

Purpose beyond Profit:

Towards a Spiritual Foundation for Corporate Responsibility

“... service to mankind is the paramount motive of all existence”¹

by Marjo Lips-Wiersma

© Marjo Lips-Wiersma

All rights reserved

ISBN 2-911423-26-7

Cover design by Steiner Graphics

European Bahá'í Business Forum
45, rue Pergolèse
75116 Paris, France

E-mail : info@ebbf.org
Internet : www.ebbf.org

Purpose beyond Profit:

Towards a Spiritual Foundation for Corporate Responsibility

“... service to mankind is the paramount motive of all existence”²

by Marjo Lips-Wiersma

Introduction

For many decades business has operated according to the tenets of neoclassical economic theory, where the primary obligation of corporations is to maximize financial return for shareholders. However the larger mandate for business is changing. Although shareholders still want results, other stakeholders want results as well and these are not necessarily measured financially. Stakeholder theory is proposing an alternate way of doing business by encouraging consideration of both economic and non-economic factors in corporate decision-making. However ten years into the CR (corporate responsibility) movement we find that its literature, conferences, practices and research focus on how CR efforts affect the financial bottom line. Thus the contribution of any organization is still primarily measured in terms of economic outcomes.

The main thrust of this paper is that, if we only consider the business case for being socially responsible, that is, voluntary decisions to act in a socially or environmentally responsible way must lead to higher profits, we ignore the moral

² ‘Abdu’lBahá, *Promulgation of Universal Peace*, p. 369.

imperative for doing the right thing. In so doing important opportunities for business to advance other social goals are missed. We are at risk of having a vision that is too small as it ignores the true nature of humanity which is spiritual. The results of such a narrow vision are already noticeable: while there is evidence that, as a result of the CR mandate, some businesses are doing less harm, and some are doing more good, we also see evidence of the public becoming increasingly sceptical about business CR initiatives. A plethora of companies, while using all the right language, have shown a distinct lack of social responsibility. In addition we see evidence that the real problems of the world, such as poverty, climate change, and inequality, are not being addressed adequately.

There is evidence that, with increased consumer awareness, media surveillance, international law and NGO pressure, companies in the long run may do better when they integrate a broader definition of stakeholder in their business strategies. There is also evidence that, at the very essence of most businesses, there is a conflict between economic and spiritual values and that, when there is a conflict between profit and doing the right thing, profit usually wins. This focus on profit in the CR movement and practice does not of course tell us the whole picture. In fact it has given us very limited ways to look at this important movement. We either allow ourselves to act out of enlightened self-interest only, that is we will only be responsible when this is aligned with the profit motive, or, alternatively, we naively assume that profit and CR always go hand in hand. This second assumption is not particularly realistic given a business environment in which companies increasingly focus on short-term gains. Thus 'profit for the long run' may not be a strong argument to convince business to be socially responsible. In addition, cynics argue that if it were true that CR contributes to profit, business would have been responsible all along. In fact we would not need even to call it 'corporate responsibility' as it would, like marketing or quality management, simply have always been strategically integrated as it would have contributed to larger profits. As such, the profit

argument to be involved in CR, even if it were the only argument with which businesses should concern themselves, is not sufficient.

A spiritual perspective makes us think beyond the profit argument for engaging in CR. If we accept that we are spiritual beings, we need to redefine the purpose of business based on our understanding of the spiritual nature of humanity. From this perspective, engaging in CR only out of enlightened self-interest goes against the very reason for our existence. From a spiritual perspective, the reason why we engage in ‘doing good’, whether out of enlightened self-interest or a genuine concern for humanity, has always mattered. Since only human beings have conscious desires and hence intrinsic goals, our spiritual duty is to use our free will to help and not harm others and to further their ends (Emanuel Kant). The ultimate objective of our lives is not to act out of enlightened self-interest, but to transcend our ego out of a sense of moral duty, doing the right thing for itself or for the love of God. We do so not because of expectations of punishment or reward, but because it is simply the right thing to do. This spiritual perspective is unfortunately receiving little attention in CR practice and research.

The majority of CR websites cite cases and research showing CR making good business sense, rather than, for example, drawing attention to ongoing problems of poverty, climate change, pollution or inequality to inspire decision-makers to consider what they can contribute to meet the real needs of humanity. Another example of CR being economically rather than socially or morally motivated is the regularity with which CR functions are placed within the public- or corporate-affairs departments aimed at rebutting criticism, rather than CR functions being strategically integrated to address the contribution the corporation can make to society as a whole. Furthermore, researchers and consultants primarily advise corporations about stakeholders in terms of a profit-maximizing perspective. In a review of the literature on CR, Driver (2006) suggests that economic models of CR still dominate the research

and especially the practice of CR. The lack of distinction between moral and economic imperatives for engaging in CR causes significant confusion within both research and practice.

For example in the research field, McWilliams and Siegel define CR “as actions that appear to further some social good, beyond the interest of the firm and that which is required by law” (2001:p. 117), a definition that goes beyond strict profit maximization and includes some moral responsibility. However, they go on to develop a model for CR that suggests corporations use cost-benefit analyses and economic models of supply and demand to determine optimal levels of CR. As a result of applying such a model, engagement in CR is not a question of morality but of economics (cited in Driver, forthcoming). Similarly, in practice we often see that in spite of the use of all the right value-driven language, the end result is that CR is rerouted back into the bottom line.

In a recent article in the *McKinsey Quarterly*, Davis (2005) starts out promisingly enough by arguing that we need to move beyond the tired ideological position of the sole legitimate purpose of business being to generate profit. In the rest of the article, he argues that CR, as a defensive strategy (to reduce the risk of legal challenges and consumer boycotts) is unlikely to *advance the bottom line*. While, in principle, Davis’ arguments to incorporate CR in long term strategic thinking rather than making it a defensive and ad hoc practice, are sound, the end goal for doing so remains the same: “A starting point may be for CEO’s to articulate publicly the purpose of business in terms less dry than shareholder value, *although that should continue to be seen as the critical measure of business success*. However, it may be more accurate, more motivating – *and indeed more beneficial to shareholder value over the long term* – to describe the ultimate purpose of business as the efficient provision of goods and services that society wants. (Davis, 2005, p. 2, italics added). To add to the ideological confusion, Davis argues that, as long as consumers buy the products or services of a company, the business is having a legitimate *raison d’être*, and that CEO’s

should point out what he refers to as “the company’s nobler purpose” in which profits are not an end in themselves but a signal from society that a company is providing things people want. Thus, while on the one hand Davis argues that many CR initiatives are currently too limited, too defensive and too disconnected from corporate strategy, he seems on the other hand to argue that, as long as consumers continue to buy the company’s goods and services, it is making a contribution to society, which, in turn, contributes to the companies’ bottom line, which he still argues *should continue to be seen as the critical measure of business success*. Nowhere in the article are the needs, rather than the wants, of humanity mentioned, apart from the tired argument that by business expanding into third world countries, they create employment and skills. However as long as profit is *the critical measure of business success*, some of the goods these countries want (such as weapons) are not contributing to its citizens attaining a good life, whereas other goods they might need (such as AIDS medication) are still not affordable to the vast majority of the population.

To avoid addressing this dilemma, corporations optimistically maintain that there simply is no conflict of interest inherent in the pursuit of profit and the upholding of socially responsible behaviour: “We hope, through this report and by our future actions, to show that the basic interests of business and society are entirely compatible – that there does not have to be a choice between profits and principles” (Shell report, cited in Kok, Vanderwiele et al., 2001). If we make the term long enough, it may be true that self-interest and morality meet, but in the here and now there is usually a conflict between the duty not to pollute and the impact on profitability of so doing. Given that business planning increasingly takes a short term focus, it is by no means certain that profit and principles can go hand in hand.

As long as CR is conceptualized and practiced within the narrow economic paradigm, it cannot move beyond enlightened self-interest (acting in socially responsible ways in order to

further one's own ends) because all behaviour must be justified economically (Stormer, 2003). In justifying all behaviour economically, business continues to see profit as an end in itself rather than business being a means by which people endeavour to attain a good life for themselves and their loved ones (De George, 1995). However, from a spiritual perspective, to base a decision to act morally on self-interest, even enlightened self-interest, is to miss its main moral purpose and to make it out as something much less than it really is. Morality involves a genuine concern for others, a love of one's neighbour, a willingness to develop virtues, and the courage to do the right thing even when the economic outcome can not always be predicted. It is not calculated love based on an expectation of favours returned (Griffins & Thomas, 1995). In this paper I am not arguing that a spiritual perspective ignores material needs. Many organizations, in providing innovation and employment, have always made a significant contribution to the well-being of humanity, and in order to continue to do so they need to be financially healthy. I am simply arguing that from a spiritual perspective profit is not the purpose of commercial activity.

This paper explores what CR may look like if we were to justify it spiritually rather than economically. The questions this paper addresses are: what is the spiritual purpose of business? How does this purpose distinguish itself from a material/economic purpose? Why is this distinction important? And, what would be the impact of making decisions based on a spiritual rather than an economic world view?

Purpose beyond profit

A core assumption of corporate spirituality literature is that "spirituality seeks fundamentally to get beyond materialist conceptions of meaning" (Vaill, 1991, p. 13). In a reality that is spiritual in nature, intention is as important as outcome. "Spirituality may well be the ultimate competitive advantage. However herein lies a fundamental paradox: those who practice spirituality in order to achieve better corporate results

undermine both its practice and its ultimate benefits” (Mitroff and Denton, 1999, p. xviii). So then, how should we practice spirituality in a commercial environment in a way that it does not corrupt spiritual intention itself?

Workplace spirituality literature describes current society as having both unequalled possibilities and major problems, yet lacking a major worldview to address these (Pauchant, 2002). The Baha'i Faith provides one such a worldview, insisting that the fundamentals of the economic condition are divine in nature and are associated with the world of the heart and spirit. As such, “enduring solutions to economic problems will therefore only be found in the application of spiritual principles” (*Emerging Values for a Global Economy*, EBBF, 1996). The European Baha'i Business Forum, and the Baha'i International Community United Nations Office, have, based on the Baha'i writings, translated these principles to a business context and propose that the foundational spiritual principle for business is to serve the needs of humanity as a whole:

“The guiding spiritual principle for business, from a Baha'i perspective, is that business needs to serve the real needs of mankind. The importance of service as a guiding principle of business activity cannot be overemphasized. “ (EBBF Statement on Prosperity, 1996).

“A new "work ethic," based on a spirit of service to humanity, will be essential. To that end, training that can make it possible for the earth's inhabitants to participate in the production of wealth must be illumined by the spiritual insight that service to humankind is the purpose of both individual life and social organization.” (*The Prosperity of Humankind*, Baha'i International Community, 1995)

The distinction between the spiritual imperative and the economic imperative for being socially responsible is in fact quite simple. The economic imperative will always be based, at best, on enlightened self-interest. The spiritual imperative,

however, first and foremost focuses on service to others. While this distinction is deceptively simple, the implications of this vision for private enterprise are profound. It implies, in the broadest sense, basic changes in all of the institutional arrangements relating to production and consumption. It involves rethinking the roles of employees in business, the products or services of the business, its strategic direction, the role it plays in creating a new civilization and how it collaborates with other organizations in order to do so. (EBBF Statement on Prosperity, 1996).

The next section explores how exactly a spiritual perspective differs from enlightened self-interest and why this difference in moral intention for justifying organizational involvement in CR matters and influences management practice.

The distinct purpose of 'serving the real needs of humankind'

On the surface it could be argued that all businesses are serving the real needs of mankind. After all, they only exist as long as their customers buy their products and services and in order to do so, consumers must have identified a need for the product or service. However there are several differences between an organizational purpose that is driven by economic values versus an organizational purpose that is driven by the spiritual value of serving the real needs of humankind.

A purpose of 'serving the real needs of humanity' clearly articulates that the ultimate purpose of the organization is not to make profit or to increase shareholder value, but to make a contribution to society. This purpose is therefore not just another set of negotiable values, but is the reason for being or *raison d'être* for the company itself. It is the foundation upon which the company is built, the future it is striving towards and the ultimate standard by which the organization measures its own success:

Adopting service to society as an overriding business goal goes well beyond existing notions of corporate philanthropy, for it implies establishing an objective as important as the viability of the firm itself. In some sense, the firm, regardless of financial success, would not be viewed as viable without a true service orientation. (Statement on Prosperity, EBBF, 1996)

Secondly, this purpose focuses on organizational identity, rather than organizational image. It is reflective rather than communicative in nature and is primarily concerned with the inherent ‘character’ of the organization, in terms of the values it wants to live by, rather than its outward appearance. It focuses on ‘what is’ and what ‘should be’ rather than what ‘appears to be’ (Pruzan, 2001). An organizational purpose of ‘serving the real needs of humanity’ would also define corporate identity in terms of character rather than culture and in terms of virtues rather than values. (Moore, 2005).

Thirdly, such a purpose serves as the moral foundation of an organization in that it demands that the company make choices that transcend organizational self-interest. As such it transcends vision, since vision, while describing a possible future, cannot rise above the quality of the ultimate ends it is designed to achieve. “The power of vision rests in its ability to define a future that connects individuals within the organization with the service of noble ends beyond themselves. The vision defines something worth contributing to, something that brings meaning to the individual life. This aspiration is founded on the firm’s purpose” (Ellsworth, 2002). A purpose of “serving the real needs of humanity” is inspirational and aspirational and guides companies and the societies within which they operate in healthy and sustainable directions.

This spiritually-oriented purpose is based on a definition of consumers not just as those who can afford one’s products but also those who need one’s products. In addition it is not oriented towards creating customer needs through excessive advertising

with the goal of increasing consumerism as is the practice in the Western world. Rather it focuses on the real needs of humanity, and produces those products and services that enhance the well-being of all people. This purpose distinguishes itself from material purpose in that it has a world-embracing vision. In setting a priority of needs that the organization can address with its resources and expertise, it considers the needs of the whole of humanity.

A purpose of ‘serving the real needs of humanity’ asks the organization to consider not only to reduce its environmental footprint or to contribute to the well-being of the community which it affects, but also to consider how the purpose of the organization is embodied in its core products or services. While there are many organizations that are values driven, practice sustainable business, have a range of community programs, and contribute to society by generous philanthropy, to serve the real needs of humanity they would need to regularly examine the balance of their products and services. This involves a certain categorization of products and services as, for example:

1. products that are not acceptable as they are life-threatening,
2. products or services that do not really contribute to the real needs of mankind but do no harm when produced in a sustainable manner, their production does not excessively draw on the planet’s resources and they are not consumed in excess.
3. and, finally, products that are life-enhancing.

This re-examining of products and services is of a higher order than vision and values as is illustrated by the following cases. Philip Morris is one of the organizations held up by Collins and Porras (1998) in their book ‘Built to Last: Successful Habits of Visionary Companies’, as a visionary company that has achieved long-term success based on the single-minded pursuit of a values-based culture. While this organization may have some of the best defined values in the world, and may even be one of the most philanthropic

organizations in the world, most people would still argue that its fundamental purpose needs re-examining (Hollander, 2004). On the other hand, Ben and Jerry's ice-cream is an example of a product that does not serve any real need. However when the product is created sustainably and organically and the organization is at the forefront of developing sustainable practices and creating consumer awareness, companies such as Ben and Jerry's still serve real needs of humankind even though it may not be through their primary product, because they set out to be a role model in practicing CR.

Of course not every organisation is likely to have all its products serving the real and most immediate needs of humanity. Revisiting purpose is not about creating a pleasure-denying society. Rather it is about balancing wants and needs, pleasure and utility, needs and wants of privileged versus poor populations and needs and wants of this generation with those of future generations. On balance however, an organization, from a spiritual perspective, would not be viable if its overall contribution through a combination of products, employee practices, exemplary environmental management and community concern (such as the Body Shop) did not make a positive contribution towards serving real needs.

Serving the real needs of humanity requires that companies become actors for the betterment of society, not simply by "doing good" through philanthropy or encouraging employees to volunteer (or what corporate community relations professionals call "tee shirts and balloons" or feel good programmes), but through refocusing the strategies and operating practices where they have their major impact, and by operating with integrity and mindfulness (Waddock, 2005).

If firms tend to be more morally motivated, then they employ CR as a tool of moral discernment. Under these circumstances, firms will be willing to live up to their obligations to stakeholders, even when it involves a cost in terms of shareholder value. If, on the other hand, firms are

primarily guided by pragmatic interests (i.e. profit) then CR becomes exclusively a business tool rather than an approach to discerning moral responsibility (Kapelus, 2002).

All of these distinctions have in common that the focus of CR, from a spiritual perspective, is not to view profit as the ultimate end of the organisation. The ultimate end is to help build a better world through business. This does not mean that we should ignore profit as the lifeblood of the organisation and a measure of business efficiency. It simply means that we need to consistently include the real reason for being in business in every part of our decision-making.

The next section discusses why rethinking the fundamental purpose of business is currently of paramount importance.

Rethinking the fundamental purpose of business

The state of the world

Our work is currently not meeting the needs of humanity as a whole:

“The levels of response elicited from human beings by the incentives of the prevailing order are not only inadequate, but seem almost irrelevant in the face of world events. We are being shown that, unless the development of society finds a purpose beyond the mere amelioration of material conditions, it will fail of attaining even these goals” (Prosperity of Humankind, p. 4).

We see plenty of evidence of major problems and we also see that our current ways of addressing the problems of society are not sufficient. Just between 2000 and 2003, a number of political and economic events turned the post-Cold War euphoria of global capitalism on its head. In the United States, a corporate governance crisis—sparked by the spectacular implosion of companies such as Enron and World Com—

undermined public trust in our economic system. The diverse checks and balances intended to make our capitalist system effective are seen by an increasingly cynical public to have been overwhelmed by greed, arrogance, complacency, and hype. Even if all countries ratified the Kyoto agreement, this is not sufficient to counter the devastating effects of our environmental footprint on this planet. The discrepancy between wealth and poverty is increasing rather than decreasing. It is unrealistic to imagine that this situation can be resolved without a re-examination of the attitudes and assumptions that currently underlie approaches to business:

“We stand at a moment in history poised to make a fundamental shift in our thinking about corporate purpose. The constellation of beliefs, values and techniques shared by managers and the public at large is in a state of change. Our traditional explanations of strategy and competitive behaviour are proving inadequate. Discontent and dissatisfaction with the current state of affairs is widespread. Opinions and actions in response to this state are becoming polarized. At the core of the changing paradigm is a new emerging purpose for American companies”. (Ellsworth, 2002).

The effect of business on society at large and the resulting increasing inequality is significant even within the western world. In the USA, the average boss takes home 431 times what the average factory worker receives, when in 1980 it was only 42 times as much. However these inequities become even more visible when we look at the effect of western business on the rest of the world. Even when we take the World Bank Report (one of the more neutral and understated overviews of the conditions of current society) we find that “Despite impressive growth performance in many large developing countries, absolute poverty worldwide is still increasing”; the gap between the richest and poorest countries has increased (World Bank Report). Inequality within many countries with a large number of poor has increased; 2.8 billion people in the world earn less

than \$2 per day. However the combined revenues of General Motors and Ford exceed the combined GDP of all of sub-Saharan Africa, and Western transnational corporations hold 90% of all technology and product patents worldwide. In other words we clearly see that our present day systems and the assumptions underpinning them are not meeting the needs of humanity as a whole.

What, then, are the options? We can continue to attempt to establish links between CR and financial performance. We can continue to attempt to define non-economic concerns in economic terms (the costs of drinking polluted water, the cost of loss of biodiversity, the costs of aging). We can continue to attempt to slowly shift some business' behavior in socially favourable directions and hope that they will find ways for it to pay-off financially. We can, in fact, continue to say to ourselves that 'the rest will take care of itself as long as business meets its economic objectives'. However it is becoming increasingly apparent that this is not the case and that fundamental changes are needed to address the inequities in the world and the unsustainable exploitation of our environment.

Human work as spiritual endeavour

“At present much of our work in the western world is: “mechanical, artificial, divorced from nature, utilizing only the smallest part of man’s potential capabilities. Work sentences the great majority of workers to spending their lives in a way which contains no worthy challenge, no stimulus to self-perfection, no chance of development, no element of Beauty, Truth, or Goodness”. (Soelle, 1998, p. 57).

For the individual employee in the Western world the corporate experience is often reduced to human beings simply seen to be a “factor of production”. If our goal remains solely to ‘maximize wealth’, and this includes enlightened self-interest, we are inclined to instrumentalise people to achieve that end. “If

the goals of winning, entertaining, and selling are not to corrupt those who pursue them, they must be embedded in much larger purposes which invite a comprehensive, moral evaluation of the means they employ. Such purposes include the service to others and the promotion of the good of all, the common good (Cornwall & Naughton, 2003).

Only such revisiting of purpose takes into account the spiritual reality that we are changed through our work, that our work has the capacity to develop us precisely because it has the capacity to develop the world (Cornwall and Naughton, 2003). From a spiritual perspective our human work cannot be reduced to simply financial or product goals – however important these might be – because our work affects our character. As John Ruskin said “The highest reward for man’s toil is not what he gets from it, but what he becomes by it”. Who we become depends on the virtues that we develop as a result of our work when we aspire to that which is morally good. However we currently primarily focus on what a worker does, we say for example ‘this person is productive.’ In this we concern ourselves with what they do, rather than how their work is connected to the moral dimensions of their character. However, from a spiritual perspective, a moral virtue such as justice that orders human action to a good end renders the acting person good, and thus fulfils the person as a person (Cornwall & Naughton, 2003).

When employees are just seen to be factors of production, for whom every decision has to be economically rationalized, we leave them in a moral wasteland in which they have no choice but to neglect or compromise their own values. This leads to alienation from self, or worse, can contribute to the creation of amoral character. Many companies give lip-service to employees being their most valuable asset, yet they pursue shareholder wealth maximization that subordinates the interest of employees and treats them as expendable means to financial ends (Ellsworth, 2002). Blind pursuit of shareholder value at the expense of the workforce causes deep mistrust, fear, anger,

isolation and alienation. These emotions cannot be vanquished by fancy technology or clever marketing (Thompson, 2000). The irony of our current working conditions is that, whereas in the past our bodies and later on our minds would suffice, many companies now want us to dedicate our heart and soul to our work. Significant amounts of money are spent on teamwork, personal development, and creating a strong cultural identity to achieve employee buy-in to organisational values. However, given that from a spiritual perspective, one of the primary motives of our existence is to serve humanity, an organization that does not base its purpose and subsequent practices on this principle by definition cannot create an environment in which employees rise above their own self-interest and live an integrated spiritual life. In other words, vast numbers of employees currently find it impossible to discover and develop their higher selves through their work, not because they are not intrinsically motivated, but because the purpose they are working towards is not big enough to warrant them giving their hearts and souls to it.

Considerable power is unleashed when the purpose of the corporation is in harmony with the higher aspirations of employees. As the organization becomes a force through which employees can serve their own higher purpose, the human spirit is lifted and human potential expanded (Ellsworth, 2002).

The spiritual foundation of leadership

“Only the entrepreneur who gives first thought to service and second thought to gain practices virtue.” (Oswald, 1936).

“A manager who fails to inform his technical performance with consideration for the common good of the organization has lost not only personal, but also professional, integrity.” (Michael Naughton)

If we continue to do what we currently do in the CR literature, that is treat a leader only as someone who makes objective decisions based on economic rationalities, we are not addressing the personal foundations of leadership. Rather than inviting leaders to own their spiritual potential, we invite them to wear a mask. Self-interest models promote a psychological bias towards self-centredness that assumes that corporate interest always takes priority in decision making. Because few CEO's are encouraged to see the long term – e.g. bonuses are based on quarterly or yearly goals – there is much potential for the ethical decisions they make to be both self-serving and short-sighted. Worse, such models encourage, if not actually teach, people – employees and managers alike—to put their own personal benefit ahead of the common good (Leah, 1995).

In viewing and addressing the leader from his or her spiritual self, we tap into a human desire to constantly improve ourselves and the world around us. This is informed by the source of our inspiration, which may be as diverse as Buddha, Allah, or Mother Nature. It provides ideals, hope, vision and insight. It gives strength and courage to rise above a selfish perspective. It also invites examination of the sources of inspiration and allows leaders to stay in touch with that inspiration during work. For them success is equated with well-being for all and encourages sound business decisions based on long-term organizational and community health.

Given that the leader is the role-model, and that a spiritual purpose for the organization will only take hold once it is modelled by the leader, treating the leader as someone devoid of spirit seems an inadequate starting point for the radical changes required to meet the real needs of humanity. A leader who transcends self-interest is not easily disturbed by external threats because he acts through intrinsic motivation. This results in a personal constancy of purpose through which work is made morally inseparable from life and inspires action with courage and integrity. In denying this spiritual reality, in our research, in our social and economic development and in current CR

conferences and literature, we deny rather than invite leaders to articulate and act on their desire to ‘serve the real needs of humanity’. As Robert Wahlstedt, President of Reell Precision Manufacturing Group wrote:

“It may be possible to be successful in a materialistic sense through the pursuit of self-interest, sometimes even in an unbridled manner. When self-interest becomes enlightened, business success is highly likely, and the person will be respected when ethical constraints are accepted. None of these, however, assure fulfilment or satisfaction. As Maslow, the Bible, other sacred writings teach, and experience confirms, we, as human beings, find satisfaction and fulfilment only when we reach beyond ourselves and become immersed in the pursuit of the common good”.

The leader who takes service to humanity to heart as the guiding principle is a radically different leader from most of his or her peers. “The difference manifests itself in the care taken by the servant - first to make sure that other people’s highest priority needs are being served. The best test, and difficult to administer, is: do those served grow as persons; do they, while being served, become healthier, wiser, freer, more autonomous, more likely themselves to become servants? And, what is the effect on the least privileged in society; will they benefit, or, at least, will they not be further deprived?” (*The Servant As Leader* by Robert Greenleaf, 1970).

Practicing purpose

It has been argued that by insisting on justifying CR from an economic perspective only, we are in danger of yielding answers to smaller and smaller questions rather than probing for the grander and more profound questions required to examine the current role of business in society (Frederick, 1998). This section uses several examples to explore how the more profound purpose of ‘serving the real needs of humanity’ raises profound

questions in organisations and how these organisations have responded to these questions.

As mentioned before, one of the core strategic decisions likely to be affected by the purpose or *raison d'être* of a company is an assessment of the nature of the products and services it offers. These are likely to be on a continuum from life-enhancing, to neutral (depending on frequency and appropriateness of use), to life-diminishing. Danone has the following mission statement on its site: "Danone helps people around the world grow, live better and get more out of life through tastier, more varied and healthier food products every day." Clearly its motivational intent is to deliver life-enhancing products. Recently Danone was faced with a series of strategic decisions around its core product range and possible expansion. In 1997, to reinforce the group's concentration on healthy eating, three growth areas were determined: 1) fresh dairy products, 2) biscuits and 3) drinks. The brewery and confectionery businesses which did respond to other important criteria such as profitability and internationalization were sold in 1999 because they did not fit in with the *raison d'être* of the company. In successive years this *raison d'être* has often been challenged as profitable opportunities came up. During a meeting of the strategic investment committee, the person in charge of development suggested that they buy a company that produces and distributes drinks. The company is well established and it was a very serious proposal that was well researched and prepared. Very quickly however the chairperson of the committee stopped the presentation. It appeared that alcoholic drinks accounted for a large share of this company's turnover. "This is not our line of business", he concluded. Everyone agreed. The person doing the presentation realized he had been too focused on objectives for growth and had not taken seriously enough the group's *raison d'être*. Today it is estimated that 80% of Danone's turnover comes from products in the healthy eating sector. (case documented in "Practicing Decision-Making", Falque and Bougon, 2005).

Compare this case with, for example, the Ford Motor Company. This company has as its overall vision to “become the world’s leading consumer company for automotive products and service”. And its mission to be “passionately committed to mobility for people all over the world”. While Ford also has integrity and sustainability in its goals, from its mission statement and actions, it is clear that ‘becoming a world leader’ in terms of market segment (and thus profitability) is its primary goal. The *raison d’être* for Ford is to serve consumers who can afford its products and, one could argue, towards over-consumption by introducing a range of high-energy-consuming SUV’s. Ford has not been proactive in contributing significantly to sustainable transport, and did in fact hold back on R&D on hybrid cars, focusing instead on SUV’s and pick-up trucks which the market demanded in the short term. In other words, Ford, because of its primary *raison d’être* being defined as enhancing shareholder wealth, was not proactive in environmental preservation. On the other hand Japanese car manufacturers who recognised the need for environmental awareness have invested in hybrid cars, and their brands now dominate the market. In this case, as in so many other cases, profit and serving humanity may well go together for these Japanese manufacturers. However as we can see from the Ford case, if profit is the primary motive, humanity is unlikely to be served in the long run. If certain cars in its product range, such as some SUV’s, draw excessively on the planet’s resources, and its focus is only on a very small segment of the population, the link between the purpose of the company and its strategy needs re-examining from a spiritual perspective.

Reell Precision Manufacturing is an example of a company that makes decisions that regularly transcend self-interest: The first principle of RPM reads “We are committed to do what is right even when it does not seem to be profitable, expedient, or conventional.” Reell made ethical behavior towards all its stakeholders part of its core values from the very beginning. Its corporate policy states “We recognise that profitability is necessary to continue the business, realize our

full potential and fulfil our responsibilities to shareholders, but our commitments to co-workers and customers come before short-term profits.” The first principle has often been tested. For example, in 2001 during an economic downturn, Reell leaders decided not to lay off anyone. First they took profits down to zero. When that was not enough they asked everyone to take a pay-cut, but rather than deciding upon an across-the-board pay-cut, they did a graduated pay cut. Thus the CEO took a 17 percent pay cut while most hourly workers took a 7 percent pay cut and those who earned less than \$ 11.40 took no pay-cut at all. The President described the co-workers response: “When we called everyone together and explained the situation we faced, and then announced our graduated pay cuts, there were tears in people’s eyes. They thanked us from the bottom of their hearts,” Furthermore executive pay within Reell is modest to begin with. CEOs receive no more than 6 times the lowest pay of any employee who has been there for five years and just ten times the lowest starting pay, in stark contrast to the eighty to one hundred times ratios not uncommon in US companies today. (Case documented in “Soul at Work” by Benefiel, 2004).

Interface Carpets is an example of an organization that asked itself how its core products were serving the real needs of humanity while leaving the smallest possible environmental footprint. Reading “The Ecology of Commerce” (Hawken, 1993) led Ray Anderson, owner of Interface Carpets, to see his accomplishments in an entirely new light. From the point of view espoused by Hawken, Anderson’s life was not a simple story of innovation, growth, prosperity, and progress he always thought it was. Interface Carpets, while doing really well financially was not a success story, but had, in Anderson’s words “abysmally failed to conduct its operations in a way that could be sustained into the future”. Anderson felt that while Interface was not breaking any environmental laws, it was breaking an unspoken *moral contract* with the members of the next generation, and generations after that. Rather than economically justifying his actions, Anderson concluded that the entire economic system, and its “perverse tax laws”, were his

“accomplices in crime”, because they failed to force companies to “internalize” their “externalities.” Interface carpets not only introduced a comprehensive waste-management program, but in essence it reinvented itself from being a product provider to a service provider through its carpet leasing program. Interface decided that rather than define itself as being in the business of selling carpet tiles, they were really in the business of selling a service – that of providing floor covering – over time. Interface’s contract with clients included regular and frequent replacement of old carpet tile with new carpet tile, and taking back the old product which the company recycles insofar as is feasible into new product. The service is a perfect example of the “closed-loop system” that sustainability advocates recommend. (Case documented in “What Matters Most, by Hollender and Finichell, 2004).

If we compare this Interface Carpets case with the CR efforts of mining companies, we can see a clear difference in the extent to and way in which intent impacts a company's involvement in CR. Many mining companies have long had a questionable reputation for social responsibility, especially in developing countries. In evaluating the social responsibility of mining companies, Paul Kapelus (2002), co-founder of the African Institute of Corporate Citizenship, argues that there are two types of motivational intent for their involvement in CR initiatives. They do so either because they have a pragmatic/economic interest, such as minimizing costs or protecting their licence to operate, or because they have a strong ethical and moral commitment to improving the lives of those affected by their businesses. The difference in actions resulting from these two intentions are manifested quite clearly in the decision-making processes regarding, for example, involvement in local communities. When a company has a pragmatic or economic intent to become involved in CR, in Kapalus’ experience, it is primarily concerned with minimizing disruption to the firm's activities. As such it wants to communicate with the local stakeholders in order to obtain their co-operation but also . wants to keep the number of stakeholders as small as possible.

Preferably they would like to deal with only one person who has uncontested, legitimate authority. This often results in consulting with the local elite only and ignoring the distribution of benefits deriving from their activities among other stakeholders. To the extent that the firm is interested in reducing costs, it will also want to limit the number of stakeholders as this will limit the claims that might eventually be made upon it. The more restricted their notion of community, the more restricted their vision of their “ecological footprint.” As such there is usually a difficult trade-off between maximizing profit and being socially responsible. Often local managers tend to take decisions that please their home office (given that they can now claim to have consulted with the community) but do very little to improve local living standards. If the overall purpose statement of the organization does not clearly indicate that caring for people and profits are both important, local managers will tend to give clear priority to profit. In these cases, the tension and trade-off between moral responsibility and economic outcomes does not get addressed.

Merck is an example of a company that has based its purpose statement on a definition of customers not only as those who can afford its product, but also those who need its products. Merck has certainly been challenged by its own mission statement to “preserve and improve human life”. In a 1950 speech at the Medical College of Virginia, George W. Merck, the company’s president for 25 years stated simply and unequivocally: “We try never to forget that medicine is for the people. It is not for profits. The profits follow, and if we have remembered that, they have never failed to appear”. To date, Merck’s mission statement still emphasises getting their products to “people that need them”. Twenty five years after its founder’s speech, Merck was being challenged to put its corporate values to the test when one of Merck’s research scientists stumbled upon a potential application of a drug that could possibly provide a treatment for the widespread disease of river blindness. The question was whether precious R&D expenditures should be invested in a drug intended for patients

who did not have the ability to pay. There was internal debate and some disagreement, but ultimately Merck's senior management team, acting on its core corporate values, decided to invest in the development of Mectizan. One of the reasons was the negative effect of saying no to their scientific staff, who felt they were on the verge of a breakthrough drug that could improve the lives of hundreds of thousands of people every year. Having proven its safety, soundness and efficacy, Merck then proceeded to manufacture the drug and, working in partnership with the World Health Organization, made the unprecedented commitment to donate Mectizan free of charge to combat river blindness "where it is needed for as long as it is needed". The program now reaches more than thirty million people in over 33 countries in Africa and Latin America. The private-public partnership that Merck pioneered with WHO and the World Bank continues to serve as a model of what is possible when business has a *raison d'être* that goes beyond profit. (Case documented in "Profit with Principles" by Jackson and Nelson, 2004).

Oticon Corporation in Denmark is an example of deliberately refocusing strategies where the impacts were felt. Oticon is in the business of producing hearing aids, which already addresses some of the real needs of humanity. However in questioning their previously articulated purpose of 'making the most powerful hearing aids', they felt they were too oriented towards what they were technically able to do. But if they really wanted to live up to their *raison d'être* they needed to listen more carefully to what was life-enhancing for their (potential) clients. As a result they changed their vision statement to: 'making hearing aids that best served the human needs of hearing-impaired people', and on the basis of this new vision and subsequent research, they designed smaller hearing aids with a more comfortable sound that became the industry standard overnight.

Johnson & Johnson is an example of a business that clearly discerned their moral responsibility rather than utilize

CR as a business tool. The company, whose core medical products serve the real needs of humanity, showed how close commitment to their organizational purpose, which explicitly states that the firm's first responsibility was to its customers, second responsibility to its employees and last to its shareholders, held the company together during the Tylenol crisis. As a result, they could act swiftly. Within hours of receiving information of the poisoning of their products, they voluntarily recalled 3 million bottles of Tylenol capsules at the cost of over a hundred million dollars. They also stopped making these for two months until they had developed safe packaging. Tylenol was re-introduced and since consumers trusted the organization and the brand, they responded with considerable goodwill. Within two months Tylenol had regained 95% of its market share. James Burke, Johnson & Johnson's CEO at the time of the crisis attributes the speed and quality of his company's response to their purpose: "We had dozens of people making hundreds of decisions, and all on the fly. They had to make these decisions as wisely as they knew how. And the reason they made them as well as they did is they knew and had integrated the beliefs of the institution for which they worked".

In the above examples we can see that there is every reason not only to study and practice the pragmatic or economic imperative for engaging in CR but also the moral imperative. The reason why we engage in serving humanity matters significantly, as it impacts on the strategic decision-making process. First of all we saw how it impacts on the way ultimate purpose or *raison d'être* of a company is formulated. All those organizations cited as exemplary have in common a purpose that goes well beyond making a profit. In fact many have statements to the effect that if there is a trade-off between profit and principles, they are willing to sacrifice profit for principles. Secondly, because in these organizations the moral intent is strongly embedded in the core of the organization rather than just a public relations exercise, the exemplary companies use their *raison d'être* in every decision they make, thus achieving

constancy of purpose. Thirdly, whereas a public relations exercise is often reactive, we see that these companies are constantly proactive not just in looking at the minimum they can do, but at how they can do more. Lastly, we do indeed see that in many of the above cases, there are, at least in the short term, competing values. Often the above companies did have to forgo profit, or, as in the case of Johnson & Johnson, would not *a priori* know how doing what is morally right would impact their business.

Whereas *how* we do things can be a straightforward best-practice model, *why* we do things is influenced by the meaning and purpose in our lives, the spiritual process. As we can see from the stories above, this is not a straightforward application of techniques. There are many obstacles to being responsible, such as pressures from financial markets to maximize short-term gains, the distance between those who make decisions and those who are affected by them, the internal pressures for change often compromising employee –well-being and of course our own ego’s or desires to maximize personal wealth (Pruzan & Miller, 2006). To have the will, the courage and the energy to consistently overcome these obstacles requires an ideal that is big enough for our spirit. It requires the strength of conviction to stay with this ideal even when times get tough. It requires sacrifice, even when the outcome is not known, simply because it is the right thing to do. CR based on the spiritual principle of “serving the real needs of humanity as a whole” is not “business as usual”. It is in fact much bigger, more exciting and challenging than business has ever been.

Conclusion

As corporate power grows and business organizations increasingly have the capacity to become one of the main instruments for constructive social change, a renewed look at the primary reasons for their existence is called for. The effective organization of the future has to have a clear purpose that legitimizes its very existence. No other purpose than serving the

real needs of humanity will be large enough to address the spiritual needs of the employees working for the organization, to address the crises of cynicism that negatively affect the ethical behavior, motivation, innovation and participation in many firms and to address the urgent needs of humanity as a whole. Too many businesses are entering the new era with an ideology forged in the eighteen and nineteenth centuries, removing them further and further from the values held by most of the rest of the world (Ellsworth, 2002). The ideology of purpose that will dominate the future is one that finds acceptance and participation by society at large, unleashes human potential, draws individuals and organizations towards ethical behavior, and makes it possible for every human being to make a difference. Only the purpose of ‘serving the real needs of humanity’ is likely to meet these requirements.

BIBLIOGRAPHY

- Benefiel, M. (2005) *Soul at work, spiritual leadership in organizations*. New York: Church Publishing Incorporated
- Collins, C.J. & Porras, J.I. (1995) *Built to Last: Successful Habits of Visionary Companies*. New York: Random House
- Cornwall, J.R. & Naughton, M.J. (2003) "Who is a good entrepreneur? An exploration within the catholic social tradition." *Journal of Business Ethics* (1)44: 61-73
- Davis, I. (2005) What is the business of business? *The McKinsey Quarterly*, downloaded from <http://www.mckinseyquarterly.com/article January 2006>
- DeGeorge, R. (1995) *Business Ethics*, Fourth edition, Prentice Hall: New Jersey
- Driver, M. (2006) "Beyond the stalemate of economics versus ethics: Corporate social responsibility and the discourse of the organizational self," *Journal of Business Ethics*, Forthcoming
- EBBF *Emerging Values for a Global Economy*, 1996, "The Role of Business in enhancing the prosperity of humankind," Matthew Weinberg, 2001 <http://www.ebbf.org/publications/english/publications002.html>
- Ellsworth, R.R. (2002) *Leading with Purpose, The new corporate realities*. Stanford: Stanford University Press
- Falque, L. & Bougon, B. (2005). *Practicing Decision-Making To Develop Our Discernment Capacities*. Paris. EDHEC Business School
- Frederick, W. (1998) "Creatures, corporations, communities, chaos, complexity." *Business and Society* (4)37: 358-389
- Greenleaf, R. (1970) *The servant as leader*. An essay published by R. Greenleaf and the start of servant-leadership theory.
- Griffins & Thomas (1995)
- Kok, P. & Vanderwiele, T. (2001) "A corporate social responsibility audit with a quality management framework." *Journal of Business Ethics* (4)31: 285-297
- Hawken, P. (1993) *The Ecology of Commerce: A Declaration of Sustainability*, New York: HarperBusiness
- Hollender, J. & Fenichell, S. (2004) *What matters most, How a small group of pioneers is teaching social responsibility to big business, and why big business is listening*. USA: Basic Books
- Jackson, I.A. & Nelson, J. (2004) *Profits with Principles, Seven Strategies for Delivering Value with Values*. New York: Doubleday
- Kapalus, P. (2002) "Mining, corporate social responsibility and the "community": The Case of Rio Tinto, Richards Bay Minerals and the Mbonambi." *Journal of Business Ethics* (3),39: 275-296
- McWilliams, A. & Siegel, D. (2001) "Profit-maximizing Corporate Social Responsibility." *Academy of Management Review* (4)26: 504-505

- Mitroff, I.I. & Denton, E.A. (1999) *A Spiritual Audit of Corporate America, a hard look at spirituality, religion and values in the workplace*. San Francisco: Jossey Bass Publishers
- Moore, G. (2005) "Corporate Character." *Business Ethics Quarterly* (4)15: 659-685
- Pauchant, T. (2002). *Ethics and Spirituality at Work, hopes and pitfalls of the search for meaning in organisations*. Westport, CT: Quorum Books
- Pruzan, P. (2001) "Corporate Reputation: Image and Identity." *Corporate Reputation Review* (4), 1: 50-64
- Pruzan, P. & Miller, W.C. (2006) "Spirituality as the basis of responsible leaders and responsible companies." In *Responsible Leadership*, edited by Thomas Maak and Nicola Pless, London: Routledge
- Soelle, D., & Cloyes, S.A., (1984). *To work and to love: A theology of creation*. Philadelphia: Fortress
- Stormer, F. (2003) "Making the Shift: Moving from 'Ethics Pays' to an inter-systems model of business." *Journal of Business Ethics* (4), 44: 279-287
- Vaill, P.B., (1991), "The Inherent Spirituality of Organizations." paper prepared for the Academy of Management meeting: Miami Beach, FL
- Waddock, S. (2005) "Positive Psychology of Leading Corporate Citizenship." In *Positive psychology in business ethics and corporate responsibility*. Edited by Bob Giacalone, Carole Jurkiewics and Graig Dunn, Greenwich, Connecticut: IAP Publishing
- Wahlstedt, R.L. (1995) *Working for the Common Good*. Downloaded from: http://www.cebcglobal.org/Publications/ExecutiveSummary/EXS_1195.htm, January 2006
- Windsor, D. (2001) "The Future of Corporate Responsibility." *International Journal of Organizational Analysis* (3)9: 225-256

About the Author

Marjo Lips-Wiersma is a senior lecturer in management studies at the University of Canterbury, New Zealand. Her main area of research is workplace spirituality, creating an authentic career, purpose beyond profit, and aligning individual and organizational values

She co-directs the holistic development group, an organization that, based on a rigorously researched framework, assists individuals and organizations to identify and act on deeply held values. She is past chair of the Management, Spirituality and Religion interest group of the Academy of Management. She is also a wife, a mum and a member of the European Baha'i Business Forum and of the Bahai Faith.

**'Compassion and love are not mere luxuries.
As the source both of inner and external peace,
they are fundamental to the continued survival of our species.'**

His Holiness the XIV Dalai Lama

Publications of the European Bahá'í Business Forum

*Emerging Values for a Global Economy –
a statement of the core values of EBBF*

*The Challenge of Sustainable Development and Prosperity
by Arthur Dahl*

*Corporate Social Responsibility and Business Success
by Marcello Palazzi and George Starcher*

*Responsible Entrepreneurship : Engaging SMEs in Socially and
Environmentally Responsible Practices by George Starcher*

*Socially Responsible Enterprise Restructuring by George
Starcher*

Towards a New Paradigm of Management by George Starcher

The High-Performance Organization by Larry M. Miller

*Educating Tomorrow's Managers : Bringing Values into the
Workplace by George Starcher*

*Women Entrepreneurs: Catalysts for Transformation
by Diane Chamberlin*

*The Spiritual Dimensions of Microfinance : Towards a Just
Civilization and a Sustainable Economy by Barbara Rodey*

*United Consultation : A Fresh Look at Participative
Management by Don Plunkett*

What is EBBF?

The European Bahá'í Business Forum is a network of nearly 350 business people residing in 60 countries. EBBF is drawing increasing attention in Europe through its promotion of responsible and ethical business practices and its collaboration with other networks with similar values and with various United Nations agencies.

History. EBBF began in 1990 as an informal network of men and women in business and management. EBBF is registered in Paris, France as a non-profit association. Its membership is open to men and women of all faiths and all nationalities who have a legitimate interest in business and who recognize the importance of positive values in management.

Vision and Mission. Members of the European Bahá'í Business Forum have endorsed the following statement of vision and mission:

Vision: to enhance the well being and prosperity of humankind.

Mission: to promote ethical values, personal virtues, and moral leadership in business as well as in organizations of social change.

To carry out this mission, EBBF:

- Provides a forum for business leaders to explore ways and means of applying ethical and moral values in their daily professional lives.
- Seeks to be a constructive force for change and innovation in management practices, with a focus on relating moral and ethical principles to business success.

- Initiates and publishes scholarly works in the field of management.

Core Values. EBBF seeks to promote seven concepts described in its publication, *Emerging Values for a Global Economy*. These core values or principles are :

1. Ethical business practices.
2. Business has a social responsibility as well as an economic mission.
3. Stewardship of the earth's resources.
4. Partnership of women and men in all fields of endeavour.
5. Redefining the meaning of work.
6. Non-adversarial decision making through consultation.
7. Values Based Leadership

Membership. EBBF members represent nearly all countries in Western Europe and ten of the emerging democracies in Eastern and Central Europe. EBBF members also reside in the Americas, Asia and several African countries. This diversity is enhanced by the members' varied professional fields and interests. While the focus of membership development has been on decision makers, ranging from entrepreneurs to top executives in large companies, present members also include consultants and managers as well as students of business and economics.