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Andy Haldane



“Businesses are the wellspring of productivity and productivity is the wellspring of living standards”

Businesses are the wellspring of productivity and productivity is the wellspring of living standards. That is why companies’ role in society is so crucial. But this role has never been static, especially over the past 50 years. During this period, as inequalities between people and places, together with the climate crisis, have become more acute, businesses’ societal responsibilities have grown. So, too, has the importance of good stewardship in companies as they rise to these societal challenges. In this edition of *RSA Journal*, we explore some of the context and consequences of these changes.

Many of the thinkers featured stress the importance of courage on the part of business leaders in the face of these challenges. Dame Vivian Hunt, a senior managing partner at McKinsey and Co, argues that this courage emerges in part from the evidence that demonstrates the long-term benefits of stakeholder engagement. In that sense, there is a divine alignment between commercial and societal objectives. Paul Polman and Andrew Winston, co-authors of *Net Positive: How Courageous Companies Thrive by Giving More Than They Take*, write about the need for a multilateral approach across the spectrum of environmental and social issues, a form of collective courage that ‘de-risks’ the political process of business decision-making.

Gillian Tett of the *Financial Times* discusses the advantages of exploring the role of business through an anthropological lens if we are to understand context, and how this approach might lead us to a different set of solutions. Contextual understanding was also critical to the success of Sarah Collins’ development of a deceptively simple cooking implement that is having a staggering impact on women’s lives across the African continent. She argues that the free market remains the best way to scale innovation for social good.

Innovation shapes more than just products. US political theorist Francis Fukuyama – of *The End of History* fame – argues that classical liberalism has been contorted

by factions both on the populist right and left. Democratic nations, while best placed to tackle the societal challenges ahead, must devolve more power to the local level and employ people who can respond to rapid innovation. Looking ahead, as Fukuyama says, the outcome of the war in Ukraine will have far-reaching (but yet unknown) consequences for global collaboration. Exploring the history of Russia’s interaction with Ukrainian culture, Maria Silina, a professor in the history of art department at UQÀM, discusses how the ‘neutrality’ of cultural institutions such as museums and galleries often benefits the aggressor.

The changes outlined here require courageous leadership and effective regulatory frameworks both in the private and public sectors. Justin Russell draws on his experience in government, and now as Her Majesty’s Chief Inspector of Probation, to explore what inspirational and effective leadership looks like in the public sector. John Rennie and Alice Mathers, who lead an RSA project on the future of audit, argue for a re-engineering of the profession which assesses companies’ broader impacts. Their arguments speak to the increased focus on environmental, social and governance frameworks, which Rebeca Minguela, founder of sustainability tech platform Clarity AI, argues are being used far more broadly (and incorrectly) than intended.

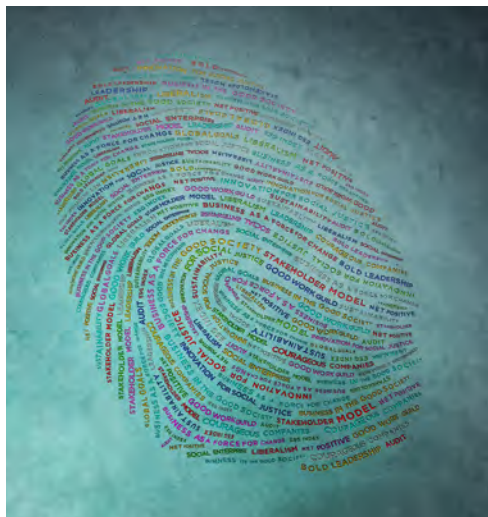
These issues of societal challenge, the role of businesses and governments in responding to them, and the importance of innovation and leadership in coming up with solutions, are at the heart of the RSA’s future programme of change, Design for Life. As at previous times of societal challenge, the RSA – through its staff, Fellows, trustees and partners – has a crucial role to play in delivering solutions capable of rising to these challenges. ■

■ [Read more about the RSA’s new programme at www.thersa.org/fellowship/festival/design-for-life](http://www.thersa.org/fellowship/festival/design-for-life)

Andy Haldane is
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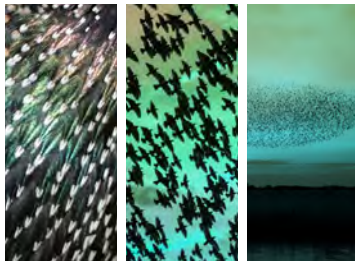
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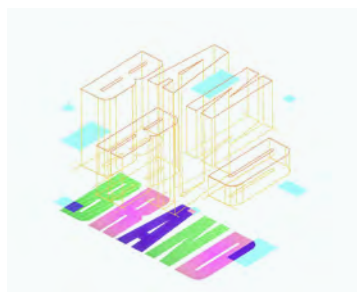
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Maria Silina explains how the neutrality of cultural institutions may cause real damage



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50 Last word

Sairah Ashman spells out the true meaning of brand

Periscope

- 1 In August 2019, the Business Roundtable abandoned its shareholder-first approach and affirmed the essential role corporations can play in improving our society (page 14).
- 2 According to the Clean Cooking Alliance, 82% of rapes in Africa occur while women are collecting firewood (page 18).
- 3 In 1844, the British Parliament passed the Joint Stock Companies Act, which required directors to provide an audited financial statement to investors (page 24).
- 4 The number of US federal government employees under the age of 30 in 2018 was less than 6% of the entire workforce (page 28).
- 5 An estimated 90% of the energy initiatives of China's Belt and Road infrastructure project are based on fossil fuels (page 31).
- 6 ESG stands for environmental, social and governance; there are already more than 600 ESG reporting provisions and regulations globally (page 35).
- 7 Chersonese in Crimea, an important archaeological site of ancient Greek settlement, was added to the UNESCO World Heritage List in 2013 (page 36).
- 8 According to estimates by the IMF, fossil fuel companies receive \$6tn of annual government subsidies (page 40).
- 9 Pia Sinha, Director of Women at Her Majesty's Prison and Probation Service, is the first Asian woman to govern a prison in England and Wales (page 44).
- 10 In September 2022, the RSA will host the Good Work Summit, a virtual event showcasing ideas sparked during the Good Work Guild's year-long tenure (page 48).



2022 Albert Medal

This year's RSA Albert Medal has been awarded to Lord Andrew Mawson and Professor Sir Sam Everington in honour of their work at the Bromley by Bow Centre in East London, which has revolutionised the way care is provided for individuals with complex mental and physical health needs.

For more than three decades, the Bromley by Bow Centre has offered services that go beyond what people typically receive at GP surgeries via a method known as 'social prescribing'. "Patients often have more than one need and it is

important to make it easier for them to access different levels of practical and emotional support which is available near to where they live", says Everington. NHS England has begun to embrace its potential to reduce the burden on primary and secondary care services, while still giving patients what they need to improve their health and wellbeing.

Andy Haldane, the RSA's Chief Executive, said: "Social prescribing is now making a difference to patients in the UK as well as spreading globally to Finland, South Korea, Australia and elsewhere. Sam and

Andrew's innovative and inspiring work speaks to the very best of the Albert Medal's traditions."

Instituted in 1864 as a memorial to Prince Albert, a former president of the RSA, the medal recognises the creativity and innovation of individuals and organisations across science, technology, democracy, health and the arts. Previous winners include Michael Faraday, Marie Curie, Franklin D. Roosevelt and Stephen Hawking.

The medal ceremony takes place at RSA House on 20 September 2022.

■ To find out more, visit www.thersa.org/about/albert-medal

Action

Fellows Festival



The RSA's inaugural Fellows Festival on 14 May 2022 brought together prominent voices from the world of academia, business, civil society, government, politics and global Fellowship in a programme of events at RSA House in London and remotely via livestream.

Speakers included the UK's former Education Secretary Nadhim Zahawi, Shadow Secretary of State for Climate

Change and Net Zero Ed Miliband, poet Inua Ellams, Kate Bell of the Trades Union Congress, author and academic Margaret Heffernan and Baroness Minouche Shafik, Director of the London School of Economics and Political Science.

Fellows and friends gathered in person and virtually to begin forging a new model 'in pursuit of the good society' through discussion, workshops and speaking events, and Fellows were invited to explore a new digital platform aimed at connecting Fellows for collaboration over shared interests and RSA projects.

The Festival provided a launchpad for the RSA's future mission, Design for Life, which Andy Haldane, RSA Chief Executive, describes as "not only the next chapter of our history, but a new, deeper way of engaging Fellows in the RSA's work."

■ For highlights from the day, visit www.thersa.org/fellowship/festival

Arts in the spotlight

Visionaries

Arti Prashar OBE, FRSA and Elizabeth Lynch MBE, FRSA have published *Visionaries: A South Asian Arts and Ageing Counter Narrative*, a report exploring the experiences of older South Asian artists and arts practitioners across England. Commissioned by the Creative Ageing Development Agency (CADA), this new research celebrates the work of visionary artists drawn from a diversity of South Asian identities and backgrounds, records their experiences and provides a snapshot of recent art projects by, with and for South Asian people in a range of contexts and settings. The CADA-commissioned report explores the importance of challenging ageism, the contribution of the diaspora to the story of the UK, and the benefits of a holistic approach to outreach, arts and wellbeing.

■ To find out more, visit cadaengland.org/our-projects/

RSA Insights

50

The number of countries from which audiences tuned in to a recent digital event featuring economist Thomas Piketty. Live global community discussion is now an integral feature of every event experience and the RSA's public programme is engaging more viewers worldwide than ever before, with the RSA YouTube channel receiving more than 5 million total views in 2021-22 so far.

■ To watch the RSA's YouTube channel, visit <https://bit.ly/3zoBcbV>

£480k

The total funding available in a new Rethinking Public Dialogue fund created by UK Research and Innovation (UKRI) with support from the RSA. Grants will be awarded to up to eight pilot projects that propose new and creative ways to spur conversations on topics such as net zero, health, ageing and wellbeing, with the aim of forming a deeper connection between research, innovation and society.

■ To find out more, visit www.thersa.org/rethinking-public-dialogue

337

The number of new Fellows brought in by the RSA's January 2022 Find a Fellow campaign. In this annual campaign, the Fellowship team reaches out to ask current Fellows to help expand the Fellowship community. We are hugely grateful to all Fellows who nominated a changemaker to help grow and diversify the network.

■ To find out more, visit <https://bit.ly/3SX9Y50>

Agenda



Jubilee portrait displayed

A rare portrait of the Queen has been placed on display in the entrance hall of RSA House to mark the Platinum Jubilee, celebrating 70 years since her coronation.

The image, titled 'Platinum Queen: Felicity', was originally captured in 2004 by holographic artist Rob Munday, FRSA, who only rediscovered the image last August while going through his archive. The portrait captures the Queen with a rare, unguarded expression and is one of more than 10,000 that Munday took during two sittings in Buckingham Palace's yellow drawing room in 2004 as part of a 2003 commission by the Jersey Heritage Trust to celebrate 800 years of the island's loyalty to the Crown.

Andy Haldane, the RSA's Chief Executive Officer, said: "Her Majesty the Queen is the RSA's patron, and this is our way to celebrate and thank her for her support and service during her seventy years on the throne."

Both the original 'test shot' and the final holographic image will be on display at RSA House throughout the summer.

Fellowship

New Fellows

Sophie Cook became the first transgender woman to work in football's Premier League as club photographer for AFC Bournemouth following her transition in 2015. She is a writer, speaker and mental health advocate who has delivered talks internationally, including a TEDx Talk on mental health and LGBT+ issues. The recipient of several honours for her work around mental health, Sophie acts as both mentor and critical friend across her many roles.

Director of Development **Tim Colman** oversees partnerships, fundraising and evaluation at the Prison Radio Association (PRA), a criminal justice charity using broadcasting to support prisoners and prison leavers. The PRA runs National Prison Radio, the world's first national radio station for prisoners, broadcasting 24/7 to an audience of 75,000. They are also an award-winning podcast production company and provide support to prison radio projects around the world.

Make the most of your Fellowship by connecting online and sharing your skills. Search the Fellowship at thersa.org/fellowship. While you're there, don't forget to update your own profile: thersa.org/my-rsa.

■ Follow us on Twitter @theRSAorg
Our Instagram is [instagram.com/thersaorg](https://www.instagram.com/thersaorg)
Join the Fellows' LinkedIn group
[linkedin.com/groups/3391](https://www.linkedin.com/groups/3391)

Some Fellowship events have moved online; to find out more and connect with Fellows in our global community visit thersa.org/events/fellowship

Grow your idea through RSA Catalyst, which offers grants for Fellow-led and new or early-stage projects with a social goal.

■ To find out more, visit thersa.org/fellowship/catalyst-awards

Events



Catch up online

Leading public thinkers, innovators and changemakers take to the RSA Great Room and digital stage to share and debate the ideas, events and movements that are shaping the future of our societies, our economies and our world.

■ *Subscribe to our YouTube channel and 'like' us on Facebook to catch up on the latest content*

▶ [youtube.com/thersaorg](https://www.youtube.com/thersaorg)

▶ [facebook.com/rsaeventsofficial](https://www.facebook.com/rsaeventsofficial)



How to create good work and business

What role can, and should, companies play in building a better society? At the RSA's first Fellows Festival, Kate Bell, TUC, Tony Danker, CBI, Liv Garfield, Severn Trent, Lewis Iwu, Purpose Union and Gillian Tett, FT, talk about how environmental, social and governance (ESG) issues are driving good work debates from the boardroom to the shop floor; and ask: where does ESG go next?

■ *Watch now: <https://bit.ly/3zuB7of>
#RSAFellowsFestival*

Gender, learning and leadership

In the annual RSA President's Lecture, introduced by HRH the Princess Royal, former Australian PM Julia Gillard explores the ways in which gender inequality, which holds back the talent of half the population, intersects with contemporary geopolitics, community attitudes and learning.

■ *Watch now: <https://bit.ly/3RYmNvb>
#RSAlearning*

How to dismantle racism in education

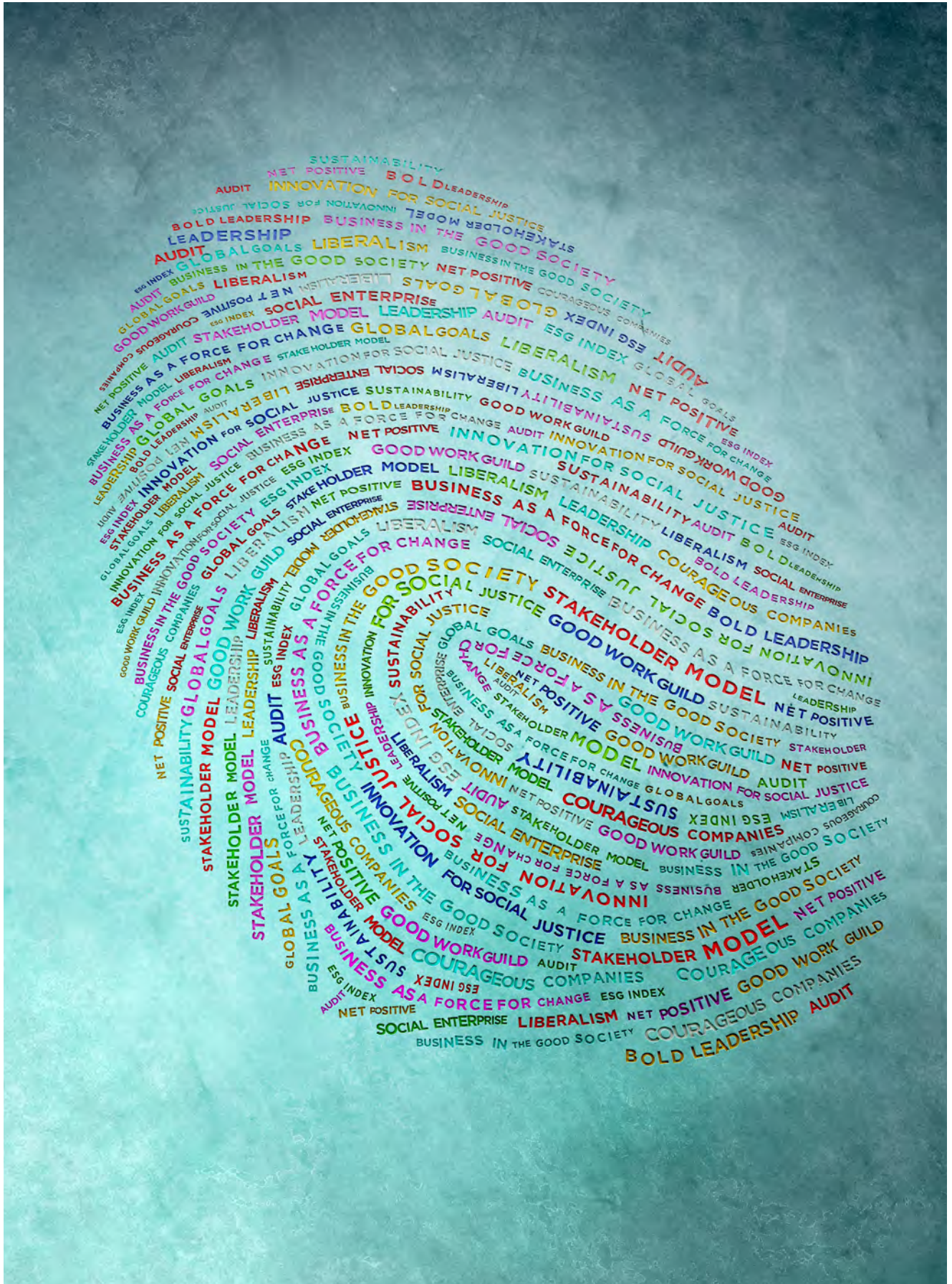
Minority ethnic teachers are still underrepresented in all lanes of education. Author and educator Jeffrey Boakye examines the changes urgently needed to tackle structural racism and unconscious bias and to reduce the exclusion rates of mixed white and black Caribbean boys, which is persistently disproportionately higher than that of white British boys.

■ *Watch now: <https://bit.ly/3OsBbcd>
#RSAeducation*

Where next for local and regional economies?

Mayor of Greater Manchester Andy Burnham, Mayor of West Midlands Andy Street and skills adviser Professor Alison Wolf discuss the potential for trailblazer devolution deals to bring new powers and policies to regional government, and to unleash local and national renewal, prosperity and growth.

■ *Watch now: <https://bit.ly/3zvqRfx>
#RSAdevolution*



MAKING A GOOD IMPRESSION

How cultural shifts are driving radical change in enterprise

by Gillian Tett

🐦 @gilliantett

The Yale School of Management is not usually regarded as a bastion of radical activism. This year, however, it unexpectedly became a striking symbol of the new cultural zeitgeist stalking the business world.

The trigger was Russia's brutal invasion of Ukraine in February 2022. A few days after the invasion started, Yale professor Jeffrey Sonnenfeld commissioned his students to create a webpage tracking the response ('withdraw' vs 'remain') of Western companies with business operations in Russia. Initially, few business leaders took note. After all, student protests and calls for boycotts are nothing new and, while businesses have been giving a greater emphasis to 'sustainability', generally, and to environmental, social and governance (ESG) criteria, particularly, in recent years, the topic of war has not been central.

But in 2022, the world is changing, even (or especially) for CEOs. The site quickly caught the attention of anti-Russia activist groups, who publicised and protested against the holdouts choosing to 'remain'. Investors

and employees took note. Then, as Sonnenfeld and his students began updating the information in real time, the number of companies withdrawing from Russia spiked. By late May, the pressure was so intense that almost 1,000 of the 1,200-odd companies tracked by Sonnenfeld and his team had withdrawn.

It might be easy to dismiss this as 'just' a story about war, which in some sense it is. But the Yale website is also a powerful symbol of a much bigger shift in the 21st century Western cultural zeitgeist highlighting the implicit contract between society and businesses.

I was a cultural anthropologist before I became a financial journalist. A universal feature of human society is that we always assume the way we see the world is natural, inevitable and unchanging, whether viewed from the Amazon jungle or an Amazon warehouse. The Western business elite has the same natural tendency, assuming the way it runs its business is also 'natural' and set in stone.

But it is not. Our cultural patterns and the assumptions we use to make sense of the world ▶

Gillian Tett is Chair of the Editorial Board, US, for the *Financial Times* and co-founder of *Moral Money*, a newsletter on sustainability. She has a PhD in anthropology and her most recent book, *Anthrovision*, explains how anthropology insights are relevant to the modern political economy

“Today, the culture of Western business – and its underlying assumptions – are in flux”

do not exist, like Tupperware boxes, as fixed, closed structures able to be neatly stacked in a hierarchy of values. On the contrary, cultural norms are constantly shifting as new influences emerge and integrate with the old, like streams flowing into a slow-moving river. We cannot always see how our ideas are changing. The power of culture is that, while we inherit our assumptions from our surroundings, we take these assumptions so deeply for granted that we rarely notice either their presence or how they are continuously, subtly changing. Today, the culture of Western business – and its underlying assumptions – are in flux. And while the rise of ESG is an indicator of this, it does not tell the entire story. What the story of the Yale website teaches us is how a combination of once unimaginable levels of digital transparency, shifting social mores and the power of cyber crowds is changing the cultural context of 21st century business, albeit in a way that the modern CEO tribe does not always fully understand. ESG is not the cause of this shift, but it is a very visible symptom.

Rise of the shareholder

To understand these changes, it pays to consider a historical figure central to the creation myth upon which modern business schools are founded: the American economist Milton Friedman, best known for his pioneering free-market economic theories. In September 1970, Friedman published what was arguably his most influential idea, an essay in *The New York Times Magazine* which argued that “there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits” for the benefits of its owners, ie its shareholders. To focus on anything other than maximising shareholder profits was a dereliction of duty, according to Friedman, if not a downright subversion of capitalism.

These days, Friedman’s concept of ‘shareholder-first’ capitalism tends to be discussed as a universal, eternal phenomenon, free of context, to be embraced or rejected. Anthropologists, however, believe that ideas must be placed in their historical and cultural context to reveal the unstated assumptions around them. Friedman’s vision is no exception. His ideas were developed during the Cold War era in reaction to a post-war period in which many large American

companies were poorly run, dogged by paternalistic and indulgent managers.

Several other factors influenced Friedman’s ideas. First, they evolved during a period when American and European society, emerging from the wartime economy, believed in the responsibility of the state to fix social and political problems. It was assumed that business could – and should – outsource environmental and social problems to government. Thus, when the first wave of green activists started campaigning against pollution in America, they focused their campaign on politicians, not business leaders. Second, the only tools of transparency and external scrutiny that existed during this period were corporate accounts (generally issued after a significant time lag) and official company statements. Third, an important (and largely unstated) feature of this era was a blossoming reverence for technology and mathematics.

Most notably, by the middle of the 20th century, rapid tech innovation was delivering huge benefits for the West, including a dramatic rise in computing power. This spurred an infatuation among corporate leaders, economists, investors and policymakers with the idea of using computers to create clever mathematical tools that could not only track trends in the economy, financial markets and corporate life, but predict what would happen next. Economists and financiers borrowed frameworks from Newtonian physics to track business economics and determine whether or not companies were delivering value for their shareholders.

What remained unstated in the credo delivered by Friedman in 1970 was an assumption that governments could and should fix social problems, that only shareholders and managers knew what a company really did, and that neat technical models could capture and predict what companies should do next and what risks they faced. Friedman’s vision was thus not just about corporate ‘discipline’; it was also about celebrating the concept of tunnel vision. Shareholders – and only shareholders – mattered. Issues such as war, social tensions, environmental problems and pandemics, did not.

Benefits of tunnel vision

As with any creation mythology (including those embraced by journalists or academics), Friedman’s



vision was reflected and reproduced through numerous rituals in subsequent decades. Business schools taught the principle of shareholder-first capitalism and the mysteries of the mathematical models underpinning it to trainee executives each year, in much the same way that Catholic seminaries in Europe trained priests in the Latin language, which laypeople could not even understand, and the mysteries of Christian theology.

Institutions such as the Chartered Financial Analyst Institute orchestrated rituals, in the form of exceptionally difficult exams, that served as quasi-initiation rites, spreading this shareholder-first gospel not just in America, but across the globe. Corporate boards and investment funds invoked the shareholder-first mantra at annual general meetings, in corporate reports and financial strategies. Tunnel vision seemed not just normal, but natural, inevitable and proper. Put another way, it seemed appropriate to embrace mathematical models and tightly defined balance sheets as tools to navigate the world, while ignoring whatever factors these models or balance sheets were unable to accommodate.

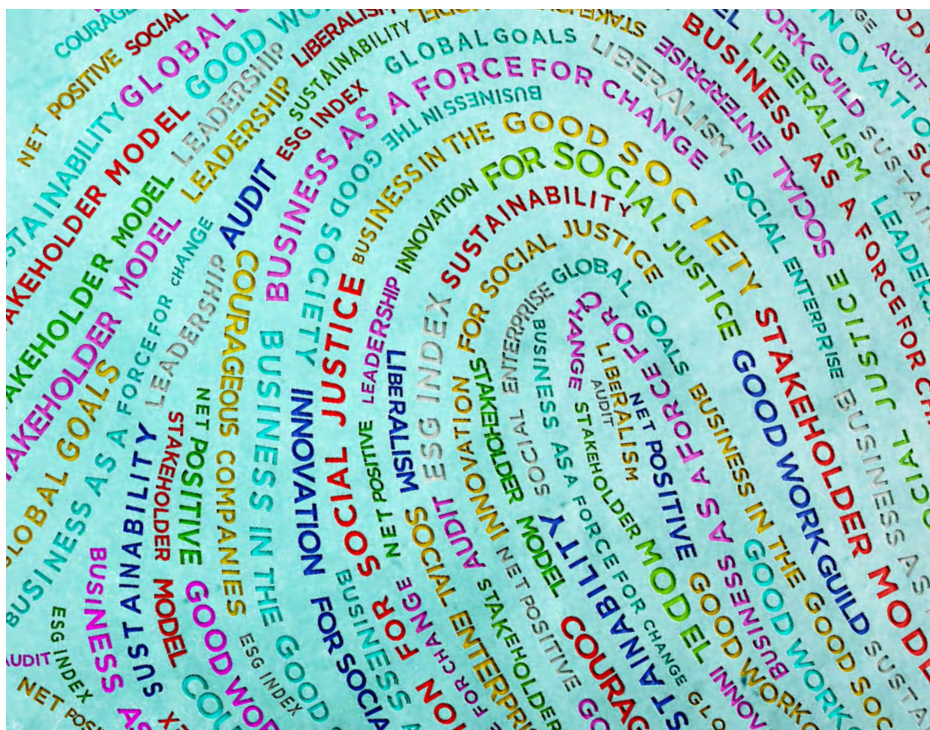
In some senses, this tunnel vision approach delivered huge benefits. As the economist Adam Smith noted in *The Wealth of Nations*, competition between different economic actors is a powerful force for driving innovation and growth, and economic

dynamism tends to be most potent when there is a clear division of labour, and specialisation. Focus matters. So does accountability and discipline. A shareholder-first mantra can, and did, engender both.

But, by the time the 21st century got under way, it became increasingly clear that tunnel vision also had its drawbacks. Using just a balance sheet or economic model to navigate the world is like walking through a wood with your eyes fixed only on a compass; even if your compass is wonderfully accurate, if you only ever stare down at the dial you will eventually walk into a tree. Should you throw away the compass? No, but you also need to look up at your surroundings.

In practical terms, it was becoming clear that there were issues outside ‘compasses’ which were upending business plans. Some of these were social in nature, such as a sudden, rapid shift in Western society’s attitudes towards racism and sexism, which meant that the mores which dominated in the mid-20th century (such as casual harassment at work) were no longer deemed acceptable. Others reflected the wider political economy: by the second decade of the 21st century, society no longer assumed that relying on state institutions was an effective way to fix social and environmental problems. Another major shift was environmental: issues such as climate change were starting to have material impacts on

“Companies that ignore key social and environmental issues will suffer reputational damage, regulatory fines, or the loss of employees, investors and customers”



companies’ actions. Geopolitical strife was another ‘externality’ coming to the fore. So, too, was political populism, of the sort unleashed by Donald Trump in the US and Boris Johnson in the UK. Pandemics were yet another; before 2020, this type of risk was not incorporated into business forecasts at all.

But the biggest shift in the context of business and, arguably, the one that has made those listed above so extraordinarily threatening for corporate leaders, has been technology. In 1970, when Friedman wrote his treatise, printed shareholder reports were the main source of information about business. By the second decade of the 21st century, an explosion of digital tools was enabling society to not only track what companies were doing with new timeliness and accuracy, but to come together in force to criticise it.

The sudden appearance of the Yale University website, which offers real-time, crowd-sourced transparency, is just one example of this, and one that would have been unimaginable during Friedman’s day. ClimateTrace, a website co-founded by Al Gore, the former vice president of the US, is another. It uses satellites to monitor the source of carbon emissions from around the world in such granular detail that activists can see, with real-time transparency, which industrial enterprises are spewing out these emissions, and so hold them to account. Websites such as Glassdoor offer the public a way to track what

employees really think and offer inside information on bullying, racism, pay or gender relations within thousands of workplaces.

And, even though much of the time this information is ignored, transparency has real consequences. Consider the #MeToo movement. For decades, a ‘culture of silence’ existed behind the closed doors of many workplaces. But when abused women started to share their stories of harassment and sexual abuse in cyberspace in 2018, coalescing into a digital howl of rage, the power dynamics changed: suddenly a cyber crowd had gained power by organising itself in a way that could cause reputational embarrassment for companies, and this led to a host of once-omnipotent corporate leaders losing their jobs. Given the scale of new data that now exists, corporate leaders now know that they are being watched, and this is a potent deterrent.

In Friedman’s day, it was easy to say that shareholders were the only people that mattered, because civil society was generally unable to bite back with impact. Today, that is no longer true, and ignoring what stakeholders think about the environment, gender relations, racism or other topics that matter to the public is increasingly dangerous for business leaders. It is perhaps unsurprising, then, that in summer 2019 the mighty Business Roundtable in America, once the Vatican of Friedman’s shareholder-

first religion, announced that it was abandoning the business gospel that it had previously embraced. Lateral vision was (and is) replacing tunnel vision.

Lateral vision and ESGs

What does this mean for corporate leaders today? The most visible symbol of the zeitgeist shift is the ugly acronym ‘ESG’, a piece of modern business jargon that (like Latin for the medieval church) is both ubiquitous as a source of moral credibility and utterly baffling to laypeople, not least because it reflects a mode of thought that is riddled with contradictions. In some respects, the core impetus behind this trend is not entirely novel; back in the mid-20th century, company leaders liked to say they had ‘social responsibilities’ in a vague sense, and in the late-20th century most major companies created corporate social responsibility (CSR) departments as ring-fenced units often run by part-time staff without much power or many resources.

The ESG movement, though, was different from the CSR concept in subtle, but important, ways. First, ESG departments and principles sit in the core of companies, so much so that most major companies now have ‘chief sustainability officers (CSOs)’ who typically report to the corporate board and often hold crucial decision-making roles. Second, whereas the CSR movement typically discussed the impact that a company had on the world in terms of social and environmental issues, ESG frameworks often do the reverse: they look not only at a company’s external footprint, but also at how factors such as pollution or social protest might harm the company, too.

This leads to a third key difference: the rationale for companies to talk about ESG today is not just because its leaders want to improve the world or avoid harming it; corporate leaders are also driven by a desire to avoid harming themselves. There has been a realisation in the C-suite that, because the public now has access to digital transparency and activism, companies that ignore key social and environmental issues will suffer reputational damage, regulatory fines, or the loss of employees, investors and customers. ESG today is about risk management, not activism.

This is not, of course, how most corporate leaders wish to position their companies’ relationship to ESGs. Public statements are filled with activist language about improving the environment and society, so it is tempting to take ESG rhetoric at face value, assuming that it has an activist agenda. Some corners of the ESG universe genuinely still uphold this, most notably in the sphere of

impact investing (a subset of ESG which strives to invest money in a manner that will do no harm and create positive outcomes, even at the cost of sacrificing investment returns). However, to return to the lens of anthropology – and the work of the French intellectual Pierre Bourdieu – when elites create intellectual frameworks or creation myths, rhetoric never precisely matches reality; the language of altruism that frames ESG is about self-defence and self-interest, too. It is a way for companies to recognise the need for lateral vision in their risk management, in a world where tunnel vision no longer works.

Does that make ESG hypocritical? The core tenets of ESG can certainly often seem contradictory. Since the movement exploded in scale following the Business Roundtable’s repudiation of the Friedman doctrine, an entire ecosystem dedicated to measuring companies’ adherence to this new creed has emerged for the benefit of investors. There are now ESG ratings systems, reporting tools, training schools and accounting frameworks, to name but a few, and the size and scale of this new ecosystem has created a self-reinforcing mechanism of its own.

Yet, the fact that these metrics try to track environmental issues alongside social issues is often problematic, since while the former can be (fairly) easy to measure, the latter are not, and while companies can have a good track record with one metric, that does not mean they score well on another. As a result, ESG ratings can vary widely. Consider, once again, the Yale University website, which was so potent as a piece of digital transparency: while ESG investors do not want to put their money in companies with continued involvement in Russia, some of those Russian companies have recently scored well on environmental factors.

But while these contradictions bedevil ESG, the very fact that companies now feel compelled to pay even lip-service to this set of criteria is a victory for social activists, showing that the social contract between companies and wider society is shifting. Perhaps Adam Smith’s vision of how markets should work is finally being properly realised. In decades past, economists such as Friedman celebrated Smith’s *Wealth of Nations*, which extolled competition, but ignored his *Theory of Moral Sentiments*, which argues that commerce functions best amid a shared social and moral framework. It may finally be that these two ideas are being united. We can call this the rise of stakeholderism or – perhaps more accurately – the embrace of lateral vision. ■

INNOVATION IN THE BAG

Sustainable change must be locally led and supported by collaboration between aid agencies and business

by Sarah Collins
@ SarahCollinsNB

One of the biggest challenges facing our world in 2022 is that nearly half of humanity still cooks over an open fire. Cardiovascular and respiratory diseases are the biggest killer in the world according to the World Health Institute, and 8 million people die annually from smoke inhalation. Half of these are children under the age of five. In Africa, each household burns approximately four trees per year, equating to 800 million trees lost per annum. It is women who bear the brunt of this massive problem, one which both feeds the climate crisis and endemic poverty across the continent.

Wonderbag, the social enterprise that I founded in 2008, arose from my deep desire to find a way to support grandmothers, mothers and girls across the African continent in tackling the poverty, inequality and health threats (all heavily impacted by traditional cooking methods) by which they are affected. Wonderbag is a simple heat-retention cooker which will continue to cook food for eight hours after being brought to the boil for just 20 minutes!

When I had that ‘a-ha’ moment that led to Wonderbag, I envisioned how heat retention cooking in homes across Africa might provide a way to support grandmothers living and cooking in rural areas to sustain their families safely, saving time and money. I had no idea what the next 14 years would ultimately be about.

For me, the most significant shift has been the realisation that business will, and must, play an essential role in a world in which everyone has the opportunity to succeed and flourish.

That looks different in every culture and to every person. In many communities, flourishing means having enough to eat, access to health care, sending children to school and growing an abundance of local, accessible food. The similarity across all cultures, though, is that

radical innovation in products and business models is required to take on critical global challenges.

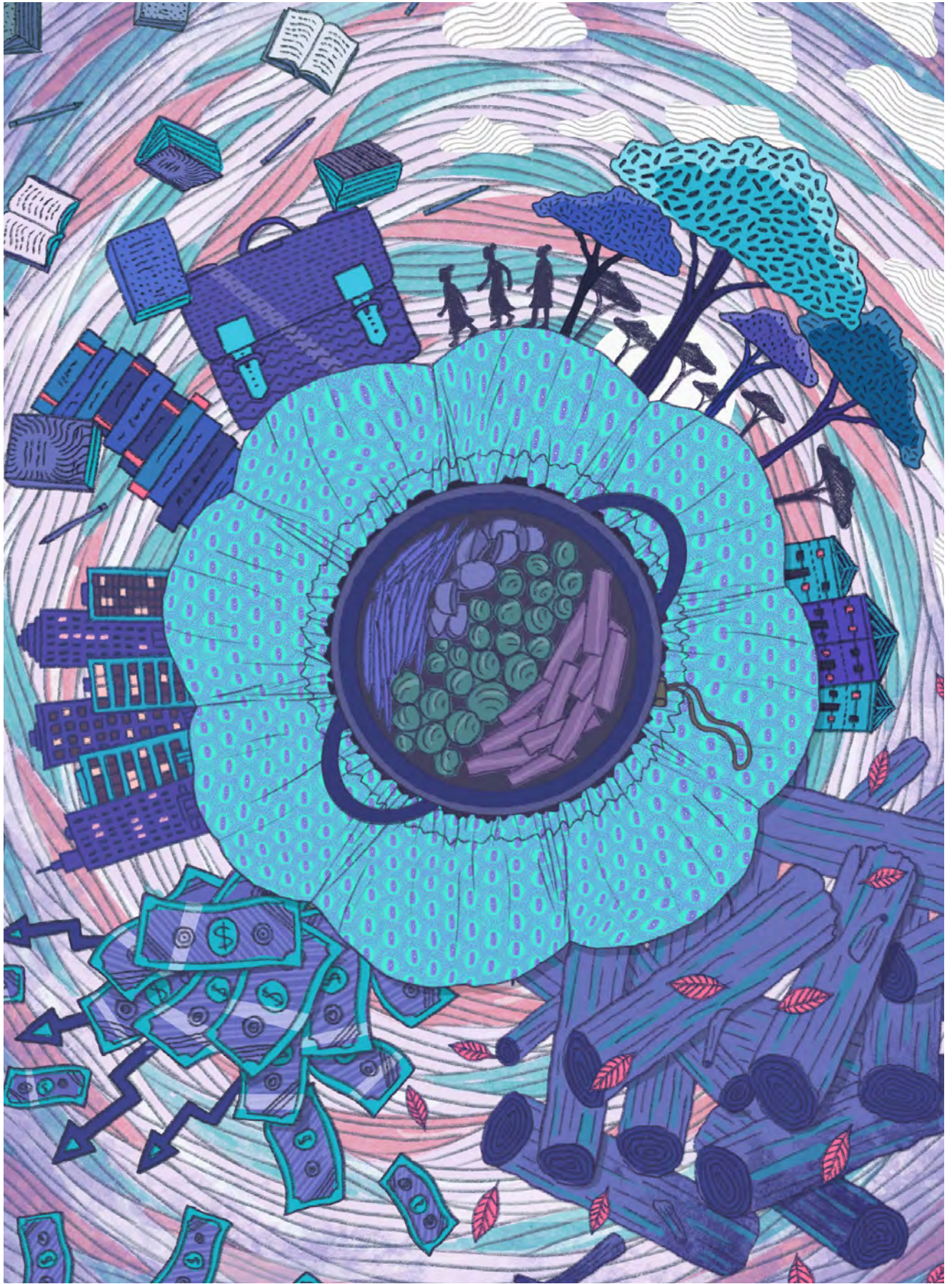
Development aid

Before setting up Wonderbag, I had already come to understand just how broken the world of development aid is (I exclude emergency aid, which is desperately needed in climate crises and war). My view is that development aid flowing into Africa has undermined people’s freedom and dignity of choice while supporting corrupt governments of the day. I believe that foreign aid is a manipulation tool deployed as PR by powerful economies. Development aid keeps people in poverty, and very little of the money invested goes to long-term catalyst projects that are sustainable and transformational. Instead, it feeds the same old narrative of patronage and parochial systems. It is outdated and chronically corrupt.

So, what is the way forward? As someone who has been involved in work across all sectors of development, I fully believe – and have now proven – that getting the right innovations to people at the right price is what will bring more equality to this world. If people living in vulnerable and impoverished circumstances are to experience a long-term transition in their quality of life, we need innovative products and business solutions that are based on a deeper understanding of people’s context and culture.

Every single person on the planet has buying power and that is what will change the world for the better. Every person has a right to cook, to food, to dignity and to freedom. At Wonderbag, our business model works in such a way that no bag is given away for free; there are now more than 2 million bags in homes across Africa, all of which have been subsidised to make them affordable. Since 2008, we ▶

Sarah Collins is founder and CEO of Wonderbag, which was voted one of the ‘Top 50 Genius Companies in the World’ by *Time* magazine



“We need innovative products and business solutions that are based on a deeper understanding of people’s context and culture”



have been collecting data on Wonderbag usage. It shows that, if Wonderbags are given away for free, they have less than a 50% chance of being used. However, when people pay, even if it’s just \$1 (84p) or less, the likelihood of the bag being used jumps to 90%. As a result of the bag being used, the household can benefit, and lives are improved.

In many African cultures, boys are regarded as more important, so they go to school and girls are left to do the chores. One impact of the Wonderbag on households is that time and money is saved, which helps to get more girls (who previously had to spend their days collecting firewood) into school. There is a remarkable increase in girls attending school in communities that have Wonderbags. Additionally, research conducted by the International Federation of Red Cross and Red Crescent in refugee camps in Rwanda and Uganda shows that, when a hot meal is served every day, domestic violence and gender-based violence decrease. This includes incidents of rape (according to the Clean Cooking Alliance, 82% of rapes in Africa occur while women are collecting firewood). Our research shows that these changes can occur within the very first weeks of the Wonderbag being used in a home.

Outside the home, conflict over resources is creating large-scale unrest across many African countries. If we reduce the reliance on local resources for cooking, this also means less deforestation.

Social business model

The business model that I created demonstrates that social business (and all business, really) can and should be a force for change. Fourteen years ago, Paul Polman of Unilever (whose piece appears elsewhere in this edition of the journal) shared my vision that doing

good is good for business. I proved this with Unilever when, between 2010 and 2012, a Wonderbag was sold together with Unilever products at a subsidised price. By bundling products ranging from food staples such as maize meal, cooking oil, and spices to other household needs, along with Wonderbags, we increased the return on investment for Unilever by 247%.

Accountable global businesses are the most significant resource we have to further the cause of people, the planet and financial sustainability. Companies and business leaders operating in Africa and other developing locations need to place people at the heart of their business. No business is a silo; it is not possible to operate either independently of the people who purchase a company’s goods or its shareholders. This accountability ensures that services and products get to the right people at the right prices.

It is now abundantly clear that there will be no businesses or planet if we do not work towards a net zero carbon economy. This must be the guiding ambition for all corporations of the future or we will destroy ourselves. The governments of today are too volatile and unreliable; we need stability in the marketplace, and this will be created by the global force of business.

Empowering entrepreneurs

There has been much debate around the future of the capitalist model. I believe that fair and equitable capitalism is at the heart of every person in the world. In Africa, most economies are driven by entrepreneurs, predominantly women. If they have more time available, more resources and food security, their households will have a greater chance of thriving and flourishing.

It is in these situations that Wonderbag is achieving remarkable success. Our business model empowers

individuals to take responsibility to live an independent and abundant life. Empowerment leads to self-fulfilment. Our measure of success is not to earn \$1bn, but to see systemic change in communities, and to work alongside thousands of entrepreneurs who run their own businesses. Many of these enterprises are centred around the Wonderbag, but many are not. As Forbes Africa said in 2019, Wonderbag is one of the top new wealth creators in Africa, creating wealth at the base of the pyramid, where real growth lies.

World Bank research shows that, among those populations most affected by climate change, those that emit the lowest levels of CO₂ are the most affected by increasing carbon levels. As a company, we are a carbon credit originator, which means we measure the amount of carbon saved by using our product, including fuel that has been saved and which would otherwise have been burned. The amount saved is then turned into a carbon credit. For our calculations, we follow the VERRA standard of approval, which constantly audits the science behind this model. Carbon credits are then monetised and sold to companies wishing to reach carbon neutrality, and this then funds the subsidisation of Wonderbags to people who are most affected by climate change.

Most of the communities we serve are far beyond the 'last mile', which describes the short geographical segment of delivery of communication links, or products, to customers. Most communities that lie beyond the last mile are aid-fatigued, with projects coming and going, and no sustainable plan to support the long-term growth and independence of the people within those communities. Wonderbag brings a long-term, culturally relevant solution, and acts as a catalyst for prosperity.

Humanitarian solutions

Businesses need to find what common ground they can with outmoded and non-functional aid models. Many of the large humanitarian agencies have enormous footprints and reach into every community in Africa. At Wonderbag, I have been collaborating closely with these agencies, using their infrastructure and forming partnerships that enable a dual business model. Instead of making aid infrastructure redundant, we must breathe fire and purpose into these often empty and waiting facilities.

There is a growing movement within development aid to seek long-term sustainable ways to support communities out of poverty and to secure food resources permanently, not just for a few months. Through joint collaborations, we can slowly shift humanitarian aid towards social businesses, where everyone wins. Like the move to a green economy, it is a slow process but

one that is moving in the right direction. These types of approach are gaining more traction and slowly we are seeing that success relies on stakeholders from all areas being able to cooperate.

Many people realise the time to shift is now. It is the how that brings a challenge. My ideal is to see business working to meet social priorities, collaborating with existing distribution infrastructures, and including voluntary carbon economies. Innovation with new products that have yet to go to market, as well as fast-moving consumer goods, telecoms and every business that serves people, can ensure the right innovations end up within the buying power of the people who need them the most.

Wonderbag's journey has shown that simple frugal innovation can have long-term impact. Supporting and investing in local entrepreneurs with solutions that address the needs of their specific communities allows them to scale the solutions that they bring to the table and gives investors access to the buying power of Africa. We cannot and should not rely on innovations imported from laboratories in foreign universities that work with different mindsets over those addressing the needs at the coalface. ■

RSA Fellowship in action

Community Circles

Community Circles, a charity that creates opportunities for people to come together to inspire better and more connected lives, has received a £10,000 Catalyst Grant.

Part of the funding will go towards Small Sparks, supporting initiatives that help people to create networks of change by building connections within their own communities and promoting wellbeing and joy at work.

Intentionally small, Community Circles partners with various organisations and local authorities to provide training and consultancy to health and social care staff. This work helps to create opportunities for people to engage with a broader network within their community, often in pursuit of a favourite hobby or pastime. Cath Barton, FRSA, Development and Operations Lead at Community Circles said: "People are experts in their own lives and in their communities and we are passionate to support communities where relationships can flourish."

The Small Sparks project provides £250 to individuals to help fund a great idea that brings people together in their community. "We plan to continue exploring and learning what matters to people and the communities we all live in," said Cath.

■ Find out more at www.community-circles.co.uk

“Business leaders have to know stakeholders well enough to make decisions that are in the long-term interests of shareholders”

Rachel O'Brien speaks to Dame Vivian Hunt

🐦 @racobrien

Rachel O'Brien: You have worked in very different contexts, including different countries. How has this shaped your thinking?

Vivian Hunt: I served in the Peace Corps for a few years doing primary healthcare and assisting as a midwife, a wonderful introduction to healthcare, the field that I worked in most exclusively for 15 to 20 years in the public, private and third sectors. This and my later experiences have taught me three things.

First, that the overwhelming amount of need I saw requires system interventions. At some point, your individual action doesn't move the average. Being committed and advocacy-based just didn't scale. I understood that I needed to do more, particularly when working with groups that are historically underrepresented in decision-making and outcomes for business.

Second, there are multiple factors that change economic and human behaviour. Growing up in a military family in a multi-cultural context, I spent a lot of time as a child in Asia and America and, more recently, in Europe. I've learned there are many ways to build credibility, some of which are concrete, others which are social, cultural or contextual. Our actions may all have the same economic outcome but

can be received very differently. So, how you do things – the language you speak, the cultural authority, the engagement, the system skills, the relevance of community engagement to local populations – these things are crucial.

The third thing that has influenced my thinking is the power of ideas and platforms in bringing and shaping ideas. Organisations like the RSA are so important, as they sit between many different spheres of influence. People want an informed, evidence-based point of view – they don't necessarily want neutrality, which can come at a cost.

Many academic studies and datasets in the institutional investor space show that high-performing organisations tend to be systematic in how they think about allocation of financial, human, technological and other types of capital to drive their decision-making. Good companies encourage and nurture their teams better. They might have a different understanding of how to capture and scale innovation, or be more open to critique and, therefore, improvements. They might have more diverse teams and more inclusive practices.

O'Brien: So, if this data is right, why don't more managers and leaders use it? ▶

Dame Vivian Hunt is a Senior Partner for McKinsey & Company; she previously served as Managing Partner for the UK and Ireland for seven years and led the Life Sciences practice in EMEA



Hunt: Because they need more courage to act. The fear you are not going to serve your investors, customers, supply chain or employees well is a real one but, perversely, over-serving your shareholders is not correlated with higher performance in the long term. Organisations like McKinsey are, fundamentally, counsellors and advisers to businesses, helping to build an argument so that managers and leaders have the courage to act.

Another factor can be biased decisions in hiring. I know the acuity of exclusion and I also know that without my having had the privilege and access of a 'tier one', globally competitive education (for which I'm grateful), I would probably not be any different from another Black woman of moderate means struggling to make ends meet. If you can influence decision-makers at the right time, you can create more equitable opportunities for all types of capital – including human capital – to flow and, I would argue, better outcomes.

We need to encourage business decision-makers to introduce a more holistic, sustainable, inclusive approach to capitalism early in their decision-making tenure. Shareholder returns are, of course, core, but as the ongoing economic pressures and crises in the UK and other places illustrate, the really high performing companies can manage multiple goals over time.

The question for leaders is how to build in – in a quantifiable, metric-driven way – stakeholder outcomes so they are not engaging with a false trade-off between shareholders and other stakeholders. What is in the shareholder's interest should also be in the interest of employees, customers, supply chains and communities.

In the same way we no longer accept that we don't know our diversity statistics, we cannot any longer accept that a company has not thought enough about or is not able to implement a successful business strategy that serves planet and people, as well as profit. It's no longer acceptable to say there's a trade-off between those things because many businesses are showing that there's not.

O'Brien: What does this mean in practice?

Hunt: First, this must be built into your existing strategy and operating plan to understand its impact on the planet and environmental outcomes, and on social factors.

Second, when it comes to ESG [environmental, social and governance] frameworks, what is meant by the 'S' can really vary, but at its core it is an employee proposition. Employees may be the biggest source of pressure and change. They are in your community, their spouses and partners and other business partners

are in your supply chain, they experience and live on the planet, they represent all the stakeholders in one.

Third, this is about governance and ethics; how you show accountability internally and externally. This is not just about regulation, but involves mapping out where you need to be.

Finally, if you want to link economic outcomes and development with multiple goals, you have to do this systematically. It won't happen by accident or all at once. If you understand your priorities and trade-offs, then if you do have to pause or pivot because of unexpected shocks, such as the pandemic or a regulatory change, you can do that in a coherent way.

O'Brien: There must be times when there are real conflicts between where the company might want to go and the legal requirements of the board in relation to shareholders?

Hunt: I would describe it as a tension and a trade-off which must be informed by evidence. The impact of climate change and the need to get to net zero outcomes in an evidence-based, systematic way is urgent and impacts everyone, but the responsibility is borne on the shoulders of the companies that are developing the energy on which we are all dependent.

Another major issue is technology, which is providing a level of analytic clarity and data that allows us to make decisions that are much more individualised by business, customer and person. We can get into a level of analysis that we couldn't before and, if companies don't do it for themselves, outside entities – regulators, activists, investors – will do it for them. This is a game-changer in stakeholder capitalism.

People want good jobs with fair wages and non-fragile work, they want engagement, they want to trust their manager and have good outcomes. People do forgive mistakes if you admit them, show contrition and are willing to respond to feedback. But business leaders have to know stakeholders well enough to make decisions that are in the long-term interest of shareholders.

O'Brien: Is it particularly the big businesses that are getting the hit? When we think of trust in business, we tend to think of the globally known brands.

Hunt: My expectation of what big businesses can do in stakeholder capitalism is higher than it is for small businesses. Big businesses have a higher obligation because they employ more people and therefore the economy, household businesses and supply chains are more dependent on them. They also set the operating practices and norms that smaller companies are then dependent on.



“This is a very exciting time for stakeholder capitalism to be able to be built in concrete ways into business plans, policy outcomes, and audit and regulatory frameworks.”

According to the Edelman Trust Barometer 2022, business leaders are now more trusted than media and politicians. That has put more pressure on businesses, but it has also shown that employees and people in society want businesses to do more to address societal problems.

O’Brien: Given that the fourth revolution is a different one, what does that mean for the role of states and governments?

Hunt: The principles of stakeholder-informed decision-making, resource allocation and outcomes apply in the public sector just as much as the private sector. That’s why public/private collaborations are actually a good idea when they are well-structured and you can bring in the cutting-edge technologies and skills, innovation and new capabilities that the private sector might naturally develop more quickly.

The public sector’s ability to use the principles of stakeholder capitalism can be just as effective. If anything, the need for the public sector to play a role that no other part of society can play is greater than ever.

O’Brien: Is there, though, a gap between internal reasons for why decisions are being made – what is driving institutions to make change – and communicating this with the public?

Hunt: I would say the policy architecture and implementation approaches need to be communicated in a way that people understand. If your constituents don’t know why you’re making a change, if you

haven’t made an evidence-based argument in a narrative that’s also emotionally compelling, why should they believe you? You may still make decisions they don’t like, but at least you can document and explain what you said against the strategy.

O’Brien: We have a piece of work happening in the RSA on the future of audit. Where does audit fit with your vision?

Hunt: Audit is at the cutting edge of how you shape the environment in which business and the public sector operate. That is what regulation and audit do. It’s not just about rule setting but an intersection and combination of skillsets. It’s very exciting.

The architecture for stakeholder capitalism could be another exciting place in which to innovate. Look at what happened with the 17 Sustainable Development Goals, and how regulatory and audit have really strengthened and informed the changes there. Those are hugely motivating and noble goals but come with a real need for a robust audit and regulatory framework.

This is a very exciting time for stakeholder capitalism to be able to be built in concrete ways into business plans, policy outcomes, and audit and regulatory frameworks. I’m not naïve. I know how challenging it can be, and I look forward to differential outcomes because we will be able to see the companies and governments that are doing well, and put more capital into the businesses and companies that are more innovative and doing the right things. I look forward to evidence, it helps us make better choices around good outcomes for stakeholders. ■

AUDIT IS BORING?

Not necessarily. How the profession might transform to meet today's challenges

by John Rennie and Alice Mathers

🐦 @johnrennie 🐦 @Al_Mathers

Take a straw poll of bright students and you will hear a wealth of future goals – but how often do these include ‘becoming an auditor’? To many of us, auditing sounds so dull that we ignore that it even happens. It is only when it goes wrong – and in recent years, numerous audits have gone spectacularly wrong – that we consider it. Then the cry goes up: “How did they miss THAT?” Suddenly, audit gets horribly interesting.

While there has been plenty of regulation, the title of the UK government’s 2021 White Paper, *Restoring Trust in Audit and Corporate Governance*, suggests this has not created a system that works. So where do we go from here?

In 2020, the Institute of Chartered Accountants of England and Wales (ICAEW) published the Audit Manifesto, detailing its “principles for building a modern profession”. As the largest body representing chartered accountants in the UK, it cares about the future of the industry. But will proposed changes simply mean more legislation, or can the profession transform itself radically? Both must happen.

This year, the ICAEW is working with the RSA to gather expert critics of the industry to develop a compelling vision for the profession and address these failures. In *Essays on Audit, the Profession and Society*, the authors argue that the current crisis in audit, and the challenges companies face over their

environmental, social and economic impact, present a unique opportunity for audit to reinvent itself and become integrated into the ecosystem of business, the wider economy and the future of the planet.

How did we get here?

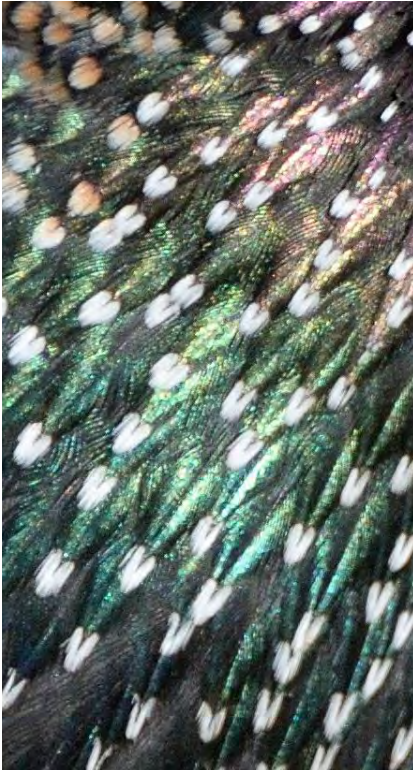
Modern auditing began in the UK in the mid-1800s with the 1844 Joint Stock Companies Act, which dictated that directors were legally obligated to present an audited financial statement and balance sheet to shareholders. More laws followed, but the fundamentals have not changed: the audited accounts should be a “true and fair” representation of the business and confirm whether a business is a “going concern”. But business has become a lot more complex. Companies now operate across multiple markets around the world, there has been an information revolution, innovation is relentless, and many services and goods are hard to price, with loss-making disruptor companies seen as ‘going concerns’ based on speculative future value. The Victorian model of audit cannot possibly give a full or accurate picture of a 21st century company.

Where are we headed?

Jim Peterson is a lawyer and academic whose work has long focused on the failures and futures of the largest accounting firms. His essay for the RSA explores the

John Rennie is the Editor of the RSA Comment website. He also writes about London history, finance and mindfulness meditation.

Alice Mathers is the RSA’s Director of Research and Learning, and leads the strategic direction of its Fair Education, People and Place and Future of Work programmes



repeated attempts by the UK government to regulate audit into effectiveness, and suggests auditing is unusual among professions in not examining and learning from its mistakes. Peterson proposes a “failure study body” that might pool information whenever things go wrong so that lessons could be shared. This would mean fewer and smaller crashes and a profession respected for pre-empting failures rather than criticised for missing warning signs.

In their co-authored essay, professors of accounting Chris Humphrey and David Hatherly suggest establishing a new profession, rather than trying to patch up a broken vehicle. They argue for the “development of a wider, more connected, less isolated position and sense of social purpose for audit”, in which auditors consider the wider environmental, social and governance demands on corporations and act as pilots through this new ecosystem.

Sacha Romanovitch is the former CEO of accounting and consulting firm Grant Thornton. Her essay’s core argument is that “profits [must not be] unhinged from purpose”. She writes about the madness of a system in which a banking analyst admits they can’t check HSBC’s books because the accounts are too complex. The audit, she writes, is an historical and incomplete snapshot of where a company was, and it focuses too heavily on short-term profit. Just because a corporation is lean and

profitable does not mean the rest of us are not picking up the costs. Audit must consider all stakeholders, not just shareholders, according to Romanovitch.

Indy Johar is an architect and co-founder of projectoo.cc, which brings together experts from different fields to work collaboratively. An evangelist for ‘joined-up’ thinking, he decries a linear accounting approach in a world of “entangled interests”. Johar suggests an evolutionary approach, with evolving rules to serve our swiftly evolving economies, and highlights what is not on the balance sheet: positives such as the social value of keeping people employed and negatives such as cultural pollution by a media giant. How Victorian to have accounts that simply log finances and ignore these other critical factors!

Finally, Andy Haldane’s essay expands on how a re-imagined profession might mesh with the RSA’s new mission, Design for Life, which positions business as “a key change-agent, economically, societally and environmentally”. As global concerns, who better than the ‘Big Four’ accounting firms to link and grow this new ecosystem?

The opportunity to be part of a new, creative profession is an exciting prospect. Perhaps young people won’t find audit so boring after all. As for the firms... they know change is coming. Unless they help mould the future, they might soon find change forced upon them. ■



“The real problematic legacy of neoliberalism was a denigration and delegitimisation of the state”

Andy Haldane speaks to political theorist Francis Fukuyama

🐦 @FukuyamaFrancis

Andy Haldane: I really enjoyed your latest book. Was one of your intentions, given the world isn't overflowing with moderation, to set out, in non-polemic terms, the case for moderation?

Francis Fukuyama: Absolutely. The underlying argument is that you have a liberal tradition that we are steeped in and have taken for granted, and that those principles need to be defended and restated. Those principles can be abused by being taken to extremes and there are examples of that on the right and the left. In the case of the right, with the rise of so-called neoliberalism in the 1980s and 1990s, you had a group of economists and politicians – Thatcher and Reagan and the like – who took a good idea, that modern economies need to be based on private property and free markets, to extremes in which the role of the state was downsized and denigrated. This led to some real instability and a great growth of inequality in those countries that were at the forefront of neoliberalism: the US and Britain.

On the left, there was a similar expansion of the idea of autonomy. Autonomy is the basic moral justification for liberal society. As individuals, we all want to be able to control our lives and be able to make basic choices, but that doesn't mean that unlimited autonomy is better than a more moderate approach. We need rules in our societies that allow

us to coordinate action and create communities to provide for collective action and the collective interest.

Haldane: To what extent do you think certain flavours of the economics profession were responsible for this sort of contortion of liberalism?

Fukuyama: Professional economists bear some responsibility in giving a deeper justification to policies that were much more problematic than they pretended. Part of it was justified, because all modern economies by the 1970s had become overregulated and unduly rigid and needed to be made more flexible. But the Chicago School-types led by Milton Friedman gave a highbrow justification for what became fairly extreme policies and practice. Milton Friedman believed that a firm's primary duty had to be to its shareholders to maximise profits and that it shouldn't concern itself with any kinds of other social goods. This gave licence to thousands of business school graduates to focus very ruthlessly on bottom lines and not think about wider social consequences.

This critique of neoliberalism has been with us for quite a while and, in terms of corporate governance and certain types of policy decisions, that form of excess is the easiest to reverse. Joe Biden has done that in spades in the US, where the government has reinserted itself into supporting individuals. ▶

Political theorist **Francis Fukuyama** is a Senior Fellow at Stanford University's Freeman Spogli Institute for International Studies and Director of the Susan Ford Dorsey Master's in International Policy at Stanford. His most recent book is *Liberalism and its Discontents*

It really started with the pandemic but has been extended since. The deeper problems, though, are with modern states, because the real problematic legacy of neoliberalism was a denigration and delegitimisation of the state.

Haldane: Yet, in the past 15 years, the state in pretty much every country, certainly all the Western governments, have had to step up in enormous scale and scope, first for the global financial crisis and latterly with the pandemic. Will this turn the tide in favour of the state or is this another example of states having become too big and too powerful?

Fukuyama: It varies by country. The United States, unlike most European countries, including Britain, has a very deep political culture that's very anti-statist. We have a libertarian fringe, which really thinks we can get along pretty much without a state. You could say, quantitatively, the state is back in terms of rates of taxation and government spending and so forth, but I'm not sure that in the United States, at least, the quality issue has been addressed. That's not true in Europe where there is a much deeper, more bureaucratic tradition and respect for bureaucracy. For example, in the United States, there is a shocking statistic that the number of federal government employees under the age of 30 is something like less than 6% of the workforce. If you're talking about a government that is trying to stay on top of very fast-moving technology – such as crypto currency – you're not going to do it with a bunch of 60-year-olds.

Haldane: I'm struck by the fact that, in general, people don't like or trust bankers, but they quite like their local bank manager. They don't necessarily like politicians, but they might quite like their local politician. The same can be said of big business vs local community businesses. Is this less about the state, per se, and more about the degree of decentralisation or devolution of powers?

Fukuyama: That's absolutely true. Just in terms of basic accountability it's much easier to hold a local government accountable where the scale is smaller, the effects of state action are more visible, and the mechanisms of accountability are much more direct. If you consider the national government in any modern democracy, they are gigantic bureaucracies and you can only affect them through votes that

come in multiple year intervals, and the signals that voters send by voting a particular way are often just completely lost in all the extraneous noise of election campaigns. Federalism or devolution, or subsidiarity, is critical but is made much more complicated by some policy domains – including central banking – needing to be maintained on a more national level.

Haldane: In the UK there is not a great ideological war being waged between the main parties but debates about degree; relatively small differences around the size and role of the state, the private sector and tax levels and so on. My sense is that is much less true in the US?

Fukuyama: Back in 2016, a lot of pundits were saying that there was this populist wave represented both by the Brexit vote and by the election of Trump. I would much rather trade Britain's position for ours because of the basic moderation of British politics. Boris Johnson was forced from the prime ministership, basically, for holding parties and then lying. Donald Trump has been lying non-stop since his election and lying about the most important things, like who won the 2020 election, and yet he's still a major contender and may come back as president in 2024. There seems to be a normative constraint that still exists in your politics that has just gone missing in the United States.

Some of it has to do with our racial history that we thought we had overcome with Obama's election, but which is clearly still very much with us. Religion has always been a deeper trend in the United States, with our evangelical fringe, than in Britain. Some of the problems I discuss are uniquely American – and will be more destructive because of its size and power – but there are big populist movements in other parts of Europe, such as Hungary and Poland, where there is a similar divide between more rural conservative people and liberals that live in big cities who have access to the global economy, better education and the like.

Haldane: If people feel that their voices haven't been listened to, that may lead them to gravitate towards populist leaders that they think speak on their behalf. Are there lasting lessons for the models, the institutions, of democracy that we have in place, including more deliberative, democratic models of various types that enfranchise a wide and representative group of the citizenry to help inform an issue?

“Professional economists bear some responsibility in giving a deeper justification to policies that were much more problematic than they pretended”

Fukuyama: I'm not sure that simply more democratic participation is necessarily the answer. In the United States there was a whole series of reforms beginning in the 1970s to increase popular participation, and candidates of the two parties are now selected through popular primaries. This has had the very paradoxical effect of increasing polarisation because, for example, with popular primaries, rather than having the professionals in the party select candidates they think will be nationally viable, you leave it up to popular choice. But in a primary election, who votes? It's the activists. Part of the reason that the two parties have been taken over by their activist wings, particularly the Republicans, is precisely because primaries have essentially empowered the most extreme voices within the party.

This could be restructured and bounded by institutions. There's a movement in the US to replace our 'first past the post' system with some form of proportional representation that allows for the representation of more than two ideological positions. This is something that might serve to reduce the kind of extreme polarisation that we have seen and would make it much easier for a third party to get going.

Haldane: What role do you think social media has played in fostering intolerance and in stretching the boundaries of debate to their contorted extremities?

Fukuyama: Not just social media but the internet in general has had a huge impact. When the internet was privatised in the 1990s, a lot of us thought this would be great for democracy, because you had various intermediaries that were controlling access to information – governments, but also big corporations and legacy media organisations – and this would democratise access to information. But it turned out that, in most democracies, those gatekeepers actually played a very useful role in terms of certifying certain facts and creating consensus around at least a kind of empirical understanding of what was happening in

the world. The internet in general has completely undermined that. If you Google a question like 'are Covid vaccines effective?', you'll get thousands of websites that will claim they're not. People who want to reach certain conclusions will find the internet a very useful tool because they'll find a lot of people around the world who agree with them, and it fortifies these information bubbles that they live in.

The interest of the big internet platforms has always been in virality; they have a big interest in getting as many clicks and views as possible and this means that they do not promulgate reasoned, factual information. We're in a quandary right now because we recognise that some degree of content moderation is needed but we don't know who should do it. We don't want governments to be the ones that decide what's factual, but we also don't want these big corporations to make these very complex political decisions, and there's a lot of evidence they haven't been making them all that well.

The 'surprise' about the impact of social media stems from a questionable assumption, which is that the more you learn about diverse people, the more you'll tolerate and understand them. A lot of times the opposite happens, and tolerance actually decreases. Digital technologies permit mobilisation of people, both for good purposes but also for bad ones. It allows entire countries to live inside information bubbles in which social media is largely controlled by the state or by other powerful actors. What's happening in China is really unprecedented, with their social credit system where initially the state assumed control over intimate details about banking and transactions but now it's also health and other data. This has allowed them to essentially track the day-to-day movements of every single one of their citizens. This degree of information and surveillance has never been possible previously in human history.

Haldane: To what extent could the roots of this polarisation be put down to the economy not working as well as it has in the past? I'm thinking ▶



“There has been an expanding realm of democracy and equality that has continued over the centuries, and I don’t think that process is fundamentally going to go in reverse in the long run”

of the stasis in the real pay of the median US worker since the 1970s, which we’re now seeing elsewhere. I’m also thinking about the rises in what has been called deaths of despair, of that poverty, not simply in the pecuniary sense, but the poverty of expectations. That sense that generational progress as a social norm is coming to an end; that people are questioning the social contract and the institutions of democracies.

Fukuyama: It was an important trigger and probably a necessary condition for the kind of unhappiness expressed by working class voters all over the rich world. But it is not sufficient explanation. For example, the median income of a Trump voter in 2016 was higher than that of a Clinton voter. The people who stormed the US Capitol on 6 January were, for the most part, employed, they ran businesses, they were not desperate factory workers out of a job.

The UK’s David Goodhart captured this well in the ‘somewheres and nowheres’ dichotomy. He argues that there has been a cultural element that has to do with a lack of recognition for the kind of struggles in the perspective of people who are more culturally conservative and that this has bred a tremendous amount of resentment and added a lot to the

emotional polarisation that characterises what starts out as a question of economic inequality. There are many people who are not suffering personally or economically who nonetheless are very angry.

Haldane: I am speaking to you from the UK in a week where temperatures have reached 40C [104F]. Given that climate change is the ultimate global challenge, could it be something around which we reunite, or do you think that could be another lightning rod issue over which people disagree?

Fukuyama: Again, I think this varies by country. Certainly, it’s been a very polarised issue in the United States, but in Northern Europe it’s been an area of substantial consensus. If you imagine going forward, a world in which you don’t just have 40C heat waves, but even more extreme types of events, that consensus may increase. The question that I’m wrestling with and planning to write more about is, what governance mechanisms are best for coping with both the mitigation and adaptation to climate change? My personal view is that it needs international cooperation but that the bigger obstacles to dealing with it effectively are at a nation state level. Nation states are going to be the fundamental actors and will have to agree to

cooperate, rather than some larger transnational entity because I just don't think that is a practical or normatively good idea. All countries have an interest in economic growth, that's the fundamental driver of carbon emissions, but they also have a larger collective interest in keeping those emissions under control, and it's a particularly acute conflict if you are a producer of fossil fuel energy. You are basically trading off long-term liabilities for short-term pain, and that's not an easy choice for any political system to make.

There is a view that we need to move to more authoritarian government to deal with the climate emergency. That's both empirically and normatively wrong. The world's authoritarian states are not responding responsibly. China is building coal-fired power plants domestically, and 90% of its Belt and Road energy initiatives are based on fossil fuels. Democracies are more transparent and have some form of accountability, and so are more likely to respond to the signals that populations give out about how serious they think the problem is.

Haldane: Turning to another crisis, the war in Ukraine presents a near and present danger to democracies everywhere. In response we have seen a coming together of nation states, the Nato alliance and beyond. Is there a chance at least that some long-term good might come from that?

Fukuyama: That depends largely on the military outcome of the current conflict. If it remains stalemated in a very bloody war of attrition, then there will be increasing calls in the West to force some kind of settlement on Ukraine. This won't solve the long-term crisis because I don't think Russia has mounted this invasion out of insecurity. It basically wants to gobble up as much of Ukraine as possible. On the other hand, if Ukraine makes some progress in the coming months in liberating some of its territory, particularly in the south, reopen access to the Black Sea, then it's possible that the Nato countries in Europe, in particular, can persuade their citizens to tough it out because there's light at the end of the tunnel.

It depends on whether people think that there's actually a way forward in terms of pushing Russia back, which is why we need to supply Ukraine with the weapons they need so that they can do this. If this doesn't happen in the next few months then unity will dissipate, very rapidly.

Haldane: Despite all that's happened in the 30 years since you wrote *The End of History*, you seem to be inherently optimistic?

Fukuyama: The only ground for optimism is by taking a very long view of things. If you look at the progress of human civilisation over the centuries, it's never been linear. For example, the 1930s and 1970s saw big reversals in both material progress and in political and social institutions. But there has been an expanding realm of democracy and equality that has continued over the centuries, and I don't think that process is fundamentally going to go in reverse in the long run. But I'm not a futurologist; I have no idea what's going to happen. I can only express hopes, and some observations, about the way that history has unfolded in the past. ■

RSA Fellowship in action

Everything Grows

Scott Burnham, FRSA, received a £2,000 Catalyst Seed Grant to fund Everything Grows, a US-based project to teach green skills to the next generation and improve food security and quality of life for under-served communities.

Everything Grows is a combination of vertical planting system made from recycled building materials and learning programme. Scott, a trained permaculture designer, was inspired by children from the mixed-income housing estate across from his home, who would frequently stop to question him about the several small gardens in his front yard. He wanted to find a way for these children and their families to experience first-hand the wonders of growing their own food and plants. The project also aims to develop participants' self-sufficiency skills in permaculture, including composting and rainwater harvesting.

The grant will allow development of working prototypes of both the physical planting structure and the permaculture-based learning programme. Scott hopes the project will teach people to use existing physical and natural resources to improve their lives and environment, ultimately creating a self-sustaining modular food-production system suited for use in any estate or urban community with limited space.

"Everything Grows seeks to grow people's skills and change their perception of possibility, ensuring the growth of both personal ability and food far after the initial project wraps," said Scott.

■ Find out more at www.nurturestructure.com/everything-grows

THIS IS NOT AN ESG ARTICLE

The case for taking a scientific approach to an often misunderstood framework

by Rebeca Minguela

🐦 @rebeminguela

When Magritte painted the image commonly known as ‘This is not a pipe’, he was asking us to reflect on the gap between language and meaning, even our perception of reality itself. Similarly, this is not an ESG article. It encourages readers to reflect on the communication, perceptions and facts around the environmental, social and governance (ESG) frameworks adopted by many businesses and investors as a synonym for sustainability and social and environmental impact.

Like ‘The treachery of images’, as Magritte’s painting is also known, when it comes to sustainability, we must accept that individuals will interpret this in different ways and not allow this to prevent us from pursuing a better world. The evidence shows that, despite variations in interpretation, most people care about sustainability. Whether as investors, consumers, voters or regulators, people want a more sustainable planet, a more equitable society and improved wellbeing, and they need and want the information and tools to take that into account in their capital allocation decisions, whether through their purchases, individual investments, pensions, charitable donations or how their taxes are spent or invested.

If you search ‘ESG’ online today, you find nearly 400 million entries and over 50 million articles. In July 2022 alone, 5 million articles about ESG were published online. Look a little closer, though, and you find that over 6,000 of these articles mention ‘ESG scam’ or ‘ESG backlash’, including accusations of greenwashing and misleading marketing. ESG is now

a highly charged topic, raising complex social and political questions about its place in responding to the most profound problems we collectively face.

To make progress, we need to refocus the conversation on what is important by taking a more scientific approach. Of course, people’s definitions of a good society are largely subjective, based on religious beliefs, personal values, political priorities and so on, but we should use fact- and science-based strategies to find a solution that also accommodates that subjectivity.

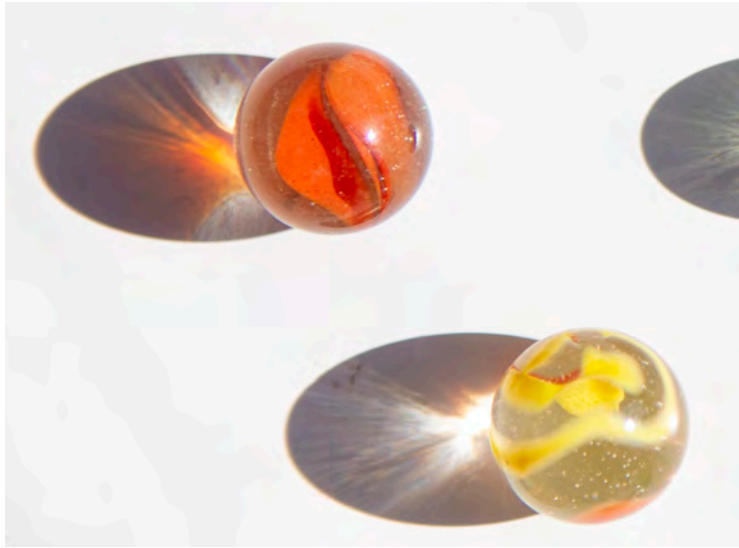
The right question and ... the ‘wrong’ ones

Albert Einstein is reported to have said, “If I had an hour to solve a problem and my life depended on the solution, I would spend the first 55 minutes determining the proper question to ask, for once I know the proper question, I could solve the problem in less than five minutes.” We need to focus on formulating the right question – on understanding the real problem – if we are to find a solution.

The central question in play is *how do we achieve a more sustainable planet and a more equitable society?* This is a problem of resource and capital allocation, so we need to make sure that in every decision (our purchases, company and government budgeting, investments, etc) information about sustainability and social and environmental impact is considered. Key follow-up questions should include: How do we measure sustainability? How do we bring the right information to the right decision-makers at the right time? ▶

Rebeca Minguela is the Founder and CEO of Clarity AI, a sustainability technology platform that uses machine learning and big data to deliver environmental and social insights to investors, companies, governments and consumers





“If we return to the ‘right’ question – how do we achieve a more sustainable world? – the answer is not necessarily tied to any correlation of ESG with financial performance”

Unfortunately, we are distracting ourselves with multiple other ‘wrong’ questions and criticism of ESG (and sustainability more broadly) that are not only irrelevant to the main problem but also generate confusion. What follows are some examples.

Does ESG measure sustainability? Not necessarily. Often, too much is expected of what was originally defined merely as a framework to help investors and companies weave environmental, social and governance metrics into financial analysis, not to measure sustainability or actual impact. There has been such an unhealthy and confusing proliferation in the use – and misuse – of ESG, that even ESG-industry scion Paul Clements-Hunt called the ESG hype “a whirligig, a frenzy, a marketing mania”. ESG has become a catch-all term, and the backlash is understandable.

Rather than asking whether the ESG framework, intended to measure financial risk, actually measures sustainability, the right question would be, *how do we accurately measure sustainability and bring it to the decision-makers?* To shift the debate, we need to keep educating people about what ESG is and what it is not, use it only for what it is intended, and avoid mislabelling ESG as sustainability or impact.

Does ESG correlate with financial performance? The answer here is the same as regards other financial variables: it depends. Multiple analyses exist, often yielding conflicting conclusions. This does not mean they are wrong, but they are either too broad to result in conclusive findings or else focus too narrowly on concrete methodologies, topics or industries and therefore their findings are not applicable to all the ESG-labelled financial products. For example, they

might – not surprisingly – find correlations in emissions for utilities, governance for banks, or social metrics for companies heavily reliant on human capital. There are also research papers that simply restate what we should already know, such as a recent study from the Organisation for Economic Co-operation and Development saying that “the correlation between ESG scores and climate performance is low”. Well, of course it is. ESG is not just climate.

But if we return to the ‘right’ question – how do we achieve a more sustainable world? – the answer is not necessarily tied to any correlation of ESG with financial performance. Some people might care about sustainability but *only* if it brings higher financial performance, and some might not. Sustainability should be included in financial analysis, but also should be an *additional* dimension analysed and communicated separately, based on the objectives and preferences of the decision-makers, because, as we have already established, people do care about it. But I believe sustainability *and* performance are possible: when investing in public markets, there are almost 60,000 listed companies, so it should be feasible to find a diversified portfolio of 500 companies that can achieve the same financial performance as the S&P 500 while also being more sustainable, no matter the specific personal or scientific definition of sustainability.

Can we aggregate all sustainability or ESG dimensions into one number, or select just one dimension to make it simpler? The answer depends on your objective. With the growth of the ESG investing trend, various financial institutions, rating agencies and data providers have built company and fund scores aggregating various

dimensions of sustainability and even different types of metrics (and a booming \$1bn [£82.5m] industry in the process). ESG scores are combining quantitative metrics on various topics such as emissions, percentage of women employees, controversial coverage picked up in the news, policies and commitments. When measuring impact, the United Nations has proposed the 17 Sustainable Development Goals, including poverty, education and climate, and 169 separate targets. This raises the reasonable question of whether we aggregate such different concepts into just one number.

There is also growing support for making measurement simpler. A recent special report in *The Economist* strongly advocated for “measuring less, but better” and focusing on just one dimension (climate). The problem, however, is that this approach omits important social and environmental factors. We need to ‘measure more *and* better’ and, more importantly, bring the data and tools to the decision-makers, because, again, it is not only about measuring, but about providing access to the right information at the right time.

Complex problems require sophistication, not oversimplification. No one today would suggest that we focus only on one dimension when measuring other critical topics such as inflation or GDP, or when assessing credit risk, which started being measured several decades ago and now incorporates incredibly complex methodologies and calculation technologies. The sustainability and ESG trend has been evolving for over ‘just’ a decade, and companies only began routinely reporting metrics such as emissions a few years ago. We need to keep working to polish up something so young.

The right question is not whether we can or should aggregate all dimensions of sustainability into one number because, generally, we don’t really need to. In most cases the integration of sustainability can be both sophisticated *and* simple for the user without needing one magic number.

Should ESG and sustainability be more standardised and/or more regulated? The answer is: probably, but carefully (there are already more than 600 ESG reporting provisions and regulations globally). Again, as in other areas that require significant weight in decision-making (for example, inflation and GDP measurement, accounting, or financial disclosure) there needs to be standardisation and regulation for communication and reporting purposes. But we do not need a global standard to keep moving ahead.

The solution

While all these ‘wrong’ questions are reasonable to ask, the answers often fall into grey areas which can trap

us in endless discussion instead of pushing us forward. The solution is to focus on the questions, and facts, which will get us to our desired outcome – a better world – faster, and to provide valuable information to all stakeholders so that, when they are making decisions about capital and resource allocation, they can take into account the trade-offs for society and the planet.

This means, first, we start by acknowledging that there is not just one objective and that is okay. A better world can be reached by various paths, and these should be bottom-up, distributed and decentralised in their efforts to get to a common goal. Second, it requires understanding the differing objectives and preferences of decision-makers and providing them with accurate data, but also leaving room for incorporating individual viewpoints. For example, Exxon’s current emissions are a fact, but investors will arrive at varying assessments of those future emissions (just as they do with future revenues or valuation). A company’s exposure to animal testing is a fact, but one consumer might care about this issue, and another might not.

Third, and often overlooked, is the need to integrate sustainability information into current decision-making processes at the right time. Sustainability should be a fully integrated ‘add-on’ to existing platforms and user journeys. It should be built in, so that decision-makers do not have to go somewhere else to get the data they need. For example, investment managers who want to include sustainability in their investment decisions should receive pertinent information included in current workflows and platforms (eg asset servicing platforms, risk management tools, analyst financial reports). Individual investors or consumers should have sustainability information displayed to them within their investing or purchasing journey at the right time and in the right format. They should also be able to customise and filter information based on their own preferences, and always be made aware of the trade-offs – reliably and transparently.

Finally, we need to be extremely clear and transparent about what is true and what is not, including abandoning misleading, opaque or half-baked marketing and communications.

The good news is that through a more science- and fact-based approach, which leverages scalable technology, complex challenges can be solved. Decision-making tools and ‘add-ons’ for sustainability assessment are available and will get better, faster. These – along with a healthy dose of our collective human commitment – will empower us to reach our common goal of realising a truly sustainable world, not just a *treacherous image* of one. ■

CULTURE UNPACKED

Who gains when cultural organisations claim ‘neutrality’?

by Maria Silina

For centuries, Russia has siphoned artistic and historical resources from Ukraine and other neighbouring regions, removing what it wanted and giving in return art that would ‘glorify Russia’. Russia’s large-scale invasion of Ukraine, launched on 24 February 2022, is so far proving just how much this practice has persisted.

In the face of increasing losses and thefts, Ukrainian museums are now reaching out to the public to demand the boycotting and deplatforming of Russian cultural institutions, including museums, which they believe are serving as part of the war machine. But how do these calls for a cultural boycott work in complex Russian-Ukrainian relationships? As I argue, cultural boycotts are paradoxically well-inscribed into the contemporary cultural landscape, urging us to untangle complex conditions under which culture thrives as an element of the war machine.

The story of Russian cultural extractivism in Ukraine is firmly inscribed in the history of the region, particularly in the northern Black Sea coast area, which includes Mariupol and was already destroyed by summer 2022, as well as the territory of Crimea, occupied by Russia since 2014. These areas are rich both in antique settlements and Scythian gold, and in treasures of the Byzantine and Ottoman Empires. Following its victory over the Ottoman Empire

in 1783, the Russian Empire for decades actively excavated the area: local forces did the digging, and the imperial authorities supervised the dispatch of their finds to St. Petersburg.

The history of the Crimean War (1853-1856) further demonstrates that archaeological and museum work is always a prize for the winner. The British Empire won the war, conducted excavations in the occupied territories and took possession of a collection of ancient archaeological finds from the Kerch Museum as one of its numerous trophies. These are now held in the British Museum as part of its unique collection of global art history. While partial repatriation of Ukrainian cultural treasures occurred in the 1930s as part of the decolonisation effort of the Bolsheviks, excavations and removal of finds to the Russian Hermitage persisted throughout the Soviet era.

Since the annexation of the Crimea in 2014, the insertion of Russian images of the past into Ukrainian cultural sites has persisted at full pace. Chersonese near Sevastopol in Crimea is one of the most important archaeological sites of ancient Greek settlement in the region. It was included on the UNESCO World Heritage list in 2013 (thanks to the decade-long efforts of Ukraine) but, since the Russian occupation, has become a showcase for nationalist Russian culture. UNESCO has thus far been silent,

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showing that the political winner often gains from the seeming ‘neutrality’ of cultural organisations.

Others have also taken advantage of opportunities for international museum exchange that Russia provides in its role as ‘new owner’ of removed objects. For example, in 2017, some archaeological findings that had previously been transferred from Ukraine to the Russian Hermitage in St. Petersburg were loaned by Russia to the British Museum, to be displayed along with objects from the same Black Sea region that the British Museum has possessed since the Crimean War.

Ukrainians have called for Russia’s isolation in the face of these expansionist policies, but many Russian museum practitioners, though conflicted, are united: they see themselves as non-political agents and hostages of a situation outside of their control and believe culture should be ‘neutral’. Some see such neutrality as a way to disassociate themselves from war and thus protest against it, and others simply believe in the recreational power of culture above all else. Whatever the rationale, seeming ‘cultural neutrality’ only strengthens the course of Russian expansionary politics, as shown by recent statements made by Mikhail Piotrovsky, director of the Hermitage Museum, who supports an aggressive and expansive cultural policy in the occupied territories (*Rossiyskaya gazeta*, 22 June, 2022).

Many museums are not just historical collections of valuable objects. They are part of a system that supports systemic imperial violence, and their histories reveal the proliferation of military and other expansive international practices which, through seemingly neutral aesthetics and scholarship, have historically aided the most powerful.

So, what can be done to resist this state of affairs? Today, given the expansion of Russian nationalism over new territories, it is more urgent than ever for museums to show their visitors how local cultural ecosystems interact, resist and survive in times of war and imperial dominance. This could be achieved if museums embraced more transparency in the exhibition of artworks with a more complicated history; for example, by citing them as products of training tightly controlled by the imperial canon in their style or themes or displaying artworks along with a history of acquisition and artist and painting ‘biographies’ to help address complicated provenance.

I believe these nuanced strategies will help visitors to better grasp the complex geopolitical relationships of which museums are a part and serve as a means for museum practitioners and cultural activists to oppose Russian populism and attempts to downplay cultural expansionism. ■



NET POSITIVE

How companies can help build a better society

by Paul Polman and Andrew Winston
@ PaulPolman @ AndrewWinston

What does it mean to be a ‘good’ business? For decades, the answer to that question – at least in capitalist, market economies – was clear: make as much money as possible for investors. Other responsibilities were secondary. As long as you operated within the bounds of the law, your product sold well, and your stock went up, you were ‘good’. But a 50-year global obsession with short-term shareholder value is finally cracking. What will replace it?

A new model of business success is emerging. The profound challenges facing humanity – climate change, inequality, biodiversity loss, misinformation that undermines science and democracy – are changing how the world works and how business operates. These existential threats create new risks, but also open up unprecedented opportunities. Businesses increasingly see the power of serving multiple stakeholders (not just shareholders), taking a longer-term view, and profiting by working for the betterment of society. This work is no longer optional; stakeholders are expecting companies to step up on our biggest problems.

A company that embraces this new reality will help solve the world’s problems, not contribute to them. This kind of business, which we call Net Positive, is fundamentally different. It is purpose-driven, builds trust through transparency, and sets big goals based on what the world needs, not just what it thinks it can do. At its core, a net positive company seeks out transformative partnerships to reach beyond its own operations and solve systemic problems for its customers, its industry, its communities and the world.

There is no other viable path to solving our shared challenges, which are too large for any one part of society to tackle alone. Neither government mandates nor free markets will be enough. We must embrace collaboration. As the often-quoted proverb says,

“If you want to go fast, go alone. If you want to go far, go together.”

In researching our book, *Net Positive*, we encountered two broad categories of partnership that courageous companies are leaning into. First, collaborations that optimise results *within* the current system. Working with their suppliers, customers and even competitors, companies can solve shared problems and unleash multiplier effects. For example, companies trying to reduce plastic packaging can collaborate to find better materials or design more efficient packaging. Or consider the Corporate Electric Vehicle Alliance, a partnership across multiple sectors with members as diverse as Amazon, DHL, IKEA and Siemens. They are working to develop common standards for electric vehicle charging stations, payment methods and infrastructure.

These critical collaborations build partnership muscle, gain the trust of stakeholders and prepare companies for something bigger. But, while these partnerships are important, they still work in the proverbial forest. More leaders now understand that we need bigger partnerships that address deeper, systemic issues; they must work on the forest. No company can do this alone; it needs support from the right policies and frameworks. To continue with the packaging example, companies could help develop policies that build a more circular economy, finance new recycling infrastructure or develop a system for stores to offer reusable containers. These solutions require business, government and civil society at the table together, so we call them ‘It Takes Three to Tango’ partnerships.

As business looks to engage Tango partners, it will uncover natural tensions, especially since trust in *all* institutions is lower than ever. NGOs may wonder if a company is in earnest about seeking benefits for all. ▶

Paul Polman works to accelerate action by business to achieve the UN Global Goals, which he helped develop. A leading proponent that business should be a force for good, Paul has been described by the *Financial Times* as “a standout CEO of the past decade”

Andrew Winston was named on the *Thinkers50* list of top management thinkers in the world. He is a globally recognised expert on megatrends and how to build companies that thrive by solving big problems for humanity

And companies may fear public attacks by NGOs if things don't go perfectly. Both business and NGOs have had major stumbles in recent years – all need to be open, transparent and flexible for partnerships to work. For example, the consumer products giant Unilever – which one of us (Paul) ran for a decade – invited Oxfam to review labour conditions in its supply chain in Vietnam... and then report what it saw publicly. These are not easy discussions, but they create the right working relationship to not just identify problems but solve them.

Changing the way business approaches governments is also challenging. Companies must now shift their strategy for advocacy or, more bluntly, lobbying. For decades, business has maintained a mostly hostile or self-serving attitude toward government. Companies focus 'government relations' on fighting any proposed regulation and looking for tax breaks for all business, for their sector or even just for themselves.

But there is a big disconnect here. The same companies that set ambitious environmental and social goals often lobby against government action to help solve the problem (or they let their trade associations do the dirty work for them). Beverage companies long fought 'bottle bills' that collect fees to fund recycling infrastructure. Fossil fuel companies fight any government action on climate, all while ensuring that they reap what the International Monetary Fund estimates is a mind-blowing six *trillion* dollars of annual government subsidies.

Companies will not stop seeking what is in their best interest. But executives must realise now that their fates are inextricably linked to the fate of the world. Doing nothing on plastics, industrial agriculture, or fossil fuel emissions is putting society into a long-term tailspin of poisoned seas, degraded soil and a destabilised climate. It should be obvious – but still is not for many business leaders – that business cannot thrive unless people and planet are thriving. In the long run, there is no good business without a good society.

More CEOs are stepping up as societal leaders, speaking out on even the most contentious issues (such as offering financial support to women needing abortions in the US post-Roe v Wade). These leaders face criticism for being too progressive, but there is also pushback on the backlash. The world's largest investor, Larry Fink, CEO of BlackRock, has said, "Stakeholder capitalism is not politics. It is not a social or ideological agenda. It's not 'woke.' *It is capitalism.*"

To change the current business-government dynamic, we propose a new form of influence, which we call *net positive advocacy*. This is proactive, but not in a self-serving way; it is in service of the shared, common good. Sometimes that might mean, as business always wants,

less regulation and more market-based solutions. But it may mean *more* government influence and investment, especially when the rules of the game need to change to create a level playing field, or we need to value economic externalities (for example, a price on carbon or on natural capital). Only government can do those things.

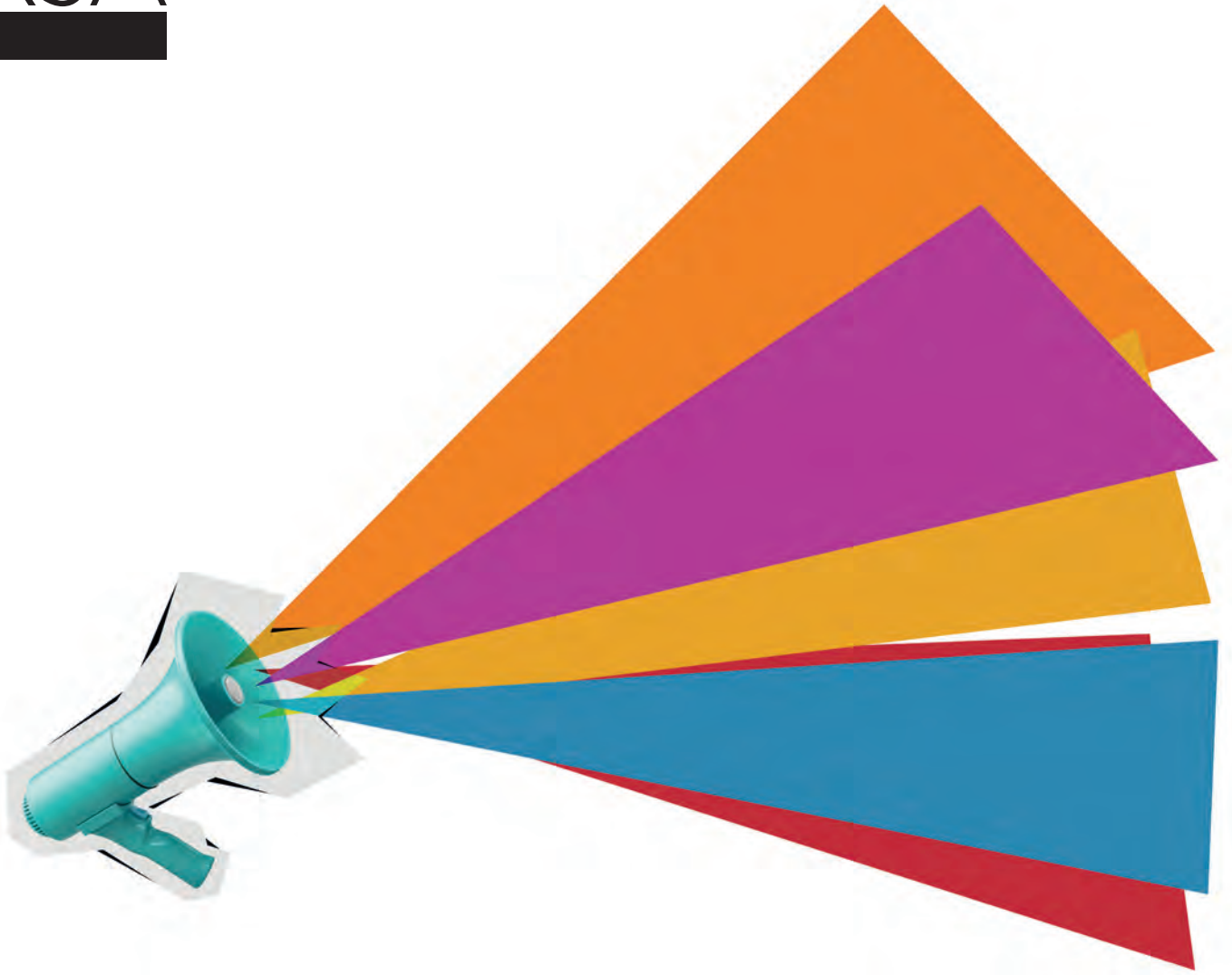
Unilever has probably engaged in more Tango collaborations than any other business in the world. The consumer products giant has worked with governments in developing regions of countries like Ethiopia, Vietnam and Indonesia to enlarge local manufacturing capacity, invest in schools, and build better infrastructure. It has also trained tax inspectors in Colombia and Nigeria (to increase funding for the country), developed alternatives to animal testing in Russia and China, and helped drive water efficiency in the Middle East.

Perhaps the best example of a systems partnership is the long saga of palm oil (the ingredient in thousands of personal care and food products). For decades, farmers have cut down and burned forests to plant oil palm plantations, largely in Indonesia and Malaysia, making these countries some of the biggest emitters of global warming gases. Unilever and its peers worked for years to make the industry more sustainable with effectively no progress. This is partly a scale issue: Unilever is the largest palm oil buyer in the world, but it only purchases 3% of the total, so demanding better from just its own supply chain will not solve the larger problem.

Over the past four or five years – successful Tango partnerships take time – deforestation rates in Indonesia have finally fallen. What changed? The players gathered the full system of big buyers, local farmers, municipal and national governments, non-governmental organisations (NGOs, such as Greenpeace, which brings deep knowledge of growing methods) and, especially, banks. With financing in hand, farmers can shift to practices that double yields, reducing the demand for new land.

We need this multilateral approach across the spectrum of environmental and social issues. Companies should go to national and regional capitals with peers and NGOs. When competitors and critics work together, the dynamic changes, making it safer for both companies and politicians to join the discussions. In essence, a form of collective courage 'de-risks' the political process.

Issue by issue, partnership by partnership, system by system, this is how change happens. Companies seeking to thrive by solving big problems with others are redefining what a good company is. By going well beyond their own direct impacts and taking ownership for larger issues, they will contribute to building a thriving world and a good society. ■



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THE INCOMPLETE LEADER

Reflections on good leadership in the public sector

by Justin Russell

🐦 @JNRussell10

There are thousands of books about leadership, very few of which seem to have been written by people who have led major public sector organisations. These are the leaders we tend only to hear about when their organisations are in crisis or at the centre of a major policy failure, the relevant senior civil servant whose failures come suddenly blinking into the public glare.

In an effort to shine a light on what inspirational leadership looks like in the public sector, the RSA sponsored me to record a series of podcast interviews with leaders and leadership thinkers who have inspired me during my time in government. I explored questions around the core capabilities needed to make a good leader in the public sector, whether these can be taught and whether they are different from those required of private sector leaders. In doing so, I reflected on my experience at the Ministry of Justice and, more recently, at Her Majesty's Probation Inspectorate, working to develop ways in which we can rate the leadership of local probation. So, what themes emerged?

As Professor David Pendleton of Henley Business School told me: "Leaders have to operate effectively in three domains. There's a strategic domain, which is all about tomorrow [and]... the world of possibilities. There's the operational domain, which is all about today... about Gantt charts, goals and budgets. And then there's the interpersonal domain, because irrespective of where you're working or what timescale you're working on, the key thing is to bring out the best in people." Or, in the words of Steve Radcliffe, whose 'Future-Engage-Deliver' model has been taught across a range of government departments, "As a leader, you've got to talk about where we're going or what we are building. You've then got to interact with people, so they want to come with you. Then you've got to get on and do it." Pendleton and Radcliffe offer a convincing and common sense set of competencies, which is why we have made Future-Engage-Deliver integral to the Inspectorate's plan for rating and inspecting the work of regional probation directors from April next year. ▶

Justin Russell has served as Her Majesty's Chief Inspector of Probation since June 2019. Previously, from 2016 to early 2019, he was Director General, Justice Analysis and Offender Policy at the Ministry of Justice



Jo Dibb was the headteacher at Elizabeth Garrett Anderson school in North London for 15 years. Her school was rated ‘outstanding’ by Ofsted and served as an inspiration to Michelle Obama, who has visited it three times. According to Dibb, “Heads have to be very clear and explicit about where they’re coming from. What it is they’re trying to achieve. About the moral purpose of the school. About how the school can make a difference to the life chances of the young people. They have to empower others and they have to make the job do-able, so that other people want to aspire to do it as well.”

Reflecting on how she created a shared vision for girls coming from so many different cultures, Dibb said: “It’s about creating an identity which is physical, but is also not tangible at all... about the sense of who we are, what we believe in, how we treat each other and knowing that when you step over the school gates you have entered a different world.”

Not all leaders have such freedom. For permanent secretaries leading government departments, the vision-setting space must be shared with a politician. Two ex-permanent secretaries I interviewed were surprisingly phlegmatic about this. Sir David Bell was permanent secretary at the Department for Education from 2004 to 2010, serving under four different secretaries of state and three different prime ministers. “Your role is to negotiate the best way in which the civil service both provides advice to the Secretary of State and helps [them] to achieve their objective... the civil service doesn’t have an independent life or policy, or it shouldn’t have. It is there to serve the elected government of the day.”

Dame Claire Moriarty, Permanent Secretary at Defra from 2015 to 2019, acknowledged that there could be tensions between two key directives that civil servants should “give their best advice to ministers” but also “must implement whatever ministers decide to do”. Nevertheless, she believes that while “obviously, you don’t get to set the policy... there are so many aspects to how a government department operates which are largely the preserve of the perm sec.”

Professor Sir Michael Barber was head of the Prime Minister’s Delivery Unit and a colleague at the time I was working in the Number 10 Policy Unit during Tony Blair’s second term. Barber talked about the importance of establishing a ‘guiding coalition’ in setting a shared vision for the future, a concept coined by the management thinker John Kotter in his book *Leading Change* (1996). These are “the seven to 10 people in positions of leadership or influence on whom you depend to get the job done” and who have a shared understanding of what the task is and how to go about it.

In my experience, such guiding coalitions are rare in government, not least because the constant churn of ministers and senior civil servants prevents stable coalitions forming and can lead to repeated changes of strategy. For example, in the just three years since David Gauke appointed me Chief Inspector, I have reported to three different Lord Chancellors and am now onto my sixth (!) prisons and probation minister. Each time there is a change, senior officials must check that the strategic direction remains the same and that key procurement decisions do not have to be reopened, causing months of delay. But this vision from the top must be shared by the people who need to deliver the change, such as frontline managers, staff and service users. These are the people who will link the guiding coalition or service leader to what Barber calls the ‘delivery chain’.

One of these frontline leaders is Pia Sinha, Director of Women at Her Majesty’s Prison and Probation Service and former governor of HMP Liverpool. Sinha, the first Asian woman to govern a prison in England and Wales, was brought in to turn Liverpool Prison round in 2017 following a damning inspection report on conditions there. In our interview, she talked about the importance of finding a leadership team that was up for the huge challenges ahead. “I sat down and had one-to-ones with my senior leadership team and I said ‘this is our task ahead. This is going to be bloody hard work. Are you up for it? Do you have the energy for it?’”

Once her senior team was established, she set out to involve the broader staff group and the prisoners themselves in ‘Project Liverpool’. Prisoners who had been spending hours every day locked in their cell, bored and frustrated, were brought out and put on work parties fixing windows, painting cells and clearing litter. “Before you knew it there was a bit of a movement created... a sense of pride in everyone who worked in [the prison], whether you were a prisoner, or a partner or a member of staff.”

The ability to inspire a movement and ignite a passion for change is not something generally associated with the civil service, which values what Radcliffe terms ‘intellectual energy’ over the ‘spirit’ and ‘emotional’ energies he believes are needed to ignite engagement, and which people are increasingly looking for in their leaders, but all too often find lacking.

This is particularly so in Whitehall, where, as I found, your ability to get ahead still often depends on how you are perceived to ‘perform’ in front of ministers or whether you can hold your own in Treasury negotiations. As Radcliffe reflected, intellectual energy is “a great suit to play for policy, for strategy, for arguing your corner with



“There is always the danger of leaders getting too much into the details”

a minister” but not for “leading your people” or letting them know “their opinion counts”. This view was supported by Moriarty, who lamented the very analytical and task-focused approach of the civil service at the expense of the people they lead.

The third key domain of leadership, highlighted in both the Pendleton and Radcliffe models, is delivery. Barber shared his insights from a lifetime supporting leaders from Tony Blair to Shahbaz Sharif, Chief Minister of the Punjab, to deliver ambitious policy goals. Central to successful delivery is not only the importance of the ‘delivery chain’, which links the leaders (who set the guiding vision), to the staff on the ground (who must deliver it), but also a solid understanding of the links in that chain and how each can be influenced.

Leaders must understand how delivery gets done. As David Bell said: “The leader who is strategic all the time is in danger of divorcing themselves from the reality of what’s happening in their organisation ... so you have to be willing and able to engage in delivery. You have to know enough about it in an organisation to know if things are going well or not.”

There is always the danger of leaders getting too much into the details, something I’ve suffered from myself after a lifetime of working to cabinet ministers who are continually being challenged on the details through the scrutiny of parliament and the media. They end up judging officials not by how well they lead their teams but by how much ‘grip’ they have on policy detail. Barber was clear, however, that “the bigger danger is... believing what you see in some business books, that leaders ‘do strategy’ and other

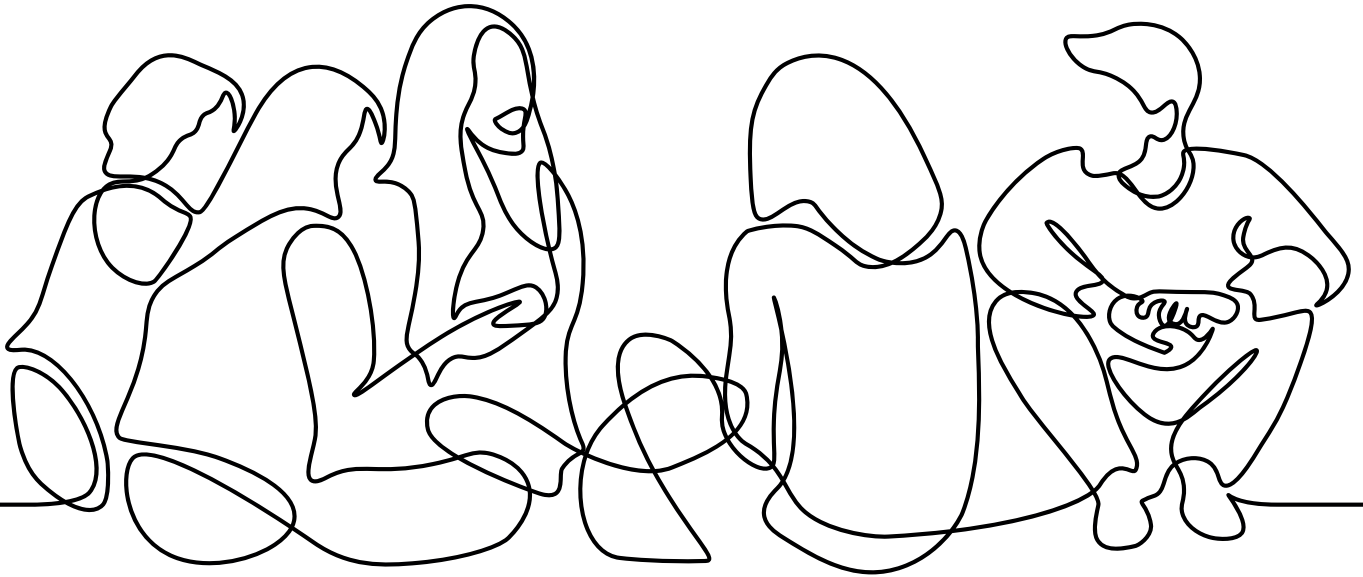
people ‘do the detail’. That’s definitely a mistake.” He emphasises the importance of routines that build in time to review delivery on a regular and protected basis, and pointed to the success of the delivery stocktakes with cabinet colleagues that he built into Tony Blair’s diary.

So, ‘future-engage-deliver’ – all key competencies for a good leader. But is it possible to be equally adept at three such disparate skills? Pendleton thinks not. “What we’ve found is that those people who try to be even-handed in terms of their development sadly often end up rather mediocre in all of them.” Rather than try to be good at everything, Pendleton urges us to embrace the concept of the ‘incomplete leader’ and focus instead on the complete team. That means understanding where your strengths and weaknesses are and consciously recruiting people into your senior team who are different and complementary to you in order to fill those gaps.

Which brings us to the ultimate test of a leader: growing the generation of leaders that will come after you. Radcliffe advocates creating a common language and set of leadership concepts that everybody understands and can relate to. “In every organisation, you’ve got processes, you’ve got strategy, you’ve got structures, you’ve got people... but leadership is the ingredient which gets the best out of all the other ingredients.”

And that is perhaps the most fundamental lesson of all. ■

■ To listen to the *Lessons in Leadership* podcast series, visit www.thersa.org/podcasts/lessons-in-leadership

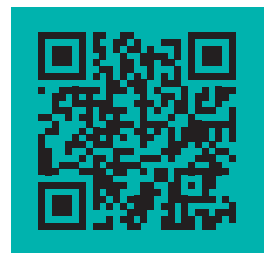


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INCLUSIVE SOLUTIONS

Winning ideas from the RSA's 2021-22 Student Design Awards

by Jillian Linton
 @jilliscopeing

The winners of the 98th cycle of the RSA Student Design Awards (SDA) are shifting their understanding of who design is for by prioritising inclusive design solutions.

'PATH: A travel aid for the visually impaired' was submitted by designers Che Antoine, Safa Ikheria and Zahra Mandviwala of Loughborough University. The device is part phone accessory, part application, and aims to support users to access transit networks with greater independence. It does this by identifying the correct bus through Bluetooth and near-field communication technology, detecting an empty seat on the bus via thermal imaging and alerting the user upon arrival at their destination through vibrations.

The winners responded to 'Active Journeys' (one of the SDA's nine briefs this year), which was developed in partnership with HS2 and focused on making multi-modal travel accessible and inclusive to improve the experience for all. The highly commended entry, 'Wheelable', submitted by a multi-university team from the US, is a navigational application that offers people with mobility issues ideal local travel routes and crowdsources live feedback on the terrain.

This year's Active Journeys brief continued the RSA's legacy of challenging students to think deeply about the users for whom they are designing. The disability community asserts that people are disabled not by their difference or impairment but by barriers created in society. Inclusive design aims to tackle this problem. Previous SDA briefs have focused on breaking down the physical, organisational or attitudinal barriers that people with disabilities or impairments can face to enable them to live their lives to the full. This year, judges were impressed not only by the solutions themselves, but by the way that

students considered a variety of needs and difference.

Doug Paulley, a disability activist and judge on the panel, said, "The quality of the winning and commended entries was truly outstanding. It is great to know that there are such allies of disabled people in the up-and-coming design community."

SDA participants also proposed a range of inclusive design solutions for other briefs. This included the winning entry for the 'Press Play' brief developed with the LEGO Group. Sophie Hague of Sheffield Hallam University focused on the needs of deaf children, informed by her research showing that 90% of deaf children in the UK are born to hearing parents who may have little experience of how the deaf community communicates. Her application, 'Look!', supports British Sign Language learning for deaf children through outdoor exploratory play, making this process easier and fun.

Students also submitted solutions to support all families, carers and communities to play and learn more creatively at home. Seeing inclusive design woven throughout submissions is a signal that the SDAs and the students who participate are continuing to widen the lens when it comes to design and building a more inclusive world as a result.

The competition could not happen without the support of RSA Fellows on SDA judging panels and in workshops and brief development. ■

■ *To read more about the winners, the competition or partnering on a future brief, visit www.thersa.org/student-design-awards*



Jillian Linton is a Delivery Manager at the RSA interested in building a more just world



GOOD WORK GUILD

An RSA project reimagines the medieval guild as a tool for inspiration and innovation

by Adanna Shallowe

In September 2021, the RSA launched the Good Work Guild to reimagine a modern guild aimed at engaging Future of Work practitioners, advocates and social entrepreneurs working together to shape policies, practices and markets to ensure that everyone can pursue good work in an age of technological change.

Where medieval guilds were associations of craftspeople which forged legal monopolies and pursued policies to protect the traditions of their craft or trade for the various associations, the Good Work Guild drew inspiration from modern guilds as described by Nathan Schneider, FRSA, in his piece ‘The New Guilded Age’, which emphasised guilds as a means to inspire community and social innovation.

The main goal of the Good Work Guild was to convene a diverse global network of more than 200 Fellows to tackle the most pressing issues related to economic security and labour-market transforming technologies by fostering collaboration and shared learning, and by incubating opportunities for collective impact.

Underpinning this work are five principles that set out what good work should look like: it should provide enough economic security for people to be able to participate equally in society; it should not harm people’s wellbeing; it should allow people to grow and develop their capabilities; it should provide people with the freedom to pursue a larger life and, finally, it must positively nurture their identity and sense of self.

With these principles in mind, throughout the past 12 months the Guild met virtually with the RSA Research team to undertake sensemaking of the future of work landscape, and engaged in peer-to-peer learning

through case clinics with renowned experts on economic security, worker voice and co-governance of algorithmic systems in the workplace. The Guild also elected to pursue shared advocacy and collective action on a range of themes, including how data-driven technologies can advance good work principles, learning about good work and socialising its values, economic security for a better planet and promoting intergenerational dialogue around the future of work.

By leveraging the diversity and global reach of the Guild, the RSA Research team was able to engage with a wide range of Fellows interested in shifting and rewiring systems in need of change. Simultaneously, the Guild became a powerful vehicle for the RSA’s Fellowship to offer fresh perspectives to key stakeholders on the selected themes and to nurture possible areas of experimentation.

Some of the ideas generated include an open-source diversity, equity and inclusion assessment tool for organisations (especially for small- and medium-size enterprises), redefining economic security to reflect the current planetary emergency, and policy recommendations that promote intergenerational perspectives on good work.

As the work of the Guild draws to a close, the ideas and innovations sparked during its tenure will be showcased at the Good Work Summit, a virtual showcase event hosted by Guild members on 22 September 2022. The summit will spotlight the ideas and perspectives on themes related to technology, skills and training, worker voices and diversity and inclusion. ■

■ For more information, please contact goodworkguild@thersa.org

Adanna Shallowe is the RSA’s Senior Global Manager responsible for harnessing global insights in the RSA’s research and for the implementation of its global strategy

HONEST LABOUR

Workers need information and support to maximise their collective power

by Emmet McNamee
 @inEmmetable



Worker organising is on the rise. With the so-called ‘Great Resignation’, efforts to unionise behemoths like Amazon and Starbucks, and high public support for unionisation in general, there is great excitement at what a revitalised labour movement may achieve in the coming years.

Today, many workers are pushing their companies to have a positive impact on the biggest issues society faces. Over the past few years, workers at Microsoft and Amazon have pressured their employers to commit to achieve ambitious net zero greenhouse gas emission targets, and an employee walkout and petition at Walmart led to the end of in-store sale of certain guns. Across industries – insurance, consulting, PR, transport, publishing, news media – workers are realising their unique power in effecting change.

I recently launched Honest Work, an organisation with a goal to help spread the employee activism we have already seen, because I believe workers are just getting started and that, with the right support, employees can become a key source of accountability in ensuring companies contribute to a better society for us all. Serving as a thematic co-lead for the RSA’s Good Work Guild also helped reiterate the need to empower more workers in new sectors and new geographies to make a difference.

A major part of Honest Work’s mission will be to get the right information into the hands of workers. There is a wealth of research, data and rankings available on the impact individual companies are having on the world, from the human rights performance of fashion brands to the effects of pharmaceutical companies’ drug pricing strategies on access to medicine. While ordinary workers are not typically the target audience of such research, this ignores the unique influence they can have.

Another goal of Honest Work will be to build an online community for like-minded workers to support one another and start to build collective power. Workers often lack forums to discuss ethical concerns they may have with how their company operates. Finding passionate colleagues in the same company or even the same sector could prove a ‘gateway drug’ to stepping up internal advocacy efforts or more formal worker organisation.

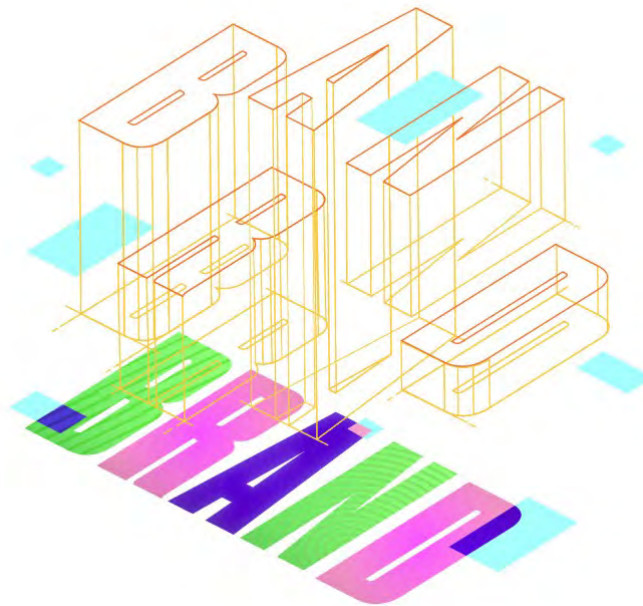
More broadly, waking employees up to the idea that they can influence big issues that matter to them would be a significant achievement in and of itself. Today, there are more opportunities for individuals to contribute to a good society with their personal choices than ever before. But given the unprecedented influence companies have on our day-to-day lives, advocating for change from within might well be the most impactful action a person can take.

Honest Work has the potential to further energise a labour movement on the upswing. Many in the RSA’s Good Work Guild have acknowledged that union growth is urgently needed. Yet too few unions provide adequate support for workers to take action on issues in their workplaces. With the Honest Work model, unions can start to tilt the scales in labour’s favour.

Honest Work launched in August 2022 with research on the key issues facing five sectors – consumer goods, energy, finance, healthcare and technology – and what changes workers can push for. The website also includes step-by-step tips for how to go about raising these concerns through formal and informal structures. ■

■ Find out more and join the fight at www.honestwork.org

Emmet McNamee works in responsible investment. He recently founded Honest Work to empower workers to change their companies from within



What lies beneath the surface in a world awash with logos?

by Sairah Ashman
 @SairahAshman

When I grow up, I want to be a brand expert. Said no one. Ever. And why would you when you could be an astronaut, a magician or Beyoncé?

As a brand expert, I spend a lot of time demystifying what we do by explaining what we don't do. Like beauty, brand is in the eye of the beholder. If you're a baby boomer, your first experience of brands may have been on supermarket shelves. If you're Gen Z, or an entrepreneurial Gen Alpha, then you're probably honing your personal brand on TikTok, and maybe your business model, too.

When I talk about brand I'm talking about corporate, cultural and institutional brands such as Unilever, Tate museums, Uber and the BBC, all of which we've worked with at Wolff Olins. Many see brand in this context as simply a logo, but that's just surface level. What sits beneath is a philosophy that drives the organisation, a positioning that differentiates them from their competition, a role that makes sense of what they produce and an expression that embodies how they behave and relate to others.

At a very basic level, brands help you make choices faster: maybe you're more Aldi than Waitrose. Others make you see the world in a new way: think Patagonia. Brands can also behave in a strange and dissonant fashion, of course – I'm looking at you, Tesla, with your sustainable vehicles pedigree for the planet and your CEO's '40 hours a week in the office or go elsewhere' attitude to workers.

The twin opportunity and challenge is how to

create this seamless alignment across what a brand stands for, how it drives an organisation internally and how it delivers an experience externally. This has always been the case but, these days, the margin for error is painfully narrow. The most successful brands of the future will be conscious brands: those that are responsible, yes, but also highly responsive to the environment and world around them.

I know what you're thinking. Is this just another name for corporate greenwashing? Far from it. Being a conscious brand is about the entire organisation, inside and out. It is as much about the employer brand as it is about the external experience that customers are buying into.

Research we conducted last year suggests 57% of consumers believe brands need to do more to positively impact society, while 62% are either less likely or won't buy from a company that does not have a positive ethnic diversity and racial equality policy and record. The stakes are high, and the opportunities for those who get it right are huge. And, while few companies get it all right (hello again, Tesla), we believe the qualities of a conscious brand – to be empathetic, multisensory, habitual, reformist, collective and moral – are worth fighting for if you want a brand with a firm foothold that thrives in tomorrow's world, for tomorrow's generations.

So, while children around the world might not yet be dreaming of becoming brand experts, chances are a lot of them aspire to change the world – and branding might just be the job that helps them do it. ■

Sairah Ashman is Global CEO of brand consultancy Wolff Olins. She is a regular TEDx host and speaker, Forbes columnist, and trustee of The Childhood Trust supporting disadvantaged children

Image from Wolff Olins

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