

## 9. Sustainability – The Power of the ‘Unreasonable’

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The reasonable man adapts himself to the world; the unreasonable one persists in trying to adapt the world to himself.

Therefore all progress depends on the unreasonable man

– George Bernard Shaw

This contribution is about business that is aware of its social significance and responsibility beyond the immediate business concerns, and it is about politics that demands this assumption of responsibility. It is about business and politics, and that includes political science, taking note of change and redefining the role in a changing world. The traditional triangle of politics, business and civil society needs to be redefined: politics is no longer merely institutionalised, representative politics, business is no longer the sector of production with an exclusively individual profit motive, and civil society is no longer the place solely of the socially critical activity of citizens. Politics, the economy and civil society in the 21st century interpenetrate each other in the face of the requirements of sustainability. Politics needs close contact with civil society, they both develop the framework conditions for sustainability, and business must become aware of its political and social responsibility, its corporate citizenship, and in this respect not only cooperate with civil society, but become part of it. Finally, anyone expecting theoretical expositions on questions of political philosophy should bear in mind Arendt’s remark that one should always be guided by experience so as not to end up with all kinds of (questionable) theory.<sup>1</sup>

I will examine in the following why, in view of the demands of ecology and sustainability, creative but sometimes unwieldy characters are necessary, whose actions are often considered unreasonable and who are often initially met with resistance or ridicule. To this end, I outline the basics of a new economy of sustainability, present the examples of the innovative Brazilian entrepreneurs’ association *Instituto Ethos* and “social business”, and then consider questions of ethics and responsibility

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1 Hannah Arendt: From an Interview with Roger Errera, in: *The New York Review of Books* 25 (1978–10–26), No. 16, p. 18.

and the extent to which politics, business and civil society should be thought of in a new context.

## The foundations of a new economy

Accidents such as that of the tanker *Exxon Valdez* in 1989, the 1984 *Union Carbide* disaster in Bhopal, India, with thousands of deaths, and the 1986 Chernobyl nuclear power plant accident with an unknown number of long-term victims gave considerable impetus to the environmental movement.<sup>2</sup> It was further strengthened in 1987 by the report of the Brundtland Commission, *Our Common Future*, which started a worldwide discussion on sustainable development, including issues such as human rights.

In the 1990s, social and environmental standards, codes of conduct for ethical behaviour, and also quality standards were developed in various industries and sectors in order to exclude risks to workers and consumers with regard to product quality. Since then, codes of conduct for quality improvement have been introduced in various sectors. For example, the *Forest Stewardship Council* was founded in 1993 in the global timber and forestry industry.

When the imminent demise of the Soviet Bloc in 1989, two conflicting movements clashed: a socio-environmental movement that demanded a clear and decisive change of course from politics and the economy, and a neo-liberal movement that, on the contrary, pursued an unhindered expansion of the old way of doing business and demanded further liberalisation in which politics, trade unions and civil society should withdraw. The UN with its Secretary General Kofi Annan intervened in the confrontation of these opposing tendencies and announced the founding of a *UN Global Compact* in 2000, which aimed at voluntary regulation of international economic relations. States, companies, and civil society organisations were called upon to commit themselves to ten internationally valid goals based on four crucial international agreements: the Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work of the International Labour Organisation, the principles of the Rio Declaration on Environment and Development, and the UN Convention against Corruption. This requires, according to the UN, an understanding that the principles are an integral part of a company's strategy and operations, and an open approach and dialogue with the company's shareholders.<sup>3</sup>

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2 See Pavan Sukhdev: *Corporation 2020: Transforming Business for Tomorrow's World*, Island Press 2012. Andrés Cózar, et.al.: Plastic debris in the open ocean, in: *PNAS*, 2014, pp. 1–6. Joel Bakan: *The Corporation: The Pathological Pursuit of Profit and Power*, Free Press 2004.

3 United Nations Global Compact; <https://unglobalcompact.org/what-is-gc> (2022/10/3)

The UN thus acted as initiator and mediator, pushing for the enforcement of international state agreements in the face of the threat of their weakening, calling on companies to actively participate and commit themselves, and also including civil society in this new alliance of states and business. Those involved in this were called upon to establish regional networks. This marked a decisive change of orientation: politics cooperated with those companies that were aware of their socio-political role, and civil society was recognised as a conglomerate of citizens whose expertise and commitment is an indispensable part of politics, but also of business. By 2009, 7,000 participants worldwide had joined the *Global Compact*, including 5,000 companies. Since the *Global Compact* also sees itself as a multi-stakeholder network, research institutions, business and labour associations, and now 80 cities also participate.

For business enterprises, a threefold assessment of corporate activity, the “Triple Bottom Line”, was developed, which examines the economic, social and environmental sustainability. In the case of cities, it is the “Circles of Sustainability” elaborated in 2013, which assess urban activities on the basis of the social sectors of economy, environment, culture and politics and look at the interactions between them.<sup>4</sup> The term “triple bottom line” was popularised by John Elkington<sup>5</sup>; it not only means economically, socially and environmentally sustainable production, but also the departure from the exclusive orientation towards shareholders in favour of stakeholders, the interest groups to which a company has to answer: consumers, the public sector, the economy, trade unions and civil society organisations. In every responsible company, clear orientations should be developed on the basis of a mission, a vision, a code of conduct, a discursive infrastructure and consistent incentives and control mechanisms.<sup>6</sup>

At the heart of all these movements is the new image of a company committed to *corporate social responsibility*. The definitions of CSR are inconsistent: they range from a rather philanthropic idea of sponsoring and doing good for society to the idea of “governing a company of citizens” to a “corporate citizenship” of the whole company, according to which it sees itself as a responsible citizen or is even an active part of a not merely liberal but active citizenship in the classical republican sense.<sup>7</sup> Accord-

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4 Liam Magee et al.: Reframing social sustainability reporting: towards an engaged approach, in: *Environment, Development and Sustainability* (2013) 15: pp. 225–243.

5 John Elkington: *Cannibals with Forks. The Triple Bottom Line of 21st Century Business*, Capstone Publishing Ltd. 1997.

6 S. Thomas Maak / Nicola M. Pless: Responsible leadership in a stakeholder society: A relational perspective. In *Journal of Business Ethics*, 66 (1) 2006, pp. 99–115. – Thomas Maak / Peter Ulrich / Heiko Spitzbeck *Integre Unternehmensführung Ethische Orientierungswissen für die Wertschaftspraxis*. Stuttgart Schäffer-Poeschel 2007.

7 Brook Manville / Josiah Ober Beyond empowerment Building a company of citizens, in *Harvard Business Review*, 81,1, 2003, 48–53. – Klaus Schwab *Global Corporate Citizenship Working*

ingly, humanitarian projects are supported, educational projects with schools are developed or employees are given time off for social projects.

Whatever the self-definitions and orientations of CSR companies, they are first and foremost always voluntary commitments, with compliance made verifiable through a voluntary reporting system. It is about more than individual good deeds; it is about a gradual, voluntary change, first of all in attitudes and then increasingly in the entire way companies do business. For example, if it is a matter of offering free fruit to promote employee health without having talked about it with the employees, then this can be assessed as CSR 1.0. If this fruit basket is part of various integrated measures after consultation with the employees, it is CSR 2.0. If the promotion of organic fruit cultivation and regional economic transport is added and everything together represents integrated, proactive action, one can speak of CSR 3.0.<sup>8</sup>

Nestlé is working to reduce water consumption, greenhouse gas emissions, waste and packaging materials, and to massively educate rural populations in its three core areas, water, environment, rural development and nutrition. In 2008, Danone, the international food company, started a restructuring process focusing on health, environment, social justice and education. A “Vice President for Sustainability & Shared Value Creation” has been assigned to the Chief Executive Officer and products are developed to promote healthy eating, depending on the market region and widespread nutritional deficits.<sup>9</sup> In doing so, NGOs are no longer recipients of donations, but partners in the same causes.

ISO standards such as SA 8000, the aim of which is to improve the working conditions of workers and also temporary workers, serve as an orientation for companies. This standard was created by the New York-based NGO *Social Accountability International* (SAI) specifically for transnational companies, based on the conventions of the *International Labour Organisation* (ILO) and the UN, as a minimum requirement for social and labour standards. Published in 2010 and developed by 90 countries and over 40 organisations from six different stakeholder groups chaired by Brazil and Sweden, the ISO 26000 standard is not intended to be a traditional certification, but to move companies from good intentions to good practice in the following areas: organisational governance, human rights, labour practices, the environment,

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with Governments and Civil Society, in *Foreign Affairs*, January/February 2008. – André Habisch (ed.) *Handbuch Corporate Citizenship Corporate Social Responsibility für Manager*, Berlin, Heidelberg Springer 2007. – Thomas Maak *Die Wirtschaft der Bürgergesellschaft ethisch-politische Grundlagen einer Wirtschaftspraxis selbstbestimmter Bürger*, Bern-Stuttgart-Vienna Haupt 1999.

8 Andreas Schneider Reifegradmodell CSR – eine Begriffsklärung und -abgrenzung, in Andreas Schneider / René Schmidpeter (eds.) *Corporate Social Responsibility Verantwortungsvolle Unternehmensführung in Theorie und Praxis*, Berlin, Heidelberg Springer 2012, p. 36f.

9 Danone: *Sustainability Report*, 2012.

fair business and operating practices, consumer concerns, and community involvement and development.

The *UN Global Compact* and the *UN Environment Programme Financial Initiative* also created an instrument for the financial sector in 2006, the “Principles for Responsible Investment” (PRI)<sup>10</sup>. This involves a voluntary commitment by institutional investors to integrate environmental, social and governance-related aspects into the entire investment process and to report on them in a regular “Responsible Investment Transparency Report”. By the end of June 2011, more than 900 organisations had signed the PRI, regrettably still a minority. Nevertheless, in 2007, 17.6% of investments in Europe were invested in accordance with social and/or environmental criteria.

Concerning CSR, we not only find the combined recommendations and offers of the UN, but also those of the OECD, the European Union, intergovernmental organisms and internationally operating NGOs. These recommendations are mainly directed at transnational activities and offer certification systems, standards, guidelines and role models especially for organisational structures and supply chains. The aim of all these standard-setting activities is to gradually raise the level by popularising the idea of CSR. To this end, best practices are published and comparisons are made possible among companies, the media and consumers.

If CSR is to effectively guide all entrepreneurial activity in companies, then what is needed above all is integrity management, in which CSR is understood as a process in which sustainability standards and corresponding structures are implemented and compliance with the code of ethics, the introduction of accountability and incentive structures, the control of the supply chain and the type of marketing become the basis of everyday work in such a lively way that they are able to accompany the constant change and development of the company and eliminate the traditional contradiction between ethical conscience and entrepreneurial requirements.<sup>11</sup> Without such integration management, the individual elements of a CSR policy remain ineffective. For example, a code of ethics did not help the US energy company *Enron* with 22,000 employees when its balance sheets were continuously falsified and the company finally went bankrupt in 2001, but only after 500 *Enron* managers had received substantial bonuses shortly before the bankruptcy and the CEO received a severance payment of US\$ 300 million.<sup>12</sup>

Objections raised against CSR expressed the fear of loss of competition due to higher spending on social and environmental measures. From a traditional perspective, it is harmful for the company to pay adequate wages in other countries, to moni-

10 <http://www.unpri.org/> (2022/10/3)

11 Thomas Maak / Peter Ulrich / Heiko Spitzack *Integre Unternehmensführung*, op. cit., p. 205f.

12 Malcolm S Salter: *Innovation Corrupted: The Origins and Legacy of Enron's Collapse*. Harvard University Press 2008.

to the supply chain and to bear externalisation costs. Similarly, it seems harmful not to use the usual bribes to gain advantages and secure lucrative contracts. Those who acted in this way simply appeared to be unreasonable, which is what the title of this essay alludes to. However, all this is only a short-term advantage. The fact that *Ikea* products were being made by children in Pakistan led to a scandal in Sweden in 1992. Since then, the company has made sure that such reports are not repeated, because consumers have become more sensitive to these issues. The report that Siemens also went negative for *Siemens* and the Brazilian politicians involved was that the company had gained advantages in the construction of the underground transport system in São Paulo by bribing local politicians. The consequence was a four-year ban on further government contracts in Brazil.

Corruption is part of the pathological behaviour of the old way of doing business. According to a report by the NGO *Global Financial Integrity* (GFI), corruption drains US\$ 10 from developing countries for every aid dollar provided, which amounted to about US\$ 900 billion in 2012 alone.<sup>13</sup> Illegal money transactions such as bribery, lobbying and money laundering are part of an ensemble that also includes impunity, violence and environmental damage. An effective fight against corruption is only possible with a concomitant change in corporate culture, political practices and civil society behaviour.

### The example of *Instituto Ethos* and social business

In Brazil, business enterprises have taken a very innovative path as members of the *Instituto Ethos*. Here, it is not individual companies that have introduced CSR programmes, but an association of entrepreneurs that has invited them to join the association and stand on a common platform. This association was founded in 1998 by Oded Grajew, co-owner of a toy factory, and other entrepreneurs such as Hélio Mattar, Ricardo Young, Emerson Kapaz, Sérgio Mindlin, Guilherme Peirão Leal, and Eduardo Capobianco. At the end of the dictatorship in 1985, they all felt that a democratic constitution does not automatically create democratic convictions and behaviour, but offers a formal framework that has to be filled with everyday democratic practice. This includes overcoming authoritarian or populist policies not only of the government and parties, but especially of the business federation FIESP, all of which could not offer a solution to the economic crisis, social injustice and justified distrust in the actions of the elite.

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13 Dev Kar / Brian LeBlanc: *Illicit Financial Flows from Developing Countries: 2002–2011*, December 2013. <http://www.gfintegrity.org/report/2013-global-report-illicit-financial-flows-from-developing-countries-2002-2011/>

That is why Grajew and some friends founded the alternative business association PNBE (*Pensamento Nacional das Bases Empresariais* – National Thinking of the Corporate Bases) in 1987. Its work and vague programmatic ideas went far beyond the activities of a traditional business association. In 1993, working groups were set up on the following priorities: Democracy and Citizenship, Environment, International Relations, São Paulo City Forum, Capital and Labour Forum, Political Statements and Economic Rights.<sup>14</sup>

At the same time, Grajew was involved in the founding of the *Fundação Abrinq pelos Direitos da Criança* (Abrinq Foundation for the Rights of Children) in 1990 and was its administrative head until 1998. This foundation campaigned for the rights of children in Brazil, 25 million of whom were then without education and regular meals and exposed to all kinds of violence, and 4 million of those under 14 had to work despite the ban on child labour. By 2015 the foundation had already managed to help more than 6 million children and young people.

Two things stand out about the establishment of this foundation that are characteristic of Grajew’s work: the involvement of several sectors of society and a pragmatic approach. The *Abrinq* Foundation, as an NGO, approached companies, for example, to publicly state on their trucks that they would not support child labour. “In the beginning, we didn’t have a clear perspective”, recalled the Foundation’s former chair Ana Maria Wilhelm. “We believed that with time we would learn. We had a verse that said: ‘Wanderer, there is no path, the path is made by walking.’ [From the poem “*Caminante no hay camino*” by Antonio Machado.] Today, when we look back, we can see that we were going in the right direction.”<sup>15</sup>

The PNBE had already laid the foundation for an economy in line with the “triple bottom line” and, beyond that, for social commitment. The *Instituto Ethos* is more or less oriented towards CSR 2.0. This association became a great success by 2015 with some 1,500 member companies, accounting for about one third of Brazil’s GDP. Its mission is to promote the self-commitment of companies to act responsibly and sustainably, respect the interests of stakeholders, support social development and uphold international human and labour rights, which are also valid in Brazil. This applies in particular to slave and child labour in agriculture and livestock farming, which is widespread in remote rural areas of Brazil, and in the production of charcoal, which is used for steel processing. This is combined with commitment to supply chain controls. For example, the meat that is sold in the supermarket passes from the haciendas to slaughterhouses and meat factories. Each of these stations is called

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- 14 Alvaro Bianchi: Crise e representação empresarial: o surgimento do pensamento nacional das bases empresariais, in: *Revista de Sociologia e Política*, Curitiba, 16 June 2001, pp. 123–142.
- 15 Fundação Abrinq de los Direitos da Criança: *Uma história de ação 1990–1997*. <https://www.livrosgratis.com.br/ler-livro-online-35680/fundacao-abrinq---uma-historia-de-acao-1990-1997> (2022/10/3)

upon to check the origin of the animals and the meat to ensure that no illegal practices have played a role. The commitment to these principles is voluntary. In case of violation of this commitment, *Instituto Ethos* relies on the educational effect of press reports and scandals. *Instituto Ethos* cooperates with NGOs and government agencies in all areas, including the fight against slave labour. From 1995 to 2011, more than 40,000 people were freed from slavery, and in 2014, 600 companies were on a “dirty list”<sup>16</sup>, which excluded them from public loans for two years, including two construction companies involved in building for the FIFA World Cup.

Less spectacular but no less important are other *Instituto Ethos* initiatives such as consultations on CSR issues, conferences at regional level, two weekly TV programmes as well as prizes for journalistic and university work on sustainability issues and annual international conferences to determine appropriate changes in focus.

Individual companies have made a far-reaching shift towards CSR 3.0, e.g. *Natura Cosmetics*, which was ranked second among the “Global 100 Most Sustainable Corporations” according to *Corporate Knights 2013*<sup>17</sup>. The company pays attention to sustainability in all its activities. It draws on natural resources from Brazil and pays attention to the social consequences in the sourcing villages. It distributes the cosmetics through multipliers who are trained and paid accordingly. The packaging is taken back and recycled, and the goods are produced in a factory with good social standards regarding working conditions, kindergarten and a canteen with organic food. Co-president is Guilherme Leal, a co-founder of *Instituto Ethos*. Leal is a member of the Green Party and his company ranked 13th richest in Brazil and 463rd in the world.<sup>18</sup>

Likewise, reforms were made in the financial sector. In 2005, the ISE sustainability index was founded on the São Paulo stock exchange. Every year, based on an evaluation of extensive questionnaires on the sustainability policies of the respective companies, a decision is made as to which forty of them can be included in the ISE or remain a member. And indeed, in 2013 the *Bovespa index* had suffered a loss of 15 %, while in the same year the ISE index improved by 1.5 %. From 2005 to 2013, the *Bovespa index* had increased by 60 %, but the ISE index had increased by 140 %.<sup>19</sup>

Just like the *Instituto Ethos*, the ISE has no fixed criteria for what exactly is to be assessed as sustainable and social, or where the boundary lies. It is always about relative values, about the relationship of the companies to each other, about who is

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16 <http://reporterbrasil.org.br> (2022/10/3)

17 <https://www.corporateknights.com/issues/2013-01-billionaire-superheroes-issue/2013-global-100-results/> (2022/10/3)

18 O Globo 16/05/2010 – <http://oglobo.globo.com/politica/guilherme-leal-fundador-da-natura-a-dono-de-fortuna-de-us-21-bilhoes-3007476> (2022/10/3)

19 According to my calculations. WH

better than the others in relative terms. In the case of ISE, this determines whether a company is accepted or rejected; in the case of *Instituto Ethos*, this only serves to determine the progress of the sustainability policy of the members. In both cases, it is a process of continuous improvement, not regulation imposed from outside. Nevertheless, Oded Grajew and the management team of *Instituto Ethos* consider it indispensable that a process of acclimatisation should eventually be followed by government regulation.

Finally, *Instituto Ethos* was aware that consumers can also contribute to ensuring that products are produced sustainably and with respect for human rights. Thus, in 2001, the *Instituto Akatu pelo Consumo Consciente* (Akatu – Institute for Conscious Consumption) was founded, an NGO that provides comprehensive information on things like product manufacturing, water and energy, waste, sustainable use of money and credit, offering teaching materials and videos and occasionally, without naming names, the topic of wasting water in everyday life in a *telenovela*.

Anyone who sees the modest-looking Oded Grajew and thinks of the principle of patient persuasion, non-public criticism of affiliates, gradual improvement in quality and the practice of making a way, step by step, where there is not yet a way, can easily underestimate the determination that underlies these activities. *Instituto Ethos* made an exception once and publicly criticised *Petrobras* when the group persistently refused to comply with the required minimum standards. Criticism is also sharply voiced when policymakers retreat to non-binding declarations of intent. In 2012, when the member states of the “United Nations Conference on Sustainable Development” (Rio+20) only wanted to adopt non-binding statements, 33 international environmental experts, activists and politicians, including Grajew and Young from *Instituto Ethos*, published the statement “The Rio+20 we do not want”, which stated unequivocally:

The future that we want has commitment and action, not just promises. It has the urgency needed to reverse the social, environmental, and economic crisis, not postpone it. It has cooperation and is in tune with civil society and its aspirations, and not just the comfortable position of governments.<sup>20</sup>

When Grajew spoke with the editor of *Le Monde Diplomatique* in Paris, Sergio Ramonet, in 2001 about the *World Economic Forum*, which invites internationally active companies and representatives of politics to meet annually, they criticised the fact that civil society and the conspicuous social problems such as hunger, violence and exclusion were excluded. This was the birth of the *World Social Forum* and Grajew facilitated the first meetings in Porto Alegre. In a 2006 retrospective, Grajew stated:

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20 <http://www.theguardian.com/sustainable-business/rio-20-earth-summit-diary-21-june> (2022/10/3)

It is not a coincidence the existence of great resistance to war, obstruction of the constitution of free trade areas, advances in the reduction of several countries' debt, changes in the political status of several regions and countries, strengthening of environment agenda, amplifying the debate and the political support to the feminist agenda, advancement in the discussions and proposals for world governance, appearance of proposals to finance the development and the fight against poverty and social exclusion. The new political process implemented in the organisation of the WSF resulted in the multiplication of uncountable local, national, regional and thematic forums. The oldest organizations became strengthened and networks were created. Hope was born again. The mass participation of young people is very encouraging. Another world is feasible.<sup>21</sup>

When *Instituto Ethos* had become a major NGO of entrepreneurs, Grajew thought it appropriate to devote himself to another cause: the civilisation of the megacity of São Paulo. Residents should become citizens, an urban citizenry that lives in a liveable city and fills it with its commitment. In 2007, he founded the *Movimento Nossa São Paulo* (today *Rede Nossa São Paulo*, Network Our São Paulo<sup>22</sup>) as an NGO with the aim of identifying all the city's weaknesses and suggesting changes to policy regarding the improvement of education for young people, the creation of jobs, the design of public space, the fight against violence, environmental protection, health care, public transport and the participation of the population. It is about creating a sustainable city as part of a growing movement of cities in Brazil that have created similar networks.

The model was the change that the Colombian city of Bogota experienced in the 1990s under its mayor Antanas Mockus. He had restructured the city's finances, popularised environmental protection measures and made public space accessible to the population again, thus significantly increasing the quality of life and improving the attitude of the population towards their city.<sup>23</sup> *Rede Nossa São Paulo* is supported by 600 companies, institutions and civil society organisations<sup>24</sup>. It collects data, conducts meetings with groups of the population and develops proposals for political measures up to draft laws. Likewise, a large survey was conducted on the well-being

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21 The World Social Forum (WSF): *Periodicity. A Note circulated in the WSF International Council*, 23/5/2006. <https://www.tni.org/en/article/report-from-the-international-council-of-the-world-social-forum> (2022/10/3)

22 <http://www.nossasaopaulo.org.br/> (2022/10/3)

23 Michael Humphrey: *Violence and Urban Governance in Neoliberal Cities in Latin America*, Global Cities Research Institute, RMIT University, Melbourne 2013.

24 <https://www.ethos.org.br/conteudo/apoiados/segundo-projeto-apoiado/> (2022/10/3)

of the population in the city, the same was done by the *Instituto Akatu pelo Consumo Consciente*.<sup>25</sup>

In a newspaper article, Grajew explains the peculiarities and differences between an NGO and the power games of politics. He does this to protect the NGOs and at the same time to civilise the ways of acting at the level of politics:

First, make demands that are in the public interest and do not make organisation-specific demands that can be harmful to the people. Secondly, avoid falling into a logic of power and distorting original goals of the organisation. The risk is to make decisions that primarily strengthen the power of one’s own organisation rather than the realisation of its goals. Thirdly, to create a coherent relationship between management, practices and actions on the one hand and the principles and values propagated on the other. “We must be the change we see in the world”, as Gandhi said. Fourthly, to follow and verify the actions of governments and legislators to see if they are fulfilling their electoral promises, if they are using public funds according to ethical standards and if they are improving the quality of public services and consequently the quality of life of the people. Finally, a totally impartial behaviour, because when an organisation associates itself with a political party, it loses its autonomy, independence and legitimacy *vis-à-vis* society and proceeds to act according to the same logic of power of these same parties.<sup>26</sup>

The interaction of *Instituto Ethos*, *Instituto Akatu* and *Rede Nossa São Paulo* makes it clear that the goal is not only environmental change but also a social change. What used to be the achievement of a social democratic welfare state in the times of an industrial labour society in Europe, which brought about a balance between labour and entrepreneurs and guaranteed state welfare, is now returning in the Brazilian model as a socio-environmental welfare society. There, in the face of a party state burdened by corruption, the tasks are distributed differently: the former driving social force of the trade unions now lies with the NGOs, and the duty to comply with the law is now strongly complemented by an active socio-environmental ethic. The highly state-centred welfare state is thus being replaced by a republican civil society. Whereas until now discussions about a political civil society from Machiavelli to Arendt have lacked the question of an equivalent at the economic and social level, answers are now being given in Brazil out of necessity and in a practical way. Politics, the economy and civil society are to relate to each other under the requirements of sustainability in a kind of new social contract.

25 Pesquisa Akatu 2012. *Rumo à Sociedade do Bem-Estar: Assimilação e Perspectivas do Consumo Consciente no Brasil*.

26 Oded Grajew: A lógica do poder e a sociedade, in: *Folha de São Paulo*, 10 July 2014.

*Social business* or *social entrepreneurship* differs from the Brazilian example and the previous definitions of CSR. For them, profit is not the goal but the means, and they mostly operate where profit-oriented companies externalise costs and the framework conditions cause social inequality and injustice.

The term *social entrepreneur* was coined by Bill Drayton who, under the slogan “Everyone is a change maker”, wanted to find special innovators worldwide to solve social problems and support them in developing their solution concepts. To this end, he founded the organisation *Ashoka – Innovators for the Public* in 1980, providing financial support to social entrepreneurs for a number of years so that they can devote themselves exclusively to their common good. To date, over 4,000 people in 70 countries have been supported.<sup>27</sup> “More than half of *Ashoka* Fellows have succeeded in changing their country’s government policies in five years. That’s impact,” Drayton explained in 2011.<sup>28</sup>

Among those supported are the founder of *Wikipedia*, Jimmy Wales, and Muhammad Yunus, an economist in Bangladesh who developed the idea of microcredit and founded the *Grameen Bank* for this purpose. Yunus saw that the poor had no chance of escaping the cycle of poverty with or without credit. When the idea of microcredit was rejected by conventional banks, he founded his own bank as a social entrepreneur. His goals are to overcome poverty and promote sustainability and environmental awareness. To achieve this, he seeks investors who forgo dividends and profits. Profits are reinvested exclusively, and market wages are paid and good working conditions prevail in the projects supported. For the lenders, the motto is: Do it with pleasure.

Poor people are bonsai people. Their personal conditions are perfectly fine, but society never provided them with a good foundation on which to develop. If one wants to free the poor from their poverty, one only has to provide them with a suitable environment. Poverty will quickly disappear if the poor can unleash their energy and creativity.<sup>29</sup>

He concludes “One of the most effective lessons that life has taught me is the realisation that all human beings have tremendous creative and entrepreneurial potential.”<sup>30</sup>

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27 See the biographies of Ashoka Fellows in: David Bornstein: *How to Change the World. Social Entrepreneurs and the Power of New Ideas*, New York: Oxford University Press, 2004.

28 “Es el momento de cambiar el sistema”, interview with *El País* on 23 October 2011 on the occasion of the award of the Premio Príncipe de Asturias de Cooperación Internacional 2011. (All translations of quotations by me, WH)

29 Muhammad Yunus: *Social Business. Von der Vision zur Tat*. Munich Hanser 2010, p. 9.

30 *Ibid.*, p. 108.

The role models are setting an example. The founder of the *World Economic Forum*, Klaus Schwab, also founded the *Schwab Foundation for Social Entrepreneurship* together with his wife in 1998, which promotes 20–25 social entrepreneurs every year and has since created a network of 260 participants.<sup>31</sup> And other networks such as the *Skoll Foundation* have emerged that work in a similar way.<sup>32</sup>

Despite all these impressive initiatives and success stories, the desired changes are slow. There is still slave labour in Brazil, Rio+20 has not produced any significant results, and the global environmental record still looks disastrous. The *UN Global Compact* also has a rather passive membership and has achieved little in practical terms. It “remains a fringe movement despite its many thousands of participants. We are not yet mainstream and have not yet reached the tipping point. The most important thing for the *Global Compact* now is to reach a critical mass. This can only be done country by country, said Executive Director Georg Kell.<sup>33</sup>

## Freedom and responsibility

The traditional understanding of freedom and responsibility was a liberal understanding of individual freedom from external interventions and dependencies, it was a negative and passive understanding of freedom. Negative, because it was “freedom from”, passive, because all efforts were only aimed at securing one’s own freedom, not that of the political community. The same applies to the understanding of responsibility. It only referred to the immediate individual sphere of action and was very easily equated with legal or political guilt. Responsibility was also a term with negative connotations that was used in connection with mistakes, omissions or misdemeanours.

The socio-environmental activities and movements are changing both concepts in the direction of an active, positive concept of freedom and a civic understanding of responsibility. This is not about moralising, about subjecting individuals to a moral demarcation between what is permitted and what is forbidden, but about changing the relationships between people. It is no longer about the traditional, rather anonymous relationships between individuals and society, but about the intersubjective relationships between citizens. It is not individuals, but citizens who deal with each other, and society is no longer something anonymous, but the political-social space of the interpersonal arises in which people act with each other.

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31 <https://www.schwabfound.org/> (2022/10/3)

32 <https://skoll.org/> (2022/10/3)

33 Georg Kell: Der Global Compact wird zur transformativen Initiative, interview in: *global-compact Germany*, 2012, p. 28.

Instead of ego-based action with its virtues of healthy mistrust, assertiveness, taking advantage and secrecy, virtues apply in the shared space of the between, without which this space cannot be filled with intersubjective action: Trust, recognition, respect, transparency, cooperation and responsibility. In place of the unscrupulous manager comes the image of the “honest merchant”; in place of the society of anonymous individuals comes the image of the decent society; in place of the unrestrained exploitation of open spaces comes the protection and care of common goods, with their great economic potential; and in place of the exploitation of others comes the protection of human rights.<sup>34</sup> In this process, the anonymity and inhumanity of a society disappears to the extent that its members become visible as responsible actors: “Inhabited economy is economy that is controlled by recognisable human subjects; uninhabited economy is subject to invisible hands and mechanisms that exhibit systemic constraints and momentum. Human market economy is inhabited economy.”<sup>35</sup> Social wealth is no longer dependent on the individual intelligence quotient IQ, but on We-Q, on intersubjective intelligence.<sup>36</sup>

For Hannah Arendt, as a thinker of civil society, the concepts of freedom and responsibility were inseparable. Responsibility “is the price we pay for the fact that we live our lives not by ourselves but among our fellow men, and that the faculty of action, which, after all, is the political faculty par excellence, can be actualized only in one of the many and manifold forms of human community”<sup>37</sup>.

What Arendt thought for the political level, which after the events of totalitarianism is about the responsibility of individuals for their political thinking and actions in times of totalitarianism and likewise in democratic society, applies just as much to the thinking and actions of the stakeholders, of all actors.

Redefining the tasks of politics, the economy and civil society and the mutual relationship requires a new social contract. The social contracts of Hobbes, Locke and Rousseau revolved around questions of political power, surrender, and protection, or power formation and participation. They were at the beginning of the modern era and sought ways for a modern, non-religious justification of political society, or in

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34 See Axel Honneth with his theory of mutual recognition, Avishai Margalit's *The decent society* (1990), the Nobel Prize winner Elinor Ostrom and the discussion on the values of entrepreneurs in: Josef Wieland (ed.): *Handbuch Werte Management*, Hamburg: Murmann 2004.

35 Clemens Sedmak: CSR – eine humanistische Sichtweise, in: Andreas Schneider / René Schmidtpeter (eds.): *Corporate Social Responsibility*, op. cit., p. 197.

36 Cf. Vision-Summit 2015, [https://www.bertelsmann-stiftung.de/de/themen/aktuelle-meldungen/2015/november/vision-europe-summit-2015-neue-ideen-fuer-ein-soziales-europa\(2022/10/3\)](https://www.bertelsmann-stiftung.de/de/themen/aktuelle-meldungen/2015/november/vision-europe-summit-2015-neue-ideen-fuer-ein-soziales-europa(2022/10/3))

37 Hannah Arendt: Collective Responsibility, in: *Responsibility and Judgment*, New York: Schocken 2003, p. 158.

Rousseau’s case, for democratic legitimacy. Civil society, the economy or even sustainability played no role in this. Today, with the increasing interconnection of state, economy and civil society, a new social constellation is emerging that, in contrast to Hobbes and Locke, values the responsible participation of citizens and, in contrast to Rousseau and his abstractly formulated and totalitarian common will, defends plurality and concrete responsibility. In the face of these social contracts, the idea of freedom and responsibility must be expressed in a social concept of social justice, environmental sustainability and broad, participatory democracy.<sup>38</sup>

The sciences are lagging behind the developments. Political science is not actively taking note of the change in political-social groups and the interrelationships described here. In Europe, “multi-level governance” is only used as an analytical category to describe the complex decision-making processes involving civil society organisations at the level of the European Union. Rather, the environmental sciences speak of a new social contract, which, however, rather means an international sustainability pact.<sup>39</sup>

In economics, the chief executives are still typically expected to serve the interests of shareholders and they receive part of their salary in shares as an incentive. Sumantra Ghoshal, a lecturer at the UK and London Business School, stated that “by propagating ideologically inspired amoral theories, business schools have actively freed their students from any sense of moral responsibility”<sup>40</sup>. In economics, economic action is predominantly explained as causal or functional, and thus behaviourism and irresponsibility are taught; at the same time, morality and common sense are excluded.

Why do we not fundamentally rethink the corporate governance issue? Why don’t we actually acknowledge in our theories that companies survive and prosper when they simultaneously pay attention to the interests of customers, employees, shareholders, and perhaps even the communities in which they operate? ... The honest answer is because such a perspective cannot be elegantly modeled – the math does not exit. Such a theory would not readily yield sharp, testable propositions, nor would it provide simple, reductionist prescriptions. With such a premise, the pretence of knowledge could not be protected. Business could not be treated as a science, and we would have to fall back on the wisdom of

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38 The Institute for Advanced Sustainability Studies (IASS) in Potsdam, for example, is working on a Global Contract for Sustainability (GCS). – See also Allen L. White: *Is It Time to Rewrite the Social Contract?* Tellus Institute for a Great Transition, April 2007.

39 Cf. the research project “Global Contract for Sustainability (GCS)” of the *Institute for Advanced Sustainability Studies* (IASS) in Potsdam, <https://www.iass-potsdam.de/en/2022/10/3>.

40 Sumantra Ghoshal: Bad Management Theories Are Destroying Good Management Practices, in: *Academy of Management Learning & Education*, 2005, Vol. 4, No. 1, p. 76.

common sense that combines information on ‘what is’ with the imagination of ‘what ought to be’ to develop both a practical understanding of and some pragmatic prescriptions for ‘phenomena of organised complexity’ that the issue of corporate governance represents.<sup>41</sup>

According to Ghosal, most economic theories are characterised by a negative liberalism, according to which most people are opportunistic and selfish and therefore not trustworthy. Thinking in terms of the common good cannot be taught and practised under these conditions. But also in the legal and social sciences, which include political science, there is “a lack of reflection on the socio-political significance of social entrepreneurship and leaders of civil society”.<sup>42</sup>

Nobel laureate Elinor Ostrom, who emphasised the importance of common goods for an ecological turnaround, was also sceptical about exclusively theoretical solutions:

Accordingly, a much more successful strategy is to strengthen people’s capacities for self-organisation and cooperation. After all, it is the users themselves who have the best insight into the concrete conditions on the ground. This approach makes more sense than looking for theoretically optimal institutional solutions.<sup>43</sup>

When someone like Philipp Lepenies works on a scientific critique of the modern concept of “development” and conducts investigations into the central perspective that has gripped everything since the Renaissance, the dubious definitions of poverty and the myth of GDP<sup>44</sup>, such innovative thinking is most likely to be possible outside the universities, where research directly involves the relevant, various social actors in a transdisciplinary process and the results are discussed with representatives of politics, business and civil society.<sup>45</sup> The first *Schools of Design Thinking* in Stanford and Potsdam, where innovative solutions for all areas of life are developed, operate in a similarly independent manner.<sup>46</sup>

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41 Ibid., p. 81.

42 André Habisch Gesellschaftliches Unternehmertum Blinder Fleck wirtschafts- und sozialwissenschaftlicher Gemeinwohltheorien, in Helga Hackenberg / Stefan Empter (eds) *Social Entrepreneurship – Social Business Für die Gesellschaft unternehmen*, Wiesbaden VS 2011, p. 61.

43 Elinor Ostrom: *What becomes more when we share. Vom gesellschaftlichen Wert der Gemeingüter*. Edited, revised and translated by Silke Helfrich, Munich: oekom verlag 2011, p. 30f.

44 Philipp Lepenies: *Art, Politics, and Development. How Linear Perspective Shaped Policies in the Western World*, Temple University Press 2013. – Gezählte Armut von den methodischen und politischen Tücken, die weltweite Armut erfassen zu wollen, in *Leviathan*, 2010, Heft 1, pp. 103–118. – *Die Macht der einen Zahl eine politische Geschichte des Bruttoinlandsprodukts*, Berlin Suhrkamp 2013.

45 Cf. the *Institute for Advanced Sustainability Studies* (IASS) fn 37.

46 HPI School of Design Thinking, [http://www.hpi.uni-potsdam.de/d\\_school/home.html?L=1\(2022/10/3\)](http://www.hpi.uni-potsdam.de/d_school/home.html?L=1(2022/10/3))

## Leadership and the power of the unreasonable

Social engagement by entrepreneurs is nothing new. In the times of industrialisation in the 19th century in Europe, there were not only entrepreneurs who did not care about the miserable working and housing conditions of the working class, but also those who took their responsibility seriously and built housing and provided social security for their workers. This was based on the realisation that good products can only be created under good working conditions. The steelworks owner Alfred Krupp, for example, introduced hygiene controls in his factory, built a hospital and created a health, accident and pension insurance system in which half of the contributions were paid by the workers and half by the company. This system later became the model for Bismarck’s social insurance systems.<sup>47</sup> In addition, Krupp ensured the construction of primary, secondary and vocational schools as well as kindergartens. The engine of change, also in this respect, was the economy.

For Hilscher and Beckmann, there is something paradigmatic about the Krupp case, which lies in the problem and the solution of the conflict of different interests:

The *raison d’être* of social entrepreneurship is to take on the solution of commitment problems that have not yet been overcome – both within market contexts and in the not-for-profit sector, where the aim is to provide public goods through forms of organisation in civil society.<sup>48</sup>

And they conclude:

At its core, social entrepreneurship is not about a mere distribution of resources, but about investments in structures – investments that can be made by both private sector and civil society actors.<sup>49</sup>

The examples of the founders of the cooperative system in Germany show that politicians can also be socially innovative. Friedrich-Wilhelm Raiffeisen, who founded cooperative banks in response to the misery of the rural population in the mid-19th century, and Hermann Schulze-Delitzsch, who set up craftsmen’s cooperatives so that craftsmen could remain competitive against the growing industry.

All successful companies were built up by personalities. The fact that they were initially ridiculed or even opposed shows the potential for creativity and change

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47 Cf. Stefan Hilscher / Markus Beckmann *Social Entrepreneurship und Ordnungspolitik Zur Rolle gesellschaftlicher Change Agents am Beispiel des Krupp’schen Wohlfahrtsprogramms*. Discussion Paper No. 2008–5 of the Chair of Business Ethics at the Martin Luther University Halle-Wittenberg, ed. by Ingo Pies, Halle 2008. Also in *ORDO – Jahrbuch für die Ordnung von Wirtschaft und Gesellschaft* 60/2009, pp. 435–461.

48 Ibid., (discussion paper), p. 14.

49 Ibid.

in their projects. Leadership does not extend to leadership by managers who, as Ghoshan criticised, have a causal or functional understanding of society, but to an active creative power. CSR scholar John Elkington saw this as the power of the unreasonable.<sup>50</sup> According to him, they ignore the obvious, are oriented towards the social long-term, are unqualified because they have not studied economics, and do not think linearly like managers.<sup>51</sup>

Krupp, Raiffeisen and Schulze-Delitzsch all faced opposition. When Yunus tried to convince traditional banks in Bangladesh to give microloans to the poor, they turned him down. Poor people are unreliable, and you can't earn anything on micro-credit. So he had to start his own bank. Bill Drayton has heard about this resistance from almost all *Ashoka* fellows:

First, convince yourself that you can do it. Many will tell you the opposite, so it's better to ignore them kindly. Second, have ideas that change the world. I know that the last two years have been a nightmare for Spain, but the best companies are born in times of crisis. It's the moment to change the system; if you change the rules, the rules can't stop you.<sup>52</sup>

Oded Grajew responds calmly with a quote from Gandhi: "First they ignore you, then they laugh at you, then they fight you, and then you win." Besides good ideas and the feeling that they can be realised, great perseverance is needed. Grajew recalls Bertolt Brecht, who wrote: "The weak do not fight. The stronger ones fight for maybe an hour. Those who are even stronger fight for many years. But the strongest fight all their lives. These are indispensable."<sup>53</sup>

This endurance is strengthened by the defence of humanistic, republican values. Thus, Yunus quotes Gandhi's critique of the "basic evils of our time" with their content-less values: "Wealth without work, pleasure without conscience, knowledge without character, business without morality, science without humanity, religion without sacrifice, politics without principles."<sup>54</sup> Therefore, actions must be consistent with the principles and values propagated: "We must be the world we want', as Gandhi said," explains Grajew.<sup>55</sup>

It is leaders who decide about the weal and woe of a company.

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50 John Elkington: *The Power of Unreasonable People: How Social Entrepreneurs Create Markets That Change the World*, Harvard Business Review Press 2008.

51 *Ibid.*, p. 22.

52 Bill Drayton, in *El Pais*, *op. cit.*

53 Oded Grajew: The World Social Forum (WSF): *Periodicity*, *op. cit.*

54 Mahatma Gandhi: Young India on October 22, 1925, in: *The collected works of Mahatma Gandhi*. Vol. 33: 25 September, 1925 – 10 February, 1926, 2nd, rev. ed, New Delhi 2000, p. 135.

55 Oded Grajew, in: *A lógica do poder e a sociedade*, *op. cit.*

Purely individualistic and lateralistic values coupled with hunger for power and grandiosity as well as greed for money and personal profits can produce leaders like Ken Lay, Jeffrey Skilling and Andrew Fastow at *Enron* or Bernie Ebbers at *WorldCom*. These leaders are responsible for the collapse of whole organisations, destroying economic and social value and severely affecting the life and work of thousands of stakeholders.<sup>56</sup>

Leaders can also change their attitudes through protests and the educational work of NGOs, or simply by reading a book. Ray Anderson, owner of the *Interface Inc.* factory that makes carpet tiles was inspired by environmentalist and publicist Paul Hawken's radical book *The Ecology of Commerce*<sup>57</sup> and he set out to transform his company into a leading sustainable manufacturing company in the US within 15 years, with the goal of achieving “Mission Zero” by 2020.<sup>58</sup>

And there are entrepreneurs who, as radical environmentalists and defenders of human rights, appear as if by chance in the world of entrepreneurs without losing their radicalism. Anita Roddick, for example, who built up the global *Body Shop* retail chain. The first small cosmetics shop was a little different from usual. It was based on a very personal contact with the customers, a socio-politically conscious purchase of raw materials from indigenous communities and was accompanied by human rights and environmental campaigns and campaigns in support of feminism and against the prevailing beauty ideal. Two things that seemed so unrelated, selling cosmetics and political campaigning, developed an unexpected momentum thanks to the founder's drive. “The realisation that working for *The Body Shop* meant more than stocking shelves or selling soap inspired unbridled pride and enthusiasm,” she wrote in her memoirs.<sup>59</sup> She felt like an outsider and equipped with a fair amount of indignation.

When the advocates of globalisation disregard human rights on behalf of their idle shareholders, I take it personally. When the environment suffers damage because of the short-term interests of big business, I take it personally. When one gradually gets the impression that the sell-out of our planet is not far off, I take it personally.<sup>60</sup>

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56 Stephen B. Young: Principled-Based Leadership, in: Thomas Maak / Nicola M. Pless (eds.): *Responsible Leadership*, London: Routledge 2005, p. 187.

57 Paul Hawken: *The Ecology of Commerce. A Declaration of Sustainability*, Harper Collins 1993.

58 See Ray Anderson: *Mid-Course Correction: Toward a Sustainable Enterprise. The Interface Model*. Chelsea Green Publishing, 1998. – *Confessions of a Radical Industrialist: Profits, People, Purpose: Doing Business by Respecting the Earth*, St. Martin's Press 2010.

59 Anita Roddick: *The Body Shop Story. Die Vision einer außergewöhnlichen Unternehmerin*, Munich Econ 2001, p. 222.

60 *Ibid.*, p. 10.

And she was curious about the diversity of opinions, practical experiences and adventures. “I had never set out to become an entrepreneur, didn’t even know the word and wasn’t interested in its definition ... I have never read a book on economics or business theory and will continue to do so. It’s not the theory that interests and fascinates me – what keeps me going is the doing.”<sup>61</sup>

When Anita Roddick died unexpectedly, John Elkington wrote:

To crack the genetic code of the business phenomenon that was Anita Roddick is a bold undertaking. Her uniqueness resists it, yet no business leader was more in and of the world and therefore is more worthy of study. Here then is an effort to distil her business style into ten rules of what might be called ‘outsider capitalism’.<sup>62</sup>

He summarised the essential imperatives of her actions as follows: “Be an outsider, be outraged and outrageous, be radical, be early, be principled, be personal, be accessible, be ubiquitous, be funny and be unruly.” He added: “A favourite saying of hers was: ‘If you think you’re too small to have an impact, try going to bed with a mosquito in the room.’<sup>63</sup>

Far be it from me to draw up any typology of the eco-social leader. The examples show how different personal characteristics are and how varied the eco-social leaders are. What they have in common, however, is their commitment and their desire to act. It is always people who act, not systems, companies or states. What Arendt wrote about spontaneous political action applies to them, and we recognise this in civil movements, but not only there, also in the economy and politics. “In acting and speaking, men show who they are, reveal actively their unique personal identities and thus make their appearance in the human world, while their physical identities appear without any activity of their own in the unique shape of the body and sound of the voice.”<sup>64</sup>

The manifestation of who the speaker and doer unexchangeably is, though it is plainly visible, retains a curious intangibility that confounds all efforts toward unequivocal verbal expression. The moment we want to say *who* somebody is, our very vocabulary leads us astray into saying *what* he is; we get entangled in a description of qualities he necessarily shares with others like him; we begin to describe a type or a ‘character’ in the old meaning of the word, with the result that his specific uniqueness escapes us.<sup>65</sup>

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61 Ibid., pp. 61– 63.

62 John Elkington: Anita Roddick: outsider rules, in: *Open democracy*, 24 September 2007. [https://www.opendemocracy.net/article/anita\\_roddick\\_outsider\\_rules](https://www.opendemocracy.net/article/anita_roddick_outsider_rules) (2022/10/3)

63 Ibid.

64 Hannah Arendt: *The Human Condition*, Chicago: The University of Chicago 1958, p. 159.

65 Ibid., p 161.

The greater the diversity of these people and the more stories we hear, the more we are encouraged to take up their example.

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