Mental Innovation:
Values and Attitudes
of Entrepreneurs
in
Fair and Eco-Friendly Businesses

- Building Bridges to a Sustainable Future -

by Gerd Hofielen, November 2017

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Abstract

A discussion of fair and eco-friendly versus conventional business practices is taking place in all sectors, from agriculture to the chemical, automotive, and energy industries – to name just some of the more controversial sectors. Researchers and the wider public are debating the feasibility of fairtrade and eco-friendly business models in the face of competition from mainly profit-driven companies. This article goes one step further by examining the attitudes and values of business people, in other words the mindset that precedes and influences their decisions. Our analysis of 35 interviews with the managers and owners of fair and eco-friendly businesses shows that they assume responsibility for the people and resources involved along the entire value chain, from customers and employees to suppliers, the local context, the wider society, and the environment. In the process, they redefine sustainability as a forward-looking concept for their industry. Rather than perceiving this as a burden, the effort involved is a source of joy for them. Sustainability principles are also reflected in their company culture and supported by internal standards, sustainability reports, and management systems. In their answers to our questions, the interviewees highlight the advantages of fair and eco-friendly business practices. These companies are living proof that doing business in a value-oriented, ethical way is indeed feasible in a competitive marketplace.

Link to long version (in German)

https://www.hm-practices.org/forschung/oeko-faire-unternehmerinnen-2017/

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Context and research question

Social innovations that strive to overcome traditional, established moral principles and practices are always the result of social debate. The shift to renewable energies, the advent of the electric drive for cars, and women's emancipation all came about after protracted debate among people with conflicting interests. Such interests are rooted in very different worldviews and moral principles. Social innovation in the business sphere is no exception to this development.

The shift to more sustainable business practices is an example of such a social innovation and it entails many different radical changes: in value systems, in business models and practices, and in political frameworks.

Derived from interviews with 35 business people, the views and insights presented here are particularly interesting for business owners and managers who wish to adapt their business model to the demands of sustainability and prepare it for the challenges of future markets. The interviewees provide much useful advice on how to manage interactions not only with staff members, customers, and suppliers, but also with the local community, wider society, and the environment.

Traditionally, business has prioritised profit-making and growth. Thus the interests of business owners have been placed above those of other stakeholders. This is thought to increase the value of the company and, according to conventional economic wisdom, leads to stronger businesses and a productive society. A willingness to meet the needs of other stakeholders, such as employees and customers, or the environment is, in this view, always subordinate to profit-making and limited by financial priorities.

The proponents of sustainable business practices and a holistic concept of corporate responsibility defy such traditional thinking. They expand the conventional value system of the business world to include the interests of all actors involved in value creation, including the environment. They are referred to here using the terms 'progressive', 'fair', and 'eco-friendly'. As practitioners of a new kind of ethical business, they play an important role in shaping the concept of corporate responsibility by showing that – and, above all, how – companies can be successful in the free market while pursuing eco- and people-friendly goals. For minorities to become majorities, it is important that we take a closer look at the values and sense of responsibility of these business people.

While business is often seen as a value-free realm, economic activities are in fact composed of nuanced interactions with suppliers, employees, and many others. Given the numerous possible ways of handling these interactions, it is important to consider values and ethics because they are the mental preconditions that guide our actions.

This article presents a short version of the findings of a study based on 35 interviews with business people.The interviewees manage small, medium-sized, and large businesses in various sectors (joinery, tree nursery, bakery, tax advisory office, printers, marketing, fashion, logistics, office supplies, special machine construction, trade, etc.) with a combined annual revenue of 840 million euro (2015) and employ almost 4,000 people.

Our selection of interviewees for this study was based on the recommendations of experts who believe that the interviewees aspire to pursue eco-friendly and socially equitable goals and integrate sustainability into their business practice. This belief was, however, not always confirmed by the interviews. The spectrum ranges from conventional companies, to those that have begun to take

initial steps in the direction of fair and eco-friendly business practice, to clearly progressive companies. See figure 1

Figure 1 – Categorisation of interviewees based on their business practices

more conventional
11 interviewees: 32%

Common practice:
- waste separation
- energy saving and energy efficiency
- hardly any recycled materials used (with the exception of copy paper)
- no electricity or heating from renewable sources
- company donations to charities
- in some cases: emphasis on fair wages, working hours, and holidays

progressive
23 interviewees: 68%

Common practice:
- renewable energies
- main products often made from renewable, non-toxic materials
- some of the materials used are recycled
- electric drives in company cars
- internal company standards, corporate constitutions
- investment in certifications or management systems
- fair and eco-friendly principles in dealings with suppliers and service providers
- measuring and reducing the company's CO_2 emissions
- innovation for the purpose of making the company more fair and eco-friendly
- participatory decision-making processes
- minimal wage differences
- social fund for employees

Following a short summary of the study results, we will describe the attitude of the interviewees to the concepts of corporate responsibility and sustainability. We will then discuss the values that characterise the different company cultures. After that, the focus will turn to implementation strategies, conflicts, and reinforcing factors. Finally, we will explore attitudes to the concept of ethics and describe the advantages of progressive business practices.

The study was conducted by Gerd Hofielen and Alessa Berkenkamp of *Humanistic Management Practices gGmbH* in a research fellowship at the *Institute of Advanced Sustainability Studies* (IASS)

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in Potsdam, affiliated to the AMA (A Mindset for the Anthropocene) project led by Dr Thomas Bruhn and Dr Zoe Lüthi.

The findings: values and responsibility in progressive companies

The value system of the more progressive interviewees is markedly different from that of the more conventional business model:

- Progressive business people demonstrate a great willingness to recognise and assume responsibility for the well-being of the people and resources involved in their company's value creation, including the environment.
- They view the concept of sustainability as backward-looking and inadequate and attempt to expand it in their business practice so that it becomes more future-oriented.
- Humanist, people-friendly values are inscribed in the goals of these companies, and an exclusive focus on profit-making is shunned.
- The achievement of these value-oriented goals is supported by the companies' resources, professional leadership, management systems, and in-house participatory processes.
- The positive, joyful feelings that progressive business people associate with fair and eco-friendly decisions are striking.
- Any concerns they have about this way of doing business relate to economic feasibility. The companies actively seek solutions to this problem, often with the help of innovation, and succeed in some cases in convincing customers to accept higher prices.
- Some of the interviewees profess to an ethically motivated management style and develop practices to uphold and strengthen this ethical motivation. However, the term 'ethics' is rarely used in the company context.

The above overview of these business people's orientation justifies the decision to refer to their companies as 'progressive', since this kind of entrepreneurial awareness gives rise to the creativity and pioneering spirit that are needed to surmount the main economic challenges of the future.

We will now examine the tendencies of our interviewees that emerged in relation to specific discussion topics.

1. The contours of a holistic approach to corporate responsibility

A broader concept of corporate responsibility is triggered by the business people's desire to make the world a better place through their business activities. This factor was mentioned in 40% of statements. The percentages refer to the number of statements, since the interviewees often gave multiple answers to our questions. Other significant factors were an engagement with the role and influence of an entrepreneur (30%[1]) and exposure to humanist values at home, school and/or in society (20% of statements).

About half of the interviewees (50%) have a holistic view of the scope of their responsibility, which spans responsibility for one's own family and livelihood plus responsibility for the well-being of all stakeholders and resources, including the environment and wider society. For some interviewees, their staff members and relationships within the company are particularly important (20% of statements).

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1   The percentages are rounded up or down to the nearest five percentage points. They refer to the number of interviewees or, in the case of multiple answers, to the number of statements .

Responsibility for the economic success of the company is mentioned in 30% of statements. Yet far from being contrary to eco-friendly and socially responsible decisions, it is understood as a prerequisite for putting the company on a firm footing and upholding the fair and eco-friendly principles on which it is based.

2. A forward-looking re-formulation of the concept of sustainability

Twenty per cent of the interviewees criticise what they see as excessive use of the concept of sustainability. One interviewee also complained that the concept lacks explanatory force: "Sustainability seems to cover everything. [...] If we use it to refer to environmentally responsible, future-oriented behaviour, then the term is a poor choice."

The interviewees see the essence of sustainability in adopting a long-term perspective when making decisions and considering the effects of the effects of one's actions. To be sustainable, economic living conditions must be organised in a socially equitable way both internationally and intergenerationally.

Criticism of the concept of sustainability led to concrete proposals for change (20%):

– In company decisions, the concept of the triple bottom line, which gives equal weighting to social responsibility, economic value, and environmental impact, should be replaced by the Greifswald Model, where the main priority is respect for nature, followed by social concerns, followed in third place by economic goals.
– The sustainability debate is overly concerned with avoiding further damages. It should be oriented more towards future issues like the question of how human living conditions can be improved or how environments can be restored.
– The concept of sustainability should make clearer that the restoration of ecological systems will only be possible if there is a complete reversal in the way economic decisions are made.
– Sustainability should become a matter of course that determines the use of materials, methods, and people with regard to environmental and social responsibility at every step of the value chain.

3. Values and their reflection in company-related decisions

When making company-related decisions, around 60 per cent of all interviewees refer to humanist values like honesty, humanity, courage, and respect for the well-being of all stakeholders in a company. In the case of employees, customers and suppliers, people and their particular concerns are taken into account, for example the health and professional development of company employees, honest communications with customers, and the fair treatment of those who work for suppliers. This is summarised in one quote: "We keep three core values in mind [..], that nobody involved in the manufacture of our products is harmed. [...] that none of the materials we use is harmful to the environment, and that nobody who uses our products is harmed."

About 40 per cent of the interviewees refer to the triple bottom line when making company-related decisions. About 10 per cent of the interviewees indicate that they are in favour of an only moderate profit orientation. Just as many interviewees emphasise that they wish to "take actions that bring happiness".

3.1 Implementation: How are these values integrated into the everyday running of the business so that actions follow from attitudes?

Putting the values into practice depends first and foremost on the credibility of the company management:
  – Company managers setting an example through their own actions (35%, multiple answers)
  – Consulting with employees in one-to-one talks, group meetings, or departmental meetings (40%)
  – Selecting employees based on values (20%)

Depending on the size of the company and its organisational maturity, implementation is supported by permanent systems:
  – 20% have a written mission statement (multiple answers)
  – 20% use a corporate constitution or similar internal standards
  – 30% publish an Economy for the Common Good[2] balance or another kind of sustainability statement
  – 35% use management systems (e.g. EMAS) with the relevant certifications

We can see that progressive, fair, and eco-friendly companies are far more willing to adopt complex decision-making models which take into account more criteria than just economic concerns. This is because a business practice driven by values calls for greater ethical reflection and communication as well as creativity and persistence in implementation, which can be significantly supported by internal standards, systematic reporting, and management systems.

4. Feelings arising from fair and eco-friendly decisions and fears concerning economic feasibility

Decisions in relation to the ecological and social aspects of corporate governance generate positive feelings in the majority of interviewees. That is gratifying, because these measures are often associated with additional expenses, overcoming resistance, and/or economic risks.

Around 60 per cent of the interviewees would agree with statements like this: "When I see that it's possible after all, I feel satisfied, assured, and confident" or "It feels good to know that it has a deeper meaning, it fills you with satisfaction." The possibility of acting in accordance with one's principles as opposed to market forces is seen as entrepreneurial freedom.

Around 20% of the interviewees refer to more sober states of mind, expressed in statements like "I see challenges rather than obstacles". Thus on an emotional level, the interviewees don't tend to emphasise the effort associated with this kind of business practice, but rather their joy and satisfaction in opportunities and achievements.

However, progressive companies often operate contrary to conventional, profit-driven business practice and sometimes run economic risks because of this. So fears also play a role. They are expressed in 35 per cent of statements. For example: "You need to see what the company can afford. You need to be careful." Only about 15% of the interviewees have no economic concerns about engaging in fair and eco-friendly business practices.

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2 Economy for the Common Good offer a tool to draw up a sustainability balance, see www.ecogood.org/en/

What is striking is that these business people do not get caught up in their fears, but do their best to promote their progressive products and services. In some cases, they manage to convince customers that these products are better and that a higher price is therefore justified (10%). In other cases, support structures like special advisory bodies provide assistance (10%). Incidentally, sustainability is understood as an entrepreneurial challenge that calls for lateral thinking and innovation (20%).

5. Conflicts that arise in the implementation of sustainable business practices

The ability to handle conflicts well is very important in value-based business practice, because the additional criteria for decisions associated with this practice demand a high level of fairness and openness.

The implementation of progressive business practices gives rise to new types of conflicts, whose handling also reveals a new quality. As mentioned in the previous section, the most common conflict is that between value-based action and economic limits (35%). Other conflicts are over the level of liquidity that is sufficient for the survival of the company (30%). Conflicts with employees may arise due to the fact that sustainable practices demand more careful work or new skills (25%). In some companies, however, employees wholly support the progressive policy (15%).

Interestingly, progressive companies are strongly guided by the principles of fairness and non-dominance when dealing with conflicts. That often calls for more patient communication loops: "We sit down together and make a decision; if somebody has legitimate concerns and can show that, of course they are taken into account."
Twenty per cent of the interviewees argue that a convincing, motivating company management is important when it comes to implementing fair and eco-friendly business practices. Ten per cent refer to a corporate constitution with procedures for conflict resolution. It is expected that the principle of self-organisation will play a greater role in the future. In self-organisation, conflict resolution is usually left to those employees who are responsible for taking a particular decision.

6. The emergence of a humanist value orientation

It has already been pointed out above (Section 3, Values in company-related decisions) that 60 per cent of all interviewees refer to humanist values. While this study was not primarily concerned with the personal development that leads to this level of maturity, we can draw a number of conclusions in that regard:

The interviewees often mentioned that environmental awareness (10%), social committment (15%) or personal development (25%) had been promoted at home. In ten per cent of cases, a childhood spent on a farm seems to have encouraged a great respect for nature and a desire for life in harmony with the environment.

The main factor in the emergence of values seems, however, to originate in the personality development of the interviewees in young adulthood. This was found to be the case in 45 per cent of cases.
Motives such as a desire for freedom, authenticity, and "finding oneself" were mentioned. Christian faith, the development of a conscience, the endurance of the late developer, the resolution of personal crises, and the surmounting of exceptional challenges also had a major influence on the emergence of a value-conscious person.
For ten per cent of interviewees, the desire to understand how society works spurs them on to assume responsibility. An attitude of tolerance and respect for people (20%) and an engagement

with environmental questions at a young age (15%) also encourage a willingness to have a holistic sense of responsibility in one's business practices.

The individual circumstances and maturation processes that lead to an eco-friendly attitude are manifold. We were not able to identify typical environmental factors or formative development pathways. Ultimately, it is the personal drive to actively engage with one's own circumstances which enables maturation.

7. Is progressive behaviour grounded in an ethical attitude?

In this study, 'ethics' refers to the values that a person develops and which guide their dealings with other persons and things. The study is specifically concerned with the ethics that guide one's business dealings. As described in greater detail in the introduction, conscious reflection upon ethical values is what makes the transition to progressive action possible. But is there a place for ethics in the everyday running of a business?

It is easy to ignore the fact that any behaviour, even the conventional, profit-driven way of doing business, is grounded in an ethical attitude, because ethical principles are reflected in our relationships to people and things. We are not usually conscious of this, because this kind of business practice is so taken for granted and widespread. On closer examination, it becomes clear that in the ethics of the conventional business world, the economic interests of business owners are prioritised over nature and people. This leads to various types of damage and crises.

Around 40 per cent of the interviewees consciously engage with ethical questions, as evidenced by the following statement: "Yes, I am interested in business ethics in the sense of the Economy for the Common Good. A decision is particularly ethical for me if the aspects that affect many people or creatures [...] are prioritised over underlying aspects. [...]. The needs of larger systems need to be taken more prominently into account."

Thirty per cent of the interviewees criticise the term ethics for its ambiguity and attempt to find their own definition for it. In the words of one interviewee: "I am critical with regard to ethics. Real responsibility is ethical. Creating jobs, engaging in meaningful activities, without harming people or the environment, that's it." However, about 20% of interviewees reject the use of the term ethics because of said ambiguity or find its use inappropriate in the corporate context.

8. Strengthening motivation

Regardless of whether or not they describe their motivation for progressive behaviour as grounded in ethical reflection, all interviewees are clear about the fact that they are somehow swimming against the tide. That calls for a special kind of energy. One of the interview questions tried to find out how the energy that enables progressive action is maintained and strengthened.

In describing their feelings, 60% of the interviewees already pointed out that progressive behaviour gives rise to positive feelings, in other words an intrinsic reward exists. Recognition from the business community is another welcome source of energy for ethically-minded entrepreneurs: for 30% of interviewees, recognition from colleagues, customers, and the public is a significant affirmation of their actions.

Some business people engage in mental training exercises such as meditation or focus on maintaining their own well-being in order to boost their energy (25%). In 20 per cent of cases, engaging with issues in the business world and wider society foster progressive energy. Involvement in corporate networks and sharing ideas with like-minded people are also valuable (20%).

9. The benefits of fair and eco-friendly business practice

Although this study did not set out to examine the advantages of progressive business practices from the perspective of the interviewees, the following advantages are highlighted in their statements.

A company management that is open to social and ecological issues enhances its own reputation and attractiveness. Most stakeholders can identify with this management style. It inspires pride and increases motivation and cohesion, which can lead to more motivated employees, loyal customers, cooperative suppliers, and goodwill from public authorities and the general public. This in turn can bring indirect economic benefits as well as strengthening resilience and showing the company in a positive light vis-à-vis its competitors.

When the company goals integrate the interests of all stakeholders, attention is focused less on survival and less driven by fear and a competitive spirit. For example, employee turnover is lower and relationships with suppliers are more stable. This brings a calm, constructive energy to the day-to-day running of the company.

Progressive companies are characterised above all by the fact that they make their core business fair and eco-friendly. Before making a decision, the management always asks if more ethical alternatives are technically, logistically and financially feasible. If they don't exist, then the company innovates, cooperates or engages in research.

Fair and eco-friendly companies usually use resources very sparingly. The principles of consistency, efficiency and sufficiency have a positive feedback effect on the company's financial success due to savings and a more conscious use of financial resources. Consistency is used to refer to products that are based on organic nutrients and are either recycled or reused. Efficiency leads to the lowest possible consumption of raw materials and energy relative to revenue. Sufficiency describes the attempt to completely avoid the consumption of resources, for example by repairing products or leasing instead of selling.

10. Conclusions and outlook

Corporate responsibility and sustainability initiatives are widely discussed in the public sphere and within the companies themselves. Yet this discussion has had few discernible effects to date. One interviewee puts it like this: "That's the problem with a conventional business: All those sustainability ideas are quite new and don't reflect the core values of the company. The concept is still quite alien to many, and it tends to be confined to the marketing department, as an aspect of communications, rather than something that you practise in earnest. There's a difference between acting on those values and simply talking about them."

According to some interviewees, it's not insight that many conventional entrepreneurs lack, but the willingness to leave the paths they have taken and set new priorities. Of course, there are also those who believe that their interests are best served by the conventional business model.

Where do the business people interviewed in this study get the energy to break new ground? It comes from a combination of
- ethical maturity,
- reflection on the role and influence of company managers,
- a willingness to reflect on the impact of the company on society
- a willingness to assume responsibility for that impact, and
- a willingness – even in the face of resistance – to ensure that their business practice does not harm people or the environment.

The pioneers of corporate responsibility are aware of the wider societal context in which their companies operate and they depart from the values that underpin conventional business practice in three different ways:

- They replace the narrow self-interest of the business owner with the desire to create value for all stakeholders.
- They take the long-term effects of their business decisions into account rather than focussing solely on the profits that can be generated in the short term.
- They reject the claim that a business owner's desire to make a profit must override the requirements of people and the environment. At the same time, they take great care to ensure that their business practices are economically viable.

The practitioners of conventional business see environmental damage and social problems as unintended consequences of the so-called private sector for which they cannot be held accountable. In this way of doing business, investments and other decisions do not usually take social and ecological impacts into account.

This gives rise to environmental pollution. It is clear that environmental pollution is grounded in a kind of thinking with blind spots, one that does not fully apprehend reality. So it makes sense to talk of 'mind pollution', which is widespread in the conventional business world. Environmental pollution is the mirror image of mind pollution. Because the workings of one's mind, one's values and worldview, determine one's decisions and actions.

That's why it's important in the debate on corporate responsibility to address the mental dimension of values and ethics, to reflect on what they mean, and to stop viewing business as something subject to the supposedly value-free laws of the market.

Fair and eco-friendly companies are conscious of the fact that, although they might be part of the 'private' sector, companies have an impact in the wider world and are accountable for that impact. A discussion of sustainable paths to the future is taking place in all sectors, from agriculture to the chemical, automotive, and energy industries – to name some of the more controversial sectors. The role of the state and civil society in this process is also the subject of heated debate. It makes sense in these discussions to highlight the value systems, worldviews, and interests that underpin conflicting points of view.

Economic and political decisions must be based on and measured against value systems and worldviews that are inclusive, i.e. that consider all people and the natural foundations of life and strive for the long-term well-being of all.