



THE ENLIGHTENED CORPORATION?

THE EVOLVING ROLE OF BUSINESS OVER THE NEXT TEN YEARS

**An International Futures Forum workshop led by Eamonn Kelly,
President, Global Business Network**

St Andrews, Scotland, 5-6 November 2001

Introduction

This is the record of a workshop held in St Andrews on the eve of the second plenary meeting of the International Futures Forum. The IFF is a two year project, supported by BP, that brings a diverse range of deep strategic thinkers together to seek to understand how the modern world of boundless complexity works, and how to operate effectively within it to sustain human aspiration. We call this, in shorthand, the search for a second enlightenment.

The workshop was led by Eamonn Kelly, President of the Global Business Network (GBN) and a member of the IFF. It took as its starting point the discussions at GBN's own annual members' Forum in San Francisco, October 22-25.

The GBN meeting considered the issue 'What's Next: preparing for the new business agenda to 2010'. The focus of the meeting was the development of a set of scenarios for the future business environment. The IFF workshop took these as an input and considered the wider question of the possible future roles of business corporations and what an 'enlightened corporation' might look like in a period of fundamental transition.

This record draws primarily on notes taken by participants in the workshop, on input from the GBN Forum, and on the presentation of the workshop outputs by Arun Maira, Boston Consulting Group, India, to a wider group in the IFF plenary meeting that followed.

Participants

Eamonn Kelly*	GBN
Graham Leicester*	IFF Director
Tony Hodgson*	Decision Integrity Limited
David Lorimer*	Scientific and Medical Network
Charles Lowe*	Telecoms and IT consultant
Wolfgang Michalski*	OECD International Futures Programme
Maureen O'Hara*	Saybrook Graduate Research Institute
Ian Page*	Hewlett Packard
Rebecca Hodgson	IFF researcher
Nick Rengger*	St Andrews University, Dept of International Relations
Andrew Lyon*	IFF Converger
Napier Collyns*	GBN
Arun Maira*	BCG, India
Harry MacMillan	BP
Jane Saren	GPC International, Scotland
Alf Young	Glasgow Herald
Jonathan Star	Scottish Enterprise
Joyce McMillan	Journalist, political commentator and theatre critic

* denotes member of IFF.

The GBN Forum: scenarios for the evolving business environment

After a lengthy round of introductions and reflections on the world after the September 11th terrorist attacks on the US, the workshop heard a brief reprise of the work that had taken place in San Francisco. Eamonn Kelly suggested that

'Today's business executives have lived, matured, and succeeded in a world in which the business corporation has been essentially unchallenged—except by other business corporations. Competitiveness has been the theme. What might happen if, in the coming decade, it's less about competitiveness and more about adaptiveness — the ability to adapt to quite fundamental shifts in the social environment in which the corporations are working? What challenges does that present?'

It is GBN's hypothesis that the business agenda may have to shift quite abruptly in the coming decade as the business environment is shaped more and more by forces other than market power. The events of September 11 are but one example.

Jonathan Star and Graham Leicester, both of whom had attended the San Francisco meeting, described the process by which the GBN Forum had developed a set of scenarios for the future business environment. A consensus had quickly emerged in the meeting around some key predetermined elements — those trends or shifts that will unfold during the next ten years in any possible scenario:

- Rising scepticism toward corporations
- Increasing importance to business of things that are not measured by money
- Increasing complexity and interconnectedness, which make it impossible to ignore the "other", shift the balance of power, and force new models to emerge

The conversation about critical uncertainties (possible developments that are both the most important and uncertain) had revolved more around values, inclusion, and governance than around markets or technology. This discussion suggested a number of axes of critical uncertainty, including:



Ultimately the participants had chosen one matrix from those possible to frame the business environment to 2010 and developed four scenarios, one for each quadrant. The axes chosen were 'global consciousness' and 'values shaping institutions'.



- Navigating the Niches (Global consciousness is fragmented; meta-market values are driving the economy.) This is a world in which we thought we were disintegrating, but emerged as reassessing and revaluing our communities.
- Common Wealth (Global consciousness is increasing and meta-market values prevail.) This is a world in which environmental crisis leads corporate players to invent new institutions to address global inequities.
- Capital Wisdom (The trend toward more global consciousness is accompanied by strong market values.) This is a world in which market values trump local values. Market mechanisms drive globalisation and the globalisation of the marketplace supports an increasingly global consciousness.
- I'm OK, You're Not OK (Market values drive the economy; global consciousness fragments under local pressures.) This is a volatile world in which the nature of risk changes due to the growing complexity of micro-markets, weakened government controls, social turmoil, balkanized international politics and me-first leadership. In this world, successful businesses create their own order.

IFF Workshop

There was some discussion of these scenarios, and in particular of the critical axes of uncertainty. The term 'global consciousness' was questioned. In this context it seemed to mean 'social psychology of the world' rather than technically 'consciousness'. There was also doubt about what 'beyond market' values meant. It was noted that if we were dealing with corporations then they would, by definition, have to be operating in a market. The market is a mechanism not a set of values. Hence the distinction between 'market values' and 'beyond market values' might be more clearly expressed as a distinction between the kinds of products and behaviours valued and rewarded in a market. The market remains a given on both ends of the axis.

Stimulated by this discussion and the GBN material we then moved to explore our own agenda. We were not all business leaders all of us, hardly any of us. The GBN meeting had been predominantly business leaders, so their view would be inside out from business. We had journalists, we had people working in government and in other social work, psychologists, academics, so for us the role of the corporation was seen more from the outside looking in. We asked not only how business might prosper in the future environment, but also, given the world we see emerging, what should this entity called a business corporation be doing?

We asked ourselves, five questions. Two of them are the classic scenario questions - What trends are certain? What trends are uncertain but critically important? The third - If the role of business corporations does not evolve, what might be the consequences over this decade? Finally, What is the nature of the enlightened corporation, seen from the inside and the outside? And what makes it difficult for business corporations to change their role and behaviour?

Future Trends

We identified a number of elements that we saw as predetermined in the future business environment, and a number of relevant and important uncertainties. These are listed below. It is certain that the world is interconnected and becoming increasingly so. Technology is playing a role in that, but there are other forces also. Therefore, there's another certainty: that there will be great uncertainty. When you get interaction between many parts, at much faster speed, you're going to get uncertainty. The speed at which these interactions can spread is much higher, and therefore the pace of change is almost instantaneous. The implications are profound, and we've seen the evidence of them: that any part can infect the whole, and it's difficult to isolate that part in the connected world.

As the world is getting so interconnected, there is a fear of loss of identity. The feeling of unbelonging and powerlessness is spreading, and there is a struggle for recognition. We saw continuing inequality on a global level, within and between countries, as certain over the coming decade. That too breeds resentment. If you combine these trends, people who feel this imbalance in some way can use the interconnected world to make themselves known and powerful – through terrorism.

Yet we were also struck by some of the certitudes that it seems reasonable will endure for the corporation. That corporations will continue to see the world in two

dimensions, looking for a simple understanding as the basis for action. That corporate structures and culture will remain resistant to change. And that the market and its disciplines will continue to exercise a strong influence – to the extent that corporations will still have to look to survival and financial viability before they consider anything else. Even so, given the rapidly changing environment, we felt it is also certain that corporations will evolve in the next ten years.

Locked-in predetermined elements over the next decade:

- Greater scepticism towards business (tempered by questions of scale – smaller is more beautiful?)
- Many things important to business will not/can not be measured by money
- More complexity and connectedness makes it impossible to ignore ‘others’, shifts power, forces new models
- Search for security leads to greater concentration on shareholder value and a corresponding rise in government intervention, rules and regulation
- Corporate behaviour will be based on a simple two-dimensional view of the world
- Corporate culture will remain strong and resistant to change
- Inequalities of wealth globally will persist, within and between countries
- ‘Survival’ (profit/financial viability) will remain a prerequisite for anything else
- Wider, sustainable networks, including across generations
- The market will continue to exercise a strict discipline
- Very noticeable climate change
- Economic migration: push and pull
- We will have enough of all vital resources, except water
- Demographics – rising population, ageing population
- Scepticism – no longer a ‘single truth authority’
- Further development of technology
- A dominantly hydro-carbon economy
- Corporations will evolve

Important uncertainties over the next decade

Our list of uncertainties, naturally, was longer.

- Dominant values shaping institutions
- Effectiveness of government
- Future of energy – both in terms of supply and new technologies
- Role of China
- Role and evolution of Islam
- Ecological disaster
- Amount and scale of terrorist activity
- Is capitalism really sustainable and superior?
- Rationalism under increasing challenge as the only way to solve problems
- What will students want to study and why?
- Where will young people want to apply themselves?
- Who/what will provide a source of security?

- Will we go with the flow of the greater tolerance of value diversity evident in the young, or react against it?
- What are the boundaries of liberal tolerance? When does it become decadence?
- Where are the sources of optimism in the future if not wealth?
- Big business replicates successful models. Small business is more individual and value-based. Shift in that balance in the future?
- Who will care for the discarded? Corporations (pensions), government, family, social institutions, no-one?
- The nature and sources of 'consent'
- Where will 'civic society' manifest itself, and how?
- The world economy – how much growth, how much profit?
- Will the wealthy put up the barriers?
- Can the world cope with lawlessness and terrorism?
- Which culture of capitalism will prove most successful in the next ten years?
- Will a 15 degree change in N hemisphere temperature happen in the next ten years (as some predict)?
- What is the future for the CAP, CFP? Will the EU discover in reforming these an alternative to market discipline? What consequences for the topography of Europe?
- Can food supply keep up with economic growth?

What are the Consequences if Corporations do not Evolve?

Having spent some time exploring the future environment in this way, we went on to consider the implications of existing corporations and corporate behaviour persisting as these trends emerge and grow in coming years. What are the consequences of failing to evolve?

We saw a picture in which the scepticism against business which had been identified as a certain feature grows into something more vicious, focussed and potentially violent. A backlash against business: antiglobalisation protests, consumer boycotts, negative media, hostility to new technologies introduced by business (eg Monsanto), physical and cyber terrorism/attacks against corporations and employees. We saw a collapse of trust in corporations making the whole business environment more unstable. The customer base could vanish overnight as fashions – and corporate image – change. There could be more mergers and acquisitions as companies seek to 'buy' a good name. In this environment potential employees are likely to become more choosy about who they work for, and companies will have difficulty replenishing themselves, attracting and retaining staff. Profit will remain a driver, even if it comes to be defined in different terms and new business models emerge to maximise profit under these new guises. And, based on the certain fact that corporations will evolve in this changing environment, the main consequence of failing to do so will be to see others come in, perhaps from other cultures, to take over unevolved corporations.

How Should Corporations Evolve?

The classic scenario approach would have dwelled on this third question: if the role of the corporation does not evolve, what might be the consequences? But in this meeting none of us wanted to stop there. It is usually necessary to use this question

– the consequence of inaction – to wake people up to the need for change. But neither this group, nor those business people meeting in San Francisco needed much convincing of that. They didn't want to waste too much time considering the consequences of business as usual. We too found it difficult to take the question seriously. There was far more energy in imagining what the enlightened corporation of the future might look like. We came up with the following characteristics:

The Enlightened Corporation might be structured and behave as follows:

- A deeper investment in creativity, capacity building and social education for staff – removal of blind spots
- Relaxation or diffusion of the hierarchy
- Locally recognized frameworks for actions – don't strive for consistency
- Discussion of business principles with stakeholders
- Commitment to a place. And the people in a place
- Have longer term perspectives for local areas: 50-100 years
- Invest in strategic partnerships with local actors
- Take responsibility for the locality and the culture they leave behind
- Enlightened business leaders become positive celebrity role models
- Government could articulate the demand which companies compete to fulfil
- Practice a robust, flexible, enlightened self-interest
- Respect the law in participatory dialogue with civil society
- Consider all stakeholders – consumers, shareholders, staff, communities – responsible, both for the present and the future
- Make a surplus to sustain itself and fulfil its objectives
- Be clear about values: ownership reflects and embodies those values (so the enlightened corporation would not be publicly listed)
- Promotes/supports individual and collective self development
- Does not exploit staff or customers (meets their needs), or suppliers
- Is small or structured into small communities
- Puts something back into society – enhances/does not diminish society's capacity to cope with the future
- Delights customers: honest, trustworthy and reliable
- Allows its staff time and some corporate resource to 'put something back' themselves

Will Corporations Evolve?

Naturally we did not expect these changes and this kind of corporation to emerge overnight. We recognise that there are strong forces of resistance. The downturn in the economy might limit innovation as much as it requires it. There will be plenty of ideological and intellectual resistance to an 'enlightened' model. The forces of conservatism in the market are strong – decisions of longer term investors in pension funds, for example, or the need to work one's way up an organisation that breeds a large cadre of detached professional middle managers biding their time until the next move up the career ladder.

The business schools have also not caught up with the new agenda. They still teach the 'John Harvey Jones' model of 'grow or die'. Just like the education system more

generally, this is a paradigm that assumes the only growth and development must be up not sideways. It leads to the 'Glengarry, Glenross' mentality of heroic, machismo deal making. So long as there is so much easy money to be made out there, can we really expect many to go to the trouble of earning the difficult money that flows to those who are unusually enlightened?

Even so, we did see a number of positive and hopeful signs:

- Young people's enthusiasm to make a difference
- There is a skills revolution going on (soft process skills)
- Internationalism and diversity
- The near universal improvement of the status of women, and also of ethnic minorities
- Emerging role of women: listening/inclusion/consensus. Women play the ball, not each other
- The preparation of staff for multiple careers
- We have examples! Plus more debate and wider engagement in the question
- Technology and its potential to enable a wider civil society
- Emerging global 'consciousness'
- Wealth of resource that can be and is applied outside the profit framework even within corporations
- People questioning the intrinsic significance of what they are doing (post 9/11): opens new space
- Lots of people experienced in the disciplines of the market now released into the community (early retirement, redundancy)
- Scotland in particular might take a lead: our brand identity is to be trusted with money, seen as closer to 'people values'

Concluding Observations

In presenting the thinking in this workshop later in the week to other IFF Members, Arun Maira singled out the following themes that had struck him as significant:

Systemic Thinking and Systemic Action

What we need is work crossing between and inventing new disciplines, interconnecting existing disciplines so that one can have a better view of the whole network system, this world, while also acting in a systemic fashion. Not merely just thinking about it but taking actions that encourage a net result from the actions of many different players in the system.

Governance

We need structures of governance that have two characteristics: that enable many voices to be heard, and that enable parts of the system to retain their identity, and have sufficient autonomy. Processes of governance that require everyone to be the same and do the same thing are not likely to be very effective in a world exhibiting the trends we have identified.

Scale

Systemic thinking and systemic action and the processes of good governance need to apply at several levels of scale. That is true within corporations themselves, which could move to a more networked model with more distributed autonomy, enabling the parts in their actions to contribute to a destination governed only by a set of principles for the whole. We heard some good things from Harry MacMillan about the way BP is already moving in this direction, to a more human and manageable scale within a large corporation, and others also.

These same challenges exist at the level of global governance. Does the WTO, for example, operate by these principles today: systemic thinking, systemic action and the types of processes and concerns about scale noted already? Perhaps not. Global levels also need to have these. The same applies in local communities. We saw in our visits to Kirkton and Ardler community centres in Dundee that this kind of cooperative relationship with government doesn't seem to be the norm. It looked as if someone from the outside, with their model of the state, is imposing what these local parts need to do. The result is either rebellion, as we heard from some, or helplessness in others who can see no way of changing things. Neither is a good condition. We need local communities participating in processes of governance that enable many voices to be heard. Governing together, doing things together. Good people, retaining their identity and their voices.

New skills

Corporations need new skills, new skills to listen to many stakeholders, to understand their present and future needs. We heard a story about the CEO of one of the largest banks in Scotland making a vigorous public defence recently of the profit motive, including as a people management tool. That line of argument seems totally closed to the needs of other stakeholders. Yet it is a position that is richly rewarded at present. One trend that is worrying is the deal mentality. In corporations particularly, the executives, chief executives in particular, are compensated in relation to the "big deals" that they do. Merchant bankers and other advisers are involved too. All are richly compensated. The heroes we worship in business are thus those who do something dramatic and make a quick impact. Never mind the consequences, or the fundamental requirement for systemic thinking and systemic action.

Women

More than half the intelligence of humankind in the world is in women – and that is a resource we have not yet brought sufficiently to bear. When we unleash that resource, like a power of nature, who knows what might be possible? Women seem more naturally to have the quality we seek in a generative conversation, of being able to be more inclusive – not seduced by speed and the demand for recognition. There will be more women in enlightened corporations.

For the rest, we concluded the session with some thoughts about the key stakeholders we had identified in the search for a second enlightenment – governments, the media, leaders at all levels in society, corporations like BP and the people. Having deliberated the question of enlightened corporate behaviour and the challenges of the next decade, what did we think each of these constituencies needed to learn? And what should they do?

What Governments need to learn

- Learn what government's new role in the future is
- Learn how to operate on a human scale
- Listen to business but don't interfere with it
- That they don't need standard solutions but strong principles for local actions
- To get off their back foot and stop apologising for existing
- Support the skills revolution

What Governments need to do

- Apply cultural competence/sensitivity
- Flatten hierarchies
- Develop participatory mechanisms for decisions with constituents and employees
- Consult better (eg using technology)
- Dialogue better with business
- Give leadership on common values
- Engage now!

What the Media needs to learn

- Learn about the wider context and consequences of their influence
- Women and minorities matter
- Good news can be sexy
- Small is beautiful
- How to become enlightened corporate structures to encourage creativity and intelligence

What the media need to do

- Use this period of growth to innovate/introduce new voices
- Widen the voice of those not currently heard
- Engage with civil society
- Embrace enlightened management models

What Leaders need to learn

- To learn more and do less
- Learn from other models of leadership and the power of rhetoric/communication

What Leaders need to do

- Set middle management free – small scale and networks
- Build networks to enhance appropriate scales of operation
- Listen weekly to one of those they aspire to lead

What BP needs to learn

- To become better integrated in America/ American culture

What BP needs to do

- Make sure that their performance matches their rhetoric

What people need to learn

- Cultural competence/sensitivity
- To have greater empathy and more respect for others

What People need to do

- Question authority and have faith in each other

Graham Leicester
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