisations is one way that organisations try to overcome these silos, but they are rarely more than the sum of their parts. Instead, if managers develop a competence for trans-disciplinarity or trans-functionality, they can draw on the expertise in different specialisations, while rejecting certain knowledge claims from those disciplines that they can spot as the result of unhelpful assumptions or preoccupations. Key to this is understanding a knowledge claim in its full context: to distinguish between what it reveals and what is simply a projection of its method, theory and assumptions. Two of the best underlying factors in developing trans-functional competence are critical discourse analysis and the philosophy of science, as they enable people to deconstruct the truth claims they hear.

Furthermore, the organisational silos are there for a reason: they have helped incumbent organisations to control their activities, and regulate any potentially disruptive changes. As a means to shore up success, corporations have created organisational structures to maintain their financial commitments. As many large organisations are either financed by debt or equity, there are requirements to ensure that debt is paid back on a predetermined schedule or that shareholders are paid a return; and so it is understandable that

companies have ordered their organisations to meet these demands.<sup>53</sup> According to Roger Martin, the consequences of such arrangements for organisational functions are many, and of note for CR professionals. (1) Organisations will take the risks associated with exploring new ideas only when there is a clear potential for a significantly enhanced financial return; investments in new approaches that would deliver similar returns to existing practices are not favoured. (2) Owing to the outflow of money, there are limited resources that can be dedicated to innovation—thus, ironically, working against their own long-term interest. (3) As a result, meeting the budget is the first measure of operational success as opposed to, for example, better environmental performance. And (4) because the nature of the work environment demands reliability for financial purposes, work itself is secondary to the business of making and selling, often demoting people to machine-like tasks and blocking creative potential.<sup>54</sup> A corollary to the last point is that work then becomes a measure of time. The consequence is that performance is measured according to quantity and time rather than quality and objectives, potentially leaving the problem to be addressed unsolved in the interest of rapid turnaround.<sup>55</sup>

It is not just a top-down process that enforces silos in organisations. Rather, to be effective in addressing challenges in ways that integrate insights from various organisational functions, one must be highly intelligent and enthusiastic about the organisation's purpose. If one is tired at work, or not deeply interested in the goal of the organisation, then learning the ropes of a particular discipline, and being satisfied one is a trained practitioner in

53 R. Martin, *The Design of Business: Why Design Thinking Is the Next Competitive Advantage* (Boston: Harvard University Press, 2009): 40–41.

54 *Ibid.*: 48.

55 One author's personal correspondence with Alessandro Rancati, founder and owner of Direccion Creativa, an innovation and design consulting firm based in Barcelona.

that discipline, is a natural option. The same is true of management schools, where academics have the added pressure of the expert expectation, so that choosing to put boundaries around one's expertise is an easier way of life.

While corporate responsibility (CR) professionals are presenting sustainability as a source of business opportunity, little is said about those dominant structural aspects of business that are implicitly opposed to innovation. In the case of business, the requirement to 'guarantee' profitability means that businesses depend on mechanisms and processes that have demonstrated reliability in working toward this goal.<sup>56</sup> But, in the face of climate change, financial crises and continual uncertainty, this raises the question of whether the organisational mechanisms that support profit-making are as much hampering as stimulating innovation on challenges such as climate change. For professionals working in CR, examining deep-seated impediments to sustainable innovation is important.

Stakeholder dialogue is an area of corporate responsibility where design thinking could have a direct application. Concerns over the effectiveness of stakeholder dialogues in aligning the interests of business and their stakeholders raise the question of why there is little innovation when there is a veritable abundance

of differing viewpoints at the table.<sup>57</sup> This would suggest that there are tools necessary from a process point of view to create a shared sense of problem, to explore the *best solutions* and then channel these ideas through to the implementation phase. In light of the diversity parallel with design thinking, perhaps the missing element in innovation through stakeholder dialogue is design facilitation, an admittedly ambitious project. For, while the design facilitator may be able to unite the stakeholders present to solve a problem, the trickle-down effect might be a little less effective if the organisational structures behind them are naturally resistant to innovation. Consequently, the greatest challenge facing the CR movement may not be providing creative ideas for businesses but helping organisations to break free of paradigms that they've established in attempts to shore up profits and returns for shareholders. If business is to unleash its sustainability creativity, the CR movement will need to not only promote more design thinking, but also transform existing organisational structures that have been designed to resist change. This is where public policy could play a role with a few interventions at the root of the problem, such as obliging corporations to retain a certain percentage of profits to be used for innovation to address a public need.



56 Martin, *op. cit.*: 33-56. See also T. Golsby-Smith, *Pursuing the Art of Strategic Conversations: An Investigation of the Role of the Liberal Arts of Rhetoric and Poetry in the Business World* (PhD; University of Western Sydney, 2001): 191-220.

57 J. Bendell, J. Cohen and C. Veuthey, 'The Global Step Change: 2007 Lifeworth Annual Review of Corporate Responsibility'; [www.jussempier.org/Resources/Corporate Activity/Resources/globalstepchange-2007review.pdf](http://www.jussempier.org/Resources/Corporate%20Activity/Resources/globalstepchange-2007review.pdf): 7.