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Details (Complete as applicable): *for MCE41/61-D Module 5*

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Chapter or Article Title: "Business and the Global Economy" (138-163) + "Emerging Directions in Business" (251-285)

Book or Journal Title: *Business for the Common Good: A Christian Vision for the Marketplace*

Editor(s): *

Place Published: Downers Grove, IL

Publisher: InterVarsity Press

Volume: *

Year: 2011

Pages: 138-163, 251-285

COMMONWEALTH OF AUSTRALIA

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*business just a way to make money—lots of
Or can the marketplace be a venue for service
thers?*

Kenman L. Wong and Scott B. Rae seek
xplore this and other critical business issues
n a uniquely Christian perspective, offering
a vision for work and service that is theo-
cally grounded and practically oriented.
ong the specific questions they address
g the way are these:

What implications does the Christian story
ave for the vision, mission or sense of
urpose that shapes business engagement?

What parts of business can be affirmed and
racticized "as is" and what parts need to be
jected or transformed?

What challenges exist as attempts are made
o live out Christian ideals in a broken world
haracterized by tight margins, fierce compe-
tion and short-term investor pressures?

How do Christian values inform specific func-
onal areas of business such as the manage-
ent of people, marketing and environmental
ustainability?

Business, they argue, can be even more
n an environment within which individual
ristians grow in Christlikeness. It can also be a
ns toward serving the common good.

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BUSINESS for the Common Good

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BUSINESS for the Common Good

A Christian
Vision for the
Marketplace

KENMAN L. WONG
& SCOTT B. RAE

ISBN 978-0-8308-2816-6

Maiyon College Library



InterVarsity Press
P.O. Box 1400, Downers Grove, IL 60515-1426
World Wide Web: www.ivpress.com
Email: email@ivpress.com

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Design: Cindy Kiple

ISBN 978-0-8308-2816-6

Printed in the United States of America ∞

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Library of Congress Cataloging-in-Publication Data

Wong, Kenman L., 1964-

Business for the common good: a Christian vision for the marketplace / Kenman L. Wong, Scott B. Rae.

p. cm.

Includes bibliographical references and index.

ISBN 978-0-8308-2816-6 (pbk.: alk. paper)

1. Business—Religious aspects—Christianity. 2. Business ethics.

3. Social responsibility of business. I. Rae, Scott B. II. Title.

HF5388.W66 2011

261.8'5—dc22

2010040593

P	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1
Y	28	27	26	25	24	23	22	21	20	19	18	17	16	15	14	13	12	11		

CONTENTS

Series Preface / 7

Acknowledgments / 25

Introduction / 27

1 YOUR WORK IS AN ALTAR / 39

2 THE SHAPE OF A CALLING TO BUSINESS / 64

3 BUSINESS AND SPIRITUAL FORMATION / 92

4 WEALTH, SUCCESS AND AMBITION / 115

5 BUSINESS AND THE GLOBAL ECONOMY / 138

6 ETHICS IN THE WORKPLACE / 164

7 LEADERSHIP AND MANAGEMENT: SERVING EMPLOYEES / 190

8 MARKETING: SERVING CUSTOMERS / 211

9 STEWARDSHIP AND SUSTAINABILITY: SERVING THE
GARDEN AND OUR NEIGHBORS / 230

10 EMERGING DIRECTIONS IN BUSINESS / 251

Conclusion / 284

Subject Index / 286

Scripture Index / 288

BUSINESS AND THE GLOBAL ECONOMY

During an otherwise quiet November evening in laid-back Seattle in 1999, orange-tinted smoke, backlit from the setting sun, could be seen billowing from the ground between tall silhouetted buildings. Thunderous blasts from the firing of tear gas canisters and the rapid fire of rubber bullets interrupted screaming as chaos and violence broke out on normally placid downtown streets. Precisely orchestrated protests, including attempts to physically block World Trade Organization (WTO) delegates from assembling, quickly turned into clashes with riot-gearred police, abruptly forcing the word *globalization* into public awareness.

Many of us then observing were surprised that a meeting of representatives of a then-obscure organization could inspire such controversy and passionate opposition, and turn a normally peaceful event into physical confrontations, burned dumpsters and smashed windows. What could cause a gathering of bureaucrats discussing normally bland topics such as the setting of international trade quotas to evolve into an incendiary debate that inspired in the now infamous "Battle in Seattle" and incite similar protests at many subsequent gatherings?

The meeting's planners, participants and the local police were all caught off-guard by the turn of events as the WTO meetings had turned into a lightning rod for all that was deemed wrong with globalization. The vast majority of protestors were nonviolent and represented diverse interests, including environmental, labor and developing country concerns. Instead of being *antiglobalization*, as they were commonly labeled, many of the protestors were emphatic that they were advocating for a different vision

for globalization.¹ Energizing their defiance was a common belief that corporate financial pursuits were much too influential in the setting of policies that would dramatically affect the lives of scores of people, most of whom did not have their interests represented in any meaningful way.

Surrounding the passionate protests was the use of language typically associated with core biblical concerns, such as *fairness, justice, the marginalized* and *the voiceless*, that should have merited wider and more serious attention. Yet these concerns were lost behind the incessant media coverage of the very real violence at the event.

Much has been written on globalization in recent years, including influential books with provocative titles such as *The World Is Flat, When Corporations Rule the World, In Defense of Globalization* and *Why Globalization Works*.² Others bring in explicit Christian moral concerns, such as *God and Globalization, Globalization and the Kingdom of God* and *Globalization and the Good*. But what exactly is globalization? And why do business and corporate influences within it inspire such defiant opposition on one hand and passionate support on the other? Do the forces of globalization help or hinder the establishment of the necessary conditions for business to act as an agent of transformational service?

This chapter will introduce globalization and some of its more controversial aspects, particularly those involving business-based influences. We will then develop a framework for approaching and understanding globalization. In particular, we will argue that globalization should be approached as an unprecedented opportunity to positively influence and transform lives, especially those of the poor. At the same time, however, we will argue that some aspects of globalization itself need to be transformed in order to properly reflect God's designs.

While the terms *globalization* and its more recent variant *globalizing* have become commonplace, they describe complex, often evolving and tension-filled phenomenon, and are thus not given to easy or clean definitions. However, a cautious but workable way to understand globalization is

¹See Naomi Klein, *Fences and Windows: Dispatches from the Front Lines of the Globalization Debate* (New York: Picador, 2002).

²Thomas L. Friedman, *The World Is Flat* (New York: Farrar, Straus & Giroux, 2006); David Korten, *When Corporations Rule the World* (San Francisco: Berrett-Koehler, 2001); Jagdish Bagwati, *In Defense of Globalization* (New York: Oxford University Press, 2005); Martin Wolf, *Why Globalization Works* (New Haven, Conn.: Yale University Press, 2004).

to see it as an integration of people, cultures, economics, technology and governments.³ While none of this is particularly new (some would argue the Roman Empire is an example of an earlier period of globalization), several aspects are unique today. For example, author and *New York Times* columnist Thomas Friedman notes the following:

The globalization system, unlike the Cold War system, is not frozen, but a dynamic ongoing process. That's why I define globalization this way: it is the inexorable integration of markets, nation-states, and technologies to a degree never witnessed before—in a way that is enabling individuals, corporations, and nation-states to reach around the world farther, faster, deeper, and cheaper than ever before, and in a way that is enabling the world to reach individuals, corporations and nation-states farther, faster, deeper, cheaper than ever before. The process of globalization is also producing a powerful backlash from those brutalized or left behind by this new system.⁴

While Friedman's thesis has been criticized as overstating the case and some degree of reversal (deglobalization) has been caused by the global recession that began in 2008, visible signs of globalization are all around us.⁵ To those of us who are old enough to notice the changes, clothing labels are among the most visible, bearing marks of origin, like Honduras, Cambodia, Sri Lanka, some African countries and increasingly rarely America. In some surprising developments, many Hondas and Toyotas are now made in the American Midwest, home of America's big historic auto manufacturers. IBM's (once a symbol and barometer of the health of American business) ThinkPad laptop brand is now owned by Lenovo, a Chinese company.

Cultural products such as music, entertainment and professional sports also alert us to the smaller world we inhabit. Big Macs can be ordered in places like Bangkok, and pad thai has become almost ubiquitous in many major cities in the West. Top American, Canadian and Latin American

³See Kevin Neuhouser, "In a Global World, Who Is My Neighbor?" Seattle Pacific University Weter Lecture, Seattle, Washington, March 1, 2002.

⁴Thomas L. Friedman, *The Lexus and the Olive Tree*, exp. ed. (New York: Anchor Books, 2000), pp. 8-9.

⁵See for example, Pankaj Ghemawat, "Why the World Isn't Flat," *ForeignPolicy.com*, March-April 2007 (subscription), www.foreignpolicy.com/articles/2007/02/14/why_the_world_isnt_flat; and Pankaj Ghemawat, "Businesses Beware: The World Is Not Flat," *Harvard Business School Working Knowledge*, October 15, 2007, <http://hbswk.hbs.edu/item/5719.html>.

soccer players can be found on the rosters of premiere level European teams, while Yao Ming (China) and a host of players from around the globe (including Europe, Africa, Australia and Latin America) play in the National Basketball Association (NBA). The (now "classic") rock band Journey is touring again after finding new lead vocalist Arnel Pineda (who sounds almost exactly like former lead singer, Steve Perry), a Hong Kong club singer originally from the Philippines, via YouTube. David Hasselhoff (of *Knight Rider*, *Baywatch* and *America's Got Talent* fame) is a popular recording artist in Germany. Of course, as a testimony to the pace of change, any examples we can give today that have any shock value remaining will soon, if not already, produce a simple shrug.

Some of the major drivers of today's globalization include ease of travel, technology, media and government policies to liberalize trade (such as establishing trade agreements, relaxing border restrictions, setting up export zones and the use of common currencies). I (Kenman) had a glimpse of these forces interacting several years ago in preparing for a trip to China as part of a group of ten families who were traveling to a rural province to adopt children. Before embarking we were instructed by our domestic adoption agency to be culturally sensitive by bringing small items as gifts for translators and orphanage workers. Especially welcome would be items bearing landmarks or brands that would represent our home town. China has lots of NBA fans, so something with the Seattle Supersonics (now Oklahoma City Thunder) logo might be appreciated, we were told.

The fact that "foreigners" can now easily travel to China and are legally able to adopt children from this once closed communist country is a product of easy, relatively more affordable travel, relaxed border restrictions and international cooperation at the level of government. Technology and media have played certain roles: now people around the globe are aware of the need to adopt abandoned children, and people residing in rural parts of China are cognizant of places like Seattle and the NBA. Most surprising and ironic to those of us on the trip was that just about every item we bought in the United States to take with us as gifts was made in China! This fact and China's rapid ascension and integration into the world economy are indicative of governmental policy all over the globe to allow markets and trade to grow.

CORPORATIONS AND CONTROVERSY

The foregoing factors (travel, technology, etc.) have been influential in shaping and driving contemporary globalization, yet arguably the most powerful force has been business interests, namely, those of large multinational corporations. Some of the most controversial issues (as seen in the Battle in Seattle) center on both the extent and desirability of this influence.

For large corporations and their investors, globalization represents unprecedented opportunities. For example, Narayana Murthy, the founder and CEO of Bangalore, India, software giant Infosys, aptly describes these opportunities when he states, "I define globalization as producing where it is most cost-effective, selling where it is most profitable, sourcing capital where it is cheapest, without worrying about national boundaries."⁶

Undoubtedly, globalization has permitted core business activities to be done with improved efficiency. Technology, raw materials and labor can be sourced, and finished or near finished goods can be produced almost anywhere in the world and then delivered through precise logistical planning systems. Capital can also be moved around the world and invested in places that achieve the greatest amount of return, while allowing for new ways to mitigate risk. New and sometimes enormous markets in which products and services can be sold have also been opened. In addition, virtual teams can take advantage of time zones and work literally around the clock on projects, shortening deadlines.

Critics, such as those who marched on Seattle's streets and who are dissatisfied with the current direction of globalization, believe that large multinational corporations have become so powerful they are unaccountable to governments.⁷ Corporate influence on rule-making organizations such as the World Trade Organization on issues such as developing country debt and environmental standards comes at the expense of those who do not stand to benefit from "liberalized trade." For example, take U.S. workers in manufacturing industries and those living in developing countries who have little or nothing to sell to world

⁶Narayana Murthy, "Commanding Heights," PBS.org, February 5, 2001, www.pbs.org/wgbh/commandingheights/shared/minitext/int_narayanamurthy.html.

⁷See Naomi Klein, *No Logo: No Space, No Choice, No Jobs* (New York: Picador, 2002), and *Fences and Windows*; Korten, *When Corporations Rule the World*; Joel Bakan, *The Corporation* (New York: Free Press, 2004); Noreena Hertz, *The Silent Takeover: Global Capitalism and the Death of Democracy* (New York: Harper Business, 2003).

markets. Moreover, critics argue the corporate quest for efficiency (and thereby, greater profitability) leads to greater injustice, environmental degradation and the destruction of local cultures, traditions and thereby community life.⁸

Bringing in explicitly Christian concerns, Timothy Gorringer argues that modern global corporations (among other institutions) represent the "principalities and powers" mentioned in Ephesians 6:12, and sees them as promoting imperialism.⁹ Based on an interpretation of Luther's theology, Cynthia Moe-Lobeda likewise argues that globalization is a force that should be resisted by Christians.¹⁰

In contrast, those who are more favorable toward globalization's current shape argue that the power of corporations is routinely overstated.¹¹ Governments can and do routinely pass regulations that govern the conduct of corporations, and markets have built-in measures of accountability. Moreover, globalization not only serves business interests but provides unprecedented economic opportunity (and thereby social and political empowerment) for the financially poor through economic growth and the creation of new wealth. Writing from a Christian theological perspective, Brian Griffiths argues that globalization based on market economics is consistent with Christian ideals because

wealth creation is a direct implication of the creation mandate. The existence of markets in which people can buy and sell goods and services freely, and in which property rights are protected by the rule of law, strengthens personal freedom. This is something valuable in itself in that it allows individuals and families to develop and prosper, and creates a buffer against the control of economic life by the state. . . . In the context of globalization, increased trade and investment extend the benefits of markets to developing countries and in the process help reduce poverty.¹²

⁸See books listed in previous note.

⁹Timothy Gorringer, "The Principalities and Powers," in *Globalization and the Good*, ed. Peter Heslam (Grand Rapids: Eerdmans, 2004), pp. 79-91.

¹⁰Cynthia Moe-Lobeda, "Offering Resistance to Globalization: Insights from Luther," in *Globalization and the Good*, ed. Peter Heslam (Grand Rapids: Eerdmans, 2004), pp. 95-104.

¹¹Philippe LeGrain, *Open World: The Truth About Globalization* (Chicago: Ivan R. Dee, 2004); Bagwati, *In Defense of Globalization*; and Wolf, *Why Globalization Works*.

¹²Brian Griffiths, "The Challenge of Capitalism: A Christian Perspective" in *Making Globalization Good*, ed. John H. Dunning (New York: Oxford University Press, 2003), pp. 165-66.

CORPORATIONS AND GLOBALIZATION

While corporations based all over the world, and especially in America, Asia and Europe, have helped shape contemporary globalization, one company in particular has come to symbolize the corporate role within it. Whether fair or not, Walmart has become a lightning rod for all that's deemed to be right and wrong with corporate influences in globalization.¹³ In many ways the company's actions serve as a window into the bigger picture of globalization. According to Duke University professor Gary Graffeti, Walmart is a model for all businesses in all industries.¹⁴ In fact, much has been written recently on the so-called "Walmart effect."¹⁵

One the largest companies in the world with \$375 billion in sales for its 2008 fiscal year, Walmart, based in Bentonville, Arkansas, has capitalized on technology (particularly its inventory control system) and trade agreements (e.g., between the U.S. and China) to move to more global operations in its quest for greater profits. As chronicled in a PBS *Frontline* episode titled "Is Wal-Mart Good for America?" the company once used a "Buy American" strategy but abruptly abandoned it once it was no longer effective. In order to boost profit margins and fulfill its promise to bring low prices to customers, the company used its enormous purchasing power and began to aggressively squeeze its suppliers for cost concessions. In effect, this forced many suppliers to go offshore, especially to places like China, to manufacture products. In addition to sourcing, Walmart has also aggressively expanded from its humble southern U.S. beginnings to establishing a strong retail presence in other countries.

Walmart's mode of operation has become commonplace. According to critics these actions exemplify the tendency of globalization to create both domestic and global problems. On the domestic front the quest to lower production costs results in the elimination of well-paying jobs and replacing them with lower paying "Mcjobs." The loss of manufacturing jobs has been referred to as the "hollowing out" of a key American economic sector.¹⁶

¹³See, for example, Charles Fishman, "The Wal-Mart Effect and a Decent Society: Who Knew Shopping Was So Important?" *Academy of Management Perspectives* 20, no. 3 (2006); Charles Fishman, *The Wal-Mart Effect* (New York: Penguin, 2006); and "Is Wal-Mart Good for America?" *Frontline*, www.pbs.org/wgbh/pages/frontline/shows/walmart.

¹⁴Gary Graffeti, in "Is Wal-Mart Good for America?"

¹⁵See, for example, Fishman, "Wal-Mart Effect."

¹⁶See "The Great Hollowing-Out Myth," *The Economist*, February 19, 2004, www.economist.com/displaystory.cfm?story_id=2454530.

More recently, concerns have shifted to include white-collar professional jobs like computer programming and financial analysis, some of which have also been sent overseas.¹⁷ Small businesses also purportedly suffer at the hands of giant retailers. The downward plight of older downtown shopping districts has often been tied to the opening of a nearby Walmart store. Family-run or locally owned businesses simply can't compete with retailing giants like Walmart on the basis of price or selection. In addition to job loss by shifting work overseas, astronomical increases in the U.S. trade deficit also takes place as more goods, particularly finished ones, have to be imported. While Walmart only plays a partial role, the U.S. balance of trade stood at roughly a \$700 billion deficit for 2008 (\$268 billion with China alone).¹⁸

Moving beyond Walmart, significant problems are created in the countries where the actual jobs are "sent." Because of intense price competition to win contracts by lowering costs, manufacturing and agricultural operations in developing countries are rife with sweatshop conditions. Workers put in long hours for extremely low wages and are subject to dangerous working conditions and possible mental and physical abuse. Many of these operations also suffer from lax environmental standards or enforcement.

In emerging markets or developing countries where goods and services are newly advertised and sold by powerful Western corporations, critics point to cultural insensitivity and Western hegemony. Coca-Cola, McDonald's and MTV, which have become globally ubiquitous, are often cited as examples of an American cultural takeover, (e.g., "Coca-colonization" or "McDonaldization"). More specific examples that have garnered negative attention for their audacity or cultural insensitivity include a Starbucks store in China's six-hundred-year-old Forbidden City (now closed amidst controversy) and Taco Bell's attempt to sell its "Mexican" food south of the U.S. border.

¹⁷Former Walmart Chief Operating Officer and current board member Donald Soderquist states that since Walmart does not manufacture anything, it would not serve the company well to drive suppliers out of business. In fact, the incentives actually work the opposite way. Walmart has every reason to treat suppliers fairly since Walmart is dependent on them for the goods they sell (see Albert Erisman and Kenman Wong, "Wal-Mart Way Produces Accolades, Criticism, Growth," an interview of Donald G. Soderquist, *Ethix* 58 [2008], <http://ethix.org/2008/04/01/wal-mart-way-produces-accolades-criticism-growth>).

¹⁸United States Balance of Trade, "Trading Economics," www.tradingeconomics.com/Economics/Balance-of-Trade.aspx?Symbol=USD, and United States Census Bureau, Foreign Trade Statistics, www.census.gov/foreign-trade/balance/c5700.html#2008.

Eliciting even more concern is the prospect for powerful cultural changes that take place. Younger people in particular tend to be more influenced by advertising and more easily lose their distinctive traditions and values. In so doing they are susceptible to becoming homogenized consumers who chase the same individualistic and materialistic dreams as wealthy Westerners. This shift in values harms their spiritual, physical and mental health, and can lead to communal and intergenerational strife.¹⁹ Tom Sine observes:

The world's youth are targeted for a very simple reason—they are more amenable to the values of the global shopping mall than their parents' generation. While adults often still prefer culturally specific customs, young people, according to economist Joseph Quinlan, "prefer Coke to tea, Nike to sandals, Chicken McNuggets to rice, [and] credit cards to cash." McWorld's marketers are not just interested in selling products to the global youth. They are intent on changing their values so they will all want to buy the same products. Whether we recognize it or not, people of faith are in a worldwide contest for the hearts and minds of the next generation.²⁰

The adoption of consumer-oriented lifestyles brings another negative externality, namely, more waste and pollution as status seeking and disposability are embraced. It has been often proffered that if only half of the families in China (the world's most populous country) or India emulated a Western lifestyle by owning two cars, three televisions and disposed of many household items for reasons of fashion and acceptance rather than utility, the amount of damage to the earth would be unthinkable. Coupled with the pollution from the rapid growth of developing infrastructure (buildings and roads) and production and manufacturing facilities, wasteful consumerism contributes to a double impact in places like China (as seen and breathed during the 2008 Summer Olympics in Beijing) when it comes to environmental (and thereby human) health.²¹

In sharp contrast, those who are more favorable toward the current direc-

¹⁹For further discussion of this, see Tim Kasser, *The High Price of Materialism* (Cambridge, Mass.: MIT Press, 2002); and Rodney Clapp, ed., *The Consuming Passion: Christianity and the Consumer Culture* (Downers Grove, Ill.: InterVarsity Press, 1998).

²⁰Tom Sine, "Branded for Life," *Sojourners*, September–October, 2000. Available at www.soj.net/index.cfm?action=magazine.article&issue=soj0009&article=000912.

²¹For further discussion on this point, see Thomas L. Friedman, *Hot, Flat and Crowded* (New York: Straus & Giroux, 2008), esp. chaps. 3, 7.

tion of contemporary globalization see things in a much different light. Liberalized trade that is largely free from government interference, they argue, allows capitalism to do its work of "creative destruction" in the most efficient manner possible.²² Some amount of pain (such as layoffs), they acknowledge, is necessary if markets are allowed to do away with old, inefficient industries and create new ones. Focusing on measures such as the trade deficit, some argue, is also misguided because trade permits economies, which no longer end at national borders, to flourish.²³ Moreover, market economies reflect some of God's designs as they allow for human freedom and private property, account for the realities of sin, and are much more resistant to the abuse of power when alternative systems such as socialism are considered.²⁴

Supporters point out that globalization can be a tough sell to the general public because those who suffer at its hands are much more visible than the beneficiaries. Pollution and sweatshops abroad and shackled factories at home make for visually and emotionally persuasive images, while those who gain from the effects of globalization remain largely hidden. Former Clinton Administration Treasury Secretary and Harvard University president (and Obama economic adviser) Lawrence Summers notes:

It certainly was difficult to sell NAFTA [North American Free Trade Agreement] because it's always difficult to sell open markets. There's a basic cost of open markets, [such as] somebody losing a job, [which is] particular or very obvious, [but] the benefits are much less clear. Who said on Christmas Day, "Gosh, thanks, without open markets I would have been only able to buy half as many toys for my kid"? Or whoever says, "You know, I'm not that great a worker, but they really had no choice but to promote me given the surge in export demand"? On the other hand, every job loss that can be remotely connected to international trade, people do. So this problem of invisible beneficiaries and very visible losers is one that bedevils the political economy of trade.²⁵

²²Joseph Schumpeter popularized this phrase to describe this economic phenomenon in *Capitalism, Socialism and Democracy* (1942; reprint, New York: Harper Perennial, 2008).

²³Jenny Bates, "Putting the U.S. Trade Deficit into Perspective," Progressive Policy Institute Fact Sheet, February 1, 2000, www.ppionline.org/ppi_ci.cfm?knlgAreaID=108&subsecID=900009&contentID=609.

²⁴Vicktoria Somogyi, "Lord Brian Griffiths on Globalization," *Zenit*, November 13, 2006, www.zenit.org/article-18173?l=English.

²⁵Lawrence Summers, "Commanding Heights," PBS.org, April 24, 2001, www.pbs.org/wgbh/commandingheights/shared/minitextlo/int_lawrencesummers.html.

People living in places like Southeast Asia, China and India are also offered as prime examples of how the world's poor are lifted out of poverty much more effectively and quickly by the working of markets (and liberalized trade) than by government or donor aid programs. According to Jahangir Aziz of the International Monetary Fund, China has added 120 million people in new employment and pulled around 300 million people out of poverty since embarking on market-based economic reforms over roughly the last thirty years.²⁶

While not defending or denying labor and environmental abuses when they do occur, proponents of globalization primarily see "factories" that offer economic opportunity rather than mass "sweatshops." For countries like China, labor has been a key export or, in the language of economic theory, the country's basis of "comparative advantage." While many of the newly created factory jobs (with relatively low wages) are not ideal from a Western viewpoint, they are very attractive compared to the alternatives. For example, many young people who have chosen to move to major industrial areas from the countryside would have to eek out a subsistence living on a family farm in the absence of factory work. Furthermore, a manufacturing/industrial stage has been historically common, if not necessary, in developing a country's economy.

In a provocative article published in the *New York Times Magazine* titled "Two Cheers for Sweatshops" (a play on the title of Irving Kristol's book *Two Cheers for Capitalism*), authors Nicholas Kristof and Sheryl WuDunn recount the differences in how factory (sweatshop) jobs are viewed in wealthy versus developing countries. While many Westerners see them as tragic, many locals embrace factory jobs as opportunity. The authors also recount their amazement at the changes that have taken place in the Pearl Delta region of China in only a decade or so. Increasing wages and glimpses of a middle class had begun to emerge during regular visits to the region.²⁷ Evidence of rising wage profiles and the creation of professional- and technical-class jobs in places like China and India have

²⁶Wanda Tseng (moderator), T. N. Srinivasan, Minxin Pei, Jahangir Aziz, "China and India: Expanding Roles in the World Economy," International Monetary Fund, December 14, 2006, www.imf.org/external/NP/EXR/BForums/2006/121406.htm.

²⁷Nicholas Kristof and Sheryl WuDunn, "Two Cheers for Sweatshops," *New York Times Magazine*, September 24, 2000. Available at www.nytimes.com/library/magazine/home/20000924mag-sweatshops.html.

been well documented.²⁸ In some cases, wages have risen so quickly that some observers wonder if low wages will actually be lost as a basis for comparative advantage.

Some farmers and small craftspeople have also benefited from globalization. Using technology to access weather forecasts and real-time world market prices, some farmers have been empowered to make smarter planting decisions and/or to avoid underselling their crops. Others are growing new crops and/or selling to new markets. For example, coffee exports from Southeast Asia and Africa have grown dramatically, and produce such as grapes grown in places like Chile and Mexico can be found in grocery stores, particularly during "off seasons" for domestic fruit. Retail markets have also been created for "fair trade" crafts, providing new retail channels to sell goods made by indigenous craftspeople.²⁹

Proponents of globalization point to other domestic benefits. As customers, for example, a much broader variety of products and services are available. As noted earlier in the remark by Lawrence Summers, costs for many products have also been lowered or would be even higher if not for the savings derived from global sourcing. A study from the National Bureau of Economic Research found that Walmart's lower prices has an effect on reducing the rate of inflation.³⁰ The study noted that Walmart typically sells food for 15 percent to 25 percent less than competing supermarkets, a fact not accounted for in government consumer price index calculations. Accounting for this fact would reduce the published inflation rate by as much as 0.42 percentage points or 15 percent per year.³¹

Lower prices especially benefit the domestic poor, a demographic on which Walmart especially concentrates. While critics focus on the harmful effects of Walmart on small towns and its workers, Harvard Business School professor Pankaj Ghemawat is quick to point out that if poor con-

²⁸"How Rising Wages Are Changing the Game in China," *Business Week*, March 27, 2006. Available at www.businessweek.com/magazine/content/06_13/b3977049.htm.

²⁹Siddharthe Srivastava, "Could Rising Wages Diminish India's Outsourcing Competitive Edge?" *Siliconer*, January 21, 2005, http://newsamericamedia.org/news/view_article.html?article_id=167d1c86c1d28e7607c942fd9891938e.

³⁰Jerry Hausman and Ephraim Leibtag, "CPI Bias from Supercenters: Does BLS Know that Wal-Mart Exists?" National Bureau of Economic Research working paper 10712, August 2004.

³¹Bruce Bartlett, "Is Wal-Mart Good for America?" National Center for Policy Analysis, November 22, 2004. Available at http://townhall.com/columnists/BruceBartlett/2004/11/19/is_wal-mart_good_for_america/page/full.

sumers are brought into the picture, some distributional justice concerns should be addressed. Ghemawat notes that Walmart operates primarily in the poorest states, and within these states it focuses on the poorest districts and poorest consumers. Thus the poor would "pay more for food and non-food items that—after housing—is their second largest household expense."³²

In addition to lower prices customers also benefit from added convenience. Call centers located in places like India and the Philippines, while sometimes frustrating in terms of quality of service provided, do in fact permit us to inquire about credit card billing or technical problems outside of normal office hours. At a more personal level we can even practice offshore outsourcing by hiring our own overseas-based assistants to book appointments, make travel arrangements, type correspondence, transcribe recordings and handle some e-mail on our behalf.

Investors also benefit by having access to new opportunities (e.g., companies and economies of emerging markets), and through the ability to spread portfolio risk across a wider spectrum of holdings. For example, if the domestic economy (and thereby companies within it) is suffering, investors can mitigate risk by also putting their money in companies in other parts of the world that are doing better.

In addressing the particularly sticky issue of moving American jobs overseas, some proponents of liberalized trade argue that the offshore outsourcing phenomenon, particularly with respect to white collar jobs, has been well overstated in terms of numbers.³³ Others argue that offshore outsourcing is really a long-term win-win proposition, as benefits from savings on labor costs and increased incomes in other countries eventually accrue to the U.S. economy.³⁴ More specifically, some argue that while trade eliminates some jobs, it creates others.³⁵ The net effect, however, is not a function of international trade but of the number of people in the

³²Pankaj Ghemawat, "Business, Society, and the Wal-Mart Effect," *Academy of Management Perspectives* 20, no. 3 (2006): 42.

³³Jacob Funk Kirkegaard, "White-Collar Outsourcing: Myth Vs. Reality," *Globalist*, April 15, 2008, <http://petersoninstitute.org/publications/opeds/oped.cfm?ResearchID=916>.

³⁴See "Offshoring: Is It a Win-Win Game?" McKinsey Global Institute, 2003; and "IT Outsourcing and the U.S. Economy," *IHS Global Insight*, 2004, www.ihsglobalinsight.com/MultiClientStudy/MultiClientStudyDetail846.htm.

³⁵Douglas Irwin, "Does Free Trade Kill Good American Jobs?" *American Enterprise*, June 2004, pp. 31-33.

labor force. Using employment data, it would be more accurate to state that jobs (whether white or blue collar) *shift* from less efficient sectors to more efficient ones, rather than disappear. Neither, they argue, does trade replace higher paying jobs with lower paying ones. In contrast, lower paying jobs tend to get eliminated.³⁶

With respect to the impact of corporations on local cultures and traditions, Philippe LeGrain argues that culture is much more than the sum of what people eat, drink or watch on television, and is more powerful than critics allege.³⁷ Indeed, products have to be tailored (globalized) to fit each culture if they are to be appealing to consumers. For example, McDonald's sells lamb, beer and noodles in some locales. Likewise, Coca-Cola is formulated to be sweeter to fit Latin American tastes. Even Walmart stores that operate in places like China sell many food products that a Westerner would scarcely recognize, much less purchase. Instead of cultural hegemony (Western dominance), LeGrain believes that globalization should be more positively described as "cultural exchange," because even a cursory look at cuisine, books, music and clothing reveal that Westerners are also deeply influenced by other cultures.

GLOBALIZATION AND CHRISTIAN VALUES

Developing a fair and informed evaluation of globalization is a challenging task. Such an evaluation is dependent on factual items such as whether well-paying jobs are lost, the rampancy of abuses in factories and the root causes of cultural change. These issues are not easy to settle. Moreover, the facts may well change with time and circumstances. Underlying the facts, and often shaping their interpretation, however, are important values that are often unstated but must be examined. Recall from chapter two that a key part of God's mission Christ came to proclaim, as characterized by the full meaning of *shalom* and the *kingdom*, is a deep concern for human flourishing and transformation across multiple dimensions: spiritual, physical, emotional, social. Moreover, justice for

³⁶*Ibid.*, p. 33.

³⁷LeGrain, *Open World*, pp. 293-319. See also Philippe LeGrain, "In Defense of Globalization: Why Cultural Exchange Is Still an Overwhelming Force for Good," *The International Economy*, summer 2003.

the poor, vulnerable and voiceless are of special concern to God.

In applying these ideals to globalization there is nothing in Scripture that would indicate these concerns should end at national or ethnic boundaries. We are simply commanded to love our neighbors. However, the interdependencies created by globalization have caused the neighborhood to expand in size and scope. In the Old Testament tradition sojourners were to be treated like the native born under the law (Lev 19:34). Jesus arrived on the scene to clarify that God's mercy should be extended to all. The kingdom properly seen is inclusive. Thus our neighborhood, and thereby our neighbors, has become global.

Several other components of shalom are worth developing in light of globalization. Many Old Testament laws that were intended to guide the communal life of ancient Israel were to insure economic justice. For example, the Jubilee year (in which all debts were to be forgiven and all land returned to its original owners) ensured that if someone were to lose the means to attain a sufficient living, they would receive an opportunity to start over. While the Jubilee year cannot be practiced in a literal sense in our modern economy, the principles of mercy and opportunity can and should be.

Moreover, the laws also ensured some measure of distributional justice. For example, gleaning laws and the third-year tithe insured that the poor had a sufficient means to survive. To be certain, there is no indication in Scripture that an equal distribution of wealth is required to insure justice. Forcibly creating conditions of equal wealth would violate human dignity by curbing freedom too greatly. Moreover, differences in choices, effort, talents and other circumstances can play significant roles in creating situations in which wealth is unequally held.³⁸ However, the presence of exploitation or increasing wealth concentrated in the hands of a few should certainly raise questions as to whether the shape of community life exists according to divine patterns.

The Bible also recognizes that wealth is not an end all. Rather, economic well-being is critical to other forms of empowerment and participation in community life. As Stephen Mott and Ronald Sider note, getting

³⁸Stephen C. Mott and Ronald J. Sider, "Economic Justice: A Biblical Paradigm," in *Toward a Just and Caring Society: Christian Responses to Poverty in America* (Grand Rapids: Baker, 1999), pp. 15-45.

locked out of economic opportunity also excludes people from full participation in community life.³⁹

With this framework in mind, we can examine some of the arguments (and their underlying values) used to criticize and defend the present direction of globalization. In so doing we can also cautiously affirm some of the gains brought about by globalization, while rejecting some of its inherent logic, and arguing that it must be reshaped if it is to bring about shalom.

Some of the critics of globalization focus much too narrowly on American interests, such as job loss. While losing one's livelihood can create understandable frustrations and tangible losses, focusing primarily on the protection of "our" jobs goes against a biblical outlook. Our point here is not that American interests should be neglected but that Christian love of neighbor properly construed translates into a global-citizenship perspective that includes active concern for those who live beyond our borders. More specifically, the fact that people in developing countries have increasing employment opportunities with prospects for rising wage profiles should be seen in a positive light. Focusing too much on our own well-being violates God's designs and can sometimes even lead to xenophobic attitudes such as "they're stealing our jobs." In fact, practicing love of neighbor converts "they" into "we." Thus the title of a PBS *Frontline* episode titled "Is Wal-Mart Good for America?" is much too narrow. Properly focused, it might be retitled (and thereby redirected) as "Is Walmart Good for Our Neighbors Across the Globe?" On a similar note theologian Eugene Lemcio asks, "Why isn't the American dream ever spoken of in terms of justice, equality, freedom and responsibility? Does the very definition of who we are as a people and nation have to boil down to things and owning them—however necessary and desirable?"⁴⁰

Practicing love of neighbor on a more global scale would lead us to affirm and celebrate the very real and tangible economic benefits, especially for the poor and disenfranchised, brought about by globalization. The creative forces of the market (particularly trade and technology) have made significant contributions to the real economic growth and the creation of

³⁹Ibid., p. 23.

⁴⁰Eugene Lemcio, letter to the editor, *New York Times*, Oct. 17, 2008. Available at <http://query.nytimes.com/gst/fullpage.html?res=9E05E1DF153EF93BA25753C1A96E9C8B63&sec=&spon=&pagewanted=2>.

wealth around the world. To be certain, economic wealth is not sufficient as a measure of overall human well-being, but in its absence it is difficult to envision how improvements in physical health, education and social empowerment can be brought about.

While *wealth* conjures up images of “fat cats” (perhaps rightly) as prime beneficiaries, both the domestic and global poor have also gained, sometimes dramatically, as the previously cited three hundred million lifted out of poverty in China alone would indicate. Jeffrey Sachs writes in his acclaimed book *The End of Poverty*:

Since 1978, China has been the world’s most successful economy, growing at an average per capita rate of almost 8 percent per year. At that rate, the average income per person has doubled every nine years, and thus had increased almost eight-fold by 2003 compared with 1978. The reduction of extreme poverty in the country has been dramatic. . . . In 1981, 64 percent of the population lived on an income below a dollar a day. By 2001, the number was reduced to 17 percent. The engines of growth are still running strong, with per capita growth currently only slightly slower than a few years ago.⁴¹

When applied to a population of well over a billion people (one-fifth of the entire human population), these percentages are staggering. It is also important to affirm that the only proven way to lift people out of economic poverty is to make the entire pie bigger by creating new financial resources. Currently, the only known economic system that accomplishes this is market-based capitalism, though how unfettered (free of government influence) this needs to be is debatable. R. Glenn Hubbard and William Duggan argue that a thriving business sector and sound regulations are prerequisites for reducing poverty in developing countries.⁴² Simply redistributing existing wealth by resizing is severely limited in efficacy, notwithstanding the significant moral, political and social problems radical reallocation would create. Thus reforms that would replace or too greatly hamper the market’s ability to create jobs and a vibrant private sector would effectively deny hundreds of millions and perhaps billions of people the chance to effectively escape poverty.

⁴¹Jeffrey Sachs, *The End of Poverty: Economic Possibilities for Our Time* (New York: Penguin, 2005), p. 155.

⁴²R. Glenn Hubbard and William Duggan, *The Aid Trap: Hard Truths About Ending Poverty* (New York: Columbia University Press, 2009).

Other inroads and connections made permissible by globalization have also been life-giving to the poor and should likewise be affirmed. Technology and media have allowed us to be more aware of natural disasters than ever before (e.g., Asian tsunami). And financial assistance and other forms of relief (e.g., clean water) can sometimes be gathered and distributed more quickly and efficiently using well-established commercial channels. Perhaps ironically we are also much more aware of human rights issues, such as labor abuses in sweatshops, and of environmental degradation, raising the stakes on corporate accountability and citizenship.

Bold and imaginative plans to alleviate poverty and to solve other social problems have also been developed and enacted. Organizations such as Kiva (founded by Christians, though not run as a Christian organization) allow us to connect with the world’s poor by telling the stories of micro-entrepreneurs and their needs for capital to start or expand their businesses. We (even distant, wealthy Americans) are then enabled through technology to loan these entrepreneurs money (through an intermediary) to expand their businesses and hopefully pull themselves out of poverty. Kiva funded close to one hundred million dollars to microentrepreneurs in its first four years of existence, an amazing fact considering loans are made in small twenty-five-dollar increments. Without technology and the ability to move capital around the globe freely and quickly, these types of efforts would not exist.

The type and frequency of cultural and economic exchange made possible by globalization also plays a role in peacemaking and civility. The fact that we can escape “the tyranny of geography,” as LeGrain puts it, and connect with people worldwide and experience their cultures helps to build bridges, whether by travel or use of technology.⁴³ Using our computers, for example, we can experience other cultures, see art in museums and listen to music even though we may never physically get to their places of origin. We can connect with fellow music fans, those interested in solving global poverty or environmental issues, photographers, art aficionados and travel buffs (or whatever our interests may be) from around the world.

And countries or people that engage in trade with one another have greater incentives to maintain peaceful relationships rather than become entangled

⁴³LeGrain, *Open World* and “In Defense of Globalization.”

in armed conflict. For example, Thomas Friedman points out humorously in *The World Is Flat* that no two countries that are part of a major supply chain such as Dell Computer's have ever fought a war against each other.⁴⁴

Development is also a much better tool to fight against terrorism than military force, as affirmed by the likes of retired military generals Colin Powell (the former Secretary of State) and Pete Pace (former chairman of the Joint Chiefs of Staff).⁴⁵ When disenfranchised people experience improvements in their lives, they are less vulnerable to be recruited by angry groups bent on destructive means to secure a locus of power.

For all of the positive gains of globalization (and there are many genuine ones), however, some aspects of it should be central targets of efforts at transformation. More specifically, some supporters reduce globalization to its material, economic aspects alone. For example, Murthy's definition (see p. 142), while given in the context of business, reduces globalization to sourcing and selling. Likewise, people in developing nations are often referred to as "emerging markets." Reducing globalization and people to their economic dimensions does not reflect the totality of who God has created them to be, which is necessary to love our neighbors and bring them shalom.

Some of the language used to define globalization and measure human well-being proceed purely on the basis of secular grounds and categories. "Unmasking" words such as *efficient*, *more*, *cheaper*, *faster* (emerging) and *markets* reveal much about the logic of globalization and how parts of it run counter to Christian ideas.

The quest for *efficient* and *cheaper* can and does lead to human exploitation and greater injustice. While it is wrong to view all or even most factories as sweatshops, the abuse of poor, uneducated, young and often female workers at the hands of unscrupulous factory managers happens. Factory conditions have likely improved through the years as negative publicity has forced greater accountability and inspection and auditing systems have been put into place. But though growing in number, audits and inspections are very limited. It has also been well documented that some companies preannounce inspections before they occur, allowing unscrupulous factory managers to clean up their act before inspectors arrive.

⁴⁴Friedman, *World Is Flat*, p. 421.

⁴⁵See Albert Erisman and David Gautschi, "General Peter Pace: The Truth as I Know It," *Ethix* 61 (2008), <http://ethix.org/2008/10/01/the-truth-as-i-know-it/>.

Some factory managers intimidate and fire workers who tell the truth to inspectors. Government officials of some developing countries overlook labor abuses in true sweatshops and don't enforce laws for fear of raising costs for businesses and thereby chase jobs away.⁴⁶ It would also not be far-fetched for corporations in search of lower costs to source or manufacture in places with lower environmental standards.

More (goods) in both quantity and variety, made possible by *cheaper*, does not necessarily represent the biblical vision of an "abundant life." Ironically, material abundance, so often sold as "the American dream," can lead to waste, environmental degradation and psychological stress, not to mention spiritual malady.⁴⁷ Expanding sales into new markets may well mean paving the road to the spread of the gospel of consumerism. A careful look will reveal that while globalization might represent cultural exchange and not hegemony (as LeGrain argues), interactions are mostly based on shallow categories of *consumption* (e.g., food, music, clothing) rather than meaningful connections that serve others and foster true community.

More as measured by wealth creation and growth in a country's Gross Domestic Product (GPD) can also be a distorted measure of progress. GDP is, of course, an aggregate measure and not a distributive one. So, while a country or region's overall wealth may be increased, nothing is said of how that income is shared or spread. If only a few people benefit and others are actually harmed, GDP would still increase if the amount of gain is greater than the losses. To date, not all countries have enjoyed gains from globalization, particularly countries with little to sell on the basis of "comparative advantage" in the marketplace. Nor have many individuals been net winners in the global economy. While globalization might not be properly blamed, since poverty has many causes, growing income gaps should make us pause to take note. Some studies indicate increasing inequality within developing countries.⁴⁸ Is the size of the gap growing? Are the rich getting richer at the expense of the poor? Do trade policies favor

⁴⁶Philip Pan, "Worked Til They Drop," *Washington Post*, May 12, 2002, www.hartford-hwp.com/archives/55/709.html.

⁴⁷See Kasser, *High Price of Materialism*.

⁴⁸See Ann Harrison, ed., *Globalization and Poverty* (Chicago: University of Chicago Press, 2007). Chapters 3 (by William Easterly) and 4 (by Branko Milanovic and Lyn Squire) provide evidence that increasing openness to trade is associated with greater inequality in developing countries.

corporations at the direct expense of the voiceless? Is the world actually getting any "flatter" in the sense of justice? If so, biblical standards of justice would be violated. Brian Griffiths says:

The kind of global capitalism that a Christian will wish to see develop is one which encourages responsibility, fairness, and widespread ownership. . . . A Christian perspective will place a strong emphasis on economic justice. . . . In a fallen world, there will be exploitation, corruption and injustice. Those with power will bend the rules in their favor. The Christian must be prepared to stand up and confront injustice, and work to change the rules, structures, and ethos in order to create a more just society. The Christian understanding of justice will embrace wealth creation as much as wealth redistribution.⁴⁹

Measures such as gains in household income (or other proxy measures of well-being), adjusted for purchasing power, at the bottom half of the economic ladder provide better measures of actual progress in economic development. However, it is important to recall that wealth (whether in the aggregate or at individual levels) is only one measure of human well-being or flourishing. Economic gains may well form the basis for better health care, improved nutrition and education, and perhaps political empowerment, but attention must be paid to social, psychological and spiritual dimensions as well. So, families may have increased income but at the same time may experience the negative effects of the empty pursuit of consumerism, newly introduced class struggles or conflicts over modernization versus tradition. A robust definition of *development* will consider these and other factors in trying to improve overall human well-being. Reducing people to material factors may also play a role in abusing workers—that is, "we pay them better, therefore . . ."

Faster may describe the speed of *disruption* that occurs in a global economy. Thomas Friedman captures the disruptive forces of globalization well in his use of several apt metaphors to contrast globalization with the Cold War era.

In the Cold War we reached for the "hot line" between the White House

⁴⁹Brian Griffiths, "The Challenge of Global Capitalism: A Christian Perspective," in *Making Globalization Good: The Moral Challenges of Global Capitalism*, ed. John H. Dunning (New York: Oxford University Press, 2004), p. 166.

and the Kremlin—a symbol that we were all divided but at least someone, the two superpowers, were in charge. In the era of globalization we reach for the Internet—a symbol that we are all connected but nobody is totally in charge. . . .

Indeed, if the Cold War were a sport, it would be sumo wrestling, says Johns Hopkins University foreign affairs professor Michael Mandelbaum. "It would be two big fat guys in a ring, with all sorts of posturing and rituals and stomping of feet, but actually very little contact, until the end of the match, when there is a brief moment of shoving and the loser gets pushed out of the ring, but nobody gets killed." By contrast, if globalization were a sport, it would be the 100-meter dash, over and over and over. And no matter how many times you win, you have to race again the next day. And if you lose by just one-hundredth of a second it can be as if you lost by an hour.⁵⁰

These metaphors illustrate how uneasy people are with globalization, and this has been experienced in real life. As we have experienced several times now (Asian economic flu, technology bubble, subprime-related credit crunch), *faster* often describes the panic that ensues when interconnected economies start to falter, resulting in precipitous declines of corporate and personal wealth.

While companies gain from *cheaper* (sourcing) and from the opening of new global markets, employees often suffer from disruptions. Corporate executives are pressured to maximize quarterly earnings. Often this means more tenuous employment relationships as companies send jobs overseas or reduce workforce due to increased competition. Factories get shuttered. And the last decade has witnessed the outsourcing of white-collar work (such as computer programmers, financial analysis, etc.). Whether domestic jobs disappear or only shift by aggregate economic measures, they are certainly lost to wage earners, families and communities.

Around the globe, the lives of farmers and local producers are also disrupted at an unprecedented pace. Farmers may be hurt by trade bureaucrats' decisions in far away countries, such as policies to protect their own domestic agricultural interests, which effectively diminishes competition on a level playing field. In fact, the fair trade movement, best known for coffee but now encompassing a variety of other products such as chocolate,

⁵⁰Friedman, *Lexus and the Olive Tree*, pp. 8, 12.

clothing and flowers, was a Christian movement started in Europe to mitigate the impact of the scope and pace of change on farmers in the developing world. As world coffee prices plummeted, farmers had to leave generations of family work. In theory these farmers should simply pack up and move their labor to more efficient economic sectors. These transitions do not take place so easily in reality, so farmers, their families and their workers are often left in dire situations. While "fair trade" has become a brand, with its own possible shortcomings, the driving force behind it was to counteract the disruptive forces of globalization.⁵¹

When connected to technology, the quest for *faster* can also make us worse off. Speed often negates work that is characterized by boundaries or a sabbath outlook that is marked by ceasing and rest. At the employee level the ability to work from anywhere often means an expectation to work from *everywhere*. It is becoming a standard expectation for employees to check e-mail regularly during off hours and to even tote laptops or other devices to their vacation destinations in order to stay in touch with the office.

While twenty-four-hour development teams shorten development cycles, they might also lead to disruptive working hours. It is becoming increasingly common for managers to work late into the evening or to go into work in the middle of the night for meetings in order to collaborate with team members who live on another part of the globe. Undoubtedly, some amount of work during nontraditional hours is necessary (and even desirable) in a global economy, but the line establishing a healthy boundary with work can get easily erased.

WHERE TO NOW?

Although the current period of deglobalization reminds us that it won't be without some bumps along the way, globalization is likely moving forward.⁵² As we have seen, globalization has been a force for good *and* for ill. Parts of it should be embraced as an agent of transformation, while others should be resisted and treated as a recipient of change.

What is yet to be determined is its future direction and shape. Will core

⁵¹See Kerry Howley, "Absolution in Your Cup," *Reason*, March 2006, <http://reason.com/archives/2006/03/01/absolution-in-your-cup>.

⁵²For a discussion of deglobalization, see "Turning Their Backs on the World," *Economist*, February 21, 2009, pp. 59-61.

human values, particularly those reflecting divine patterns, be overrun in the quest for greater efficiency and profit? Or will globalization move more in a direction that is characterized by the biblical vision of shalom? Is there a way to affirm the creative forces of the market while mitigating the very real harms caused by its destructive side?

Both detractors and supporters of the current shape of globalization agree that our collective actions will help answer these questions. Consistent with the subject of this book and the framework presented in chapter two, we must ask, What if businesspeople and organizations approached their work with a markedly different lens or worldview and turned the standard economic efficiency arguments on their head? Replacing criteria such as sourcing where it is cheapest, selling where it is most profitable and so on, globalization would be looked on as expanded opportunities to partner with God, serve others and help transform their lives in holistic, biblically consistent ways.

Instead of just a cost-cutting source, factories would become places to deliver people (more accurately, our global neighbors) from oppressive conditions by empowering them (economically, politically, socially and physically) through fair wages and by improving their income earning skills. Safe working conditions, enriching work that as much as possible is built around human needs, and building life skills and a spirit of community and camaraderie would be givens.

Likewise, emerging markets would no longer be reduced to impersonal places or niches to sell more good and services or invest our money. Instead, we would envision global neighbors who can be served and bettered in holistic ways by the products and services offered by our organizations. Of course, this takes us front and center to questions about the very nature and benefits of the products we manufacture and sell (what business are we in?). Do they better human life or are they simply frivolous and wasteful?

Undoubtedly, the ability to live up to this vision is challenging. The real world is a difficult place to operate and is hostile to what has been just described. Powerful forces like fierce global competition and quarterly earnings pressures that translate into cost-cutting do not voluntarily step aside so that Christian (or other concerned) businesspeople can change the world. But there are people (and organizations) that have prevailed despite the threat these types of forces make. To make positive changes requires

much more than good intentions. Imagination, wisdom, courage, faithfulness and some degree of trial and error are among what is required if these ideals are to be implemented and put into operation. If our work shares in God's work, then the limits presented are surmountable.

To put the whole onus on businesspeople or corporations is a serious mistake. In our roles as employees, investors, customers and citizens we make many choices that also contribute to the shape of globalization. As employees, we must exercise as much choice as we have in determining the places we will work. If we see our work as a proper calling, we must as much as possible align that with the vision, values and practices of our employing organizations. No organization is perfect, so a part of our work is shaping them in a positive manner.

As consumers, we vote with our dollars. If we only shop based on price, businesses supplying our products and services will be driven to compete primarily on the basis of low cost. In turn, the quest for low cost is a primary starting block for the whole vicious cycle of injustice and exploitation that occurs in factories, on farms and in environmental degradation. If we purchase stuff made under oppressive conditions or with environmentally harmful materials or processes, businesses will continue to supply it. Conversely, if we want to see workers treated better and the environment tended to as if it were the Master's garden, then we must make these intentional considerations in our shopping patterns.

Likewise, investors also play a role in globalization. Many of us bemoan the instability of markets and poor long-term decisions made by executives under pressure to make quarterly earnings numbers. Yet we create the pressure by exclusively looking at the short-term financial picture (whether share price or quarterly statements) as investment criteria.

The biblical concept of stewardship is not limited to how we *spend* our money. It extends to how we earn and invest it as well. If we are to exercise good stewardship and influence the globe positively, we must broaden our view of investment and look at it on a longer-term and more holistic basis. This means being prepared, if necessary, to accept lower financial return in exchange for greater social return. This could mean investing in socially responsible companies (with strong human-rights and environmental records) or direct investment into multiple bottom-line businesses, such as microfinance institutions.

As citizens, we can vote and support initiatives that advance the good parts of globalization, namely, its creative ability (new wealth, etc.), while simultaneously supporting policies that mitigate harm from its destructive side. With respect to the latter, Christian love of neighbor would seem to imply support for fair representation of rule-making organizations, since many of the people affected do not have their interests represented and simply have an agenda forced on them. In addition, the support of safety nets, such as job retraining for those who are either left behind or suffer from disruption of one kind or another, should be supported.

Moreover, while corporations often fight for fewer regulations, markets need the visible hand of government to insure justice, honest dealings and fair economic opportunity and participation. As even former chair of the Federal Reserve Board Alan Greenspan, an avid fan of free, unfettered markets, has had to acknowledge with respect to the 2008 global economic crisis, self-interest alone does not adequately regulate markets.⁵³

Globalization has been shaped by human hands, though sometimes hidden behind corporate interests. The future shape of globalization will be in part directed by the decisions and actions of business leaders. Whether globalization moves more in a harmful direction or in one that travels closer to God's vision for shalom will be decided in part by the work of his hands and feet—his human partners.

⁵³Scott Lanman and Steve Matthews, "Greenspan Concedes to 'Flaw' in His Market Ideology," *Bloomberg*, October 23, 2008, www.bloomberg.com/apps/news?pid=newsarchive&sid=ah5qh9Up4rlg.

nature ultimately determines that should be. As author and naturalist Robert Pyle reminds us—"Nature bats last."³³

Connecting biblical ideals to environmental care, John Stott once eloquently stated, "It is a noble calling to cooperate with God for the fulfillment of his purposes, to transform the created order for the pleasure and profit of all. In this way our work is to be an expression of our worship, since our care of the creation will reflect our love for the Creator."³⁴ Given growing awareness of the intimate connections between nature and human well-being (particularly for those most vulnerable), Stott's logic might be appropriately taken one step further: Environmental stewardship should be seen as an extension of the Great Commandment (love of God and neighbor) found in Matthew 22:37-40. While business needs to be an active partner, preserving and restoring the environment (tending the garden) is a shared task requiring commitment and sacrifice if our children, grandchildren and neighbors near and far are to avoid a thicket of weeds, thistles and thorns.

³³Clive Mather, "The Business of Climate Change: What's the Deal?" Business of Climate Change Conference II, Ottawa, Canada, October 30, 2007, p. 2. The quote "Nature bats last" has been attributed to Robert M. Pyle.

³⁴John Stott, foreword to *The Care of Creation*, ed. R. J. Berry (Downers Grove, Ill.: InterVarsity Press, 2000), pp. 8-9.

EMERGING DIRECTIONS IN BUSINESS

Most of the apples we eat are grown in the rolling hills of southeastern Washington. In clusters along the major roads there, wooden shanties, often lacking plumbing and electricity, serve as temporary housing for migrant farm workers. A turn at the end of a highway near the Snake River lie orchards, clusters of middle-class houses and a school. Halfway up Fishhook Park Road is a place that some have called a piece of Eden, a family farm run by Ralph and Cheryl Broetje.¹ Broetje Orchards' brand First Fruits of Washington is named after the biblical festival in which people offered the first and best of their harvests to God.

Don't let the "family farm" label fool you. Broetje Orchards is one of the largest privately owned apple orchards in the world (more than 5,000 acres) and employs roughly one thousand full-time year-round employees in addition to another nine hundred seasonal workers. The company packs over five million boxes of apples a year and sells them to retailing giants like Costco, Safeway, Albertsons and Walmart.

While apples are not a unique product, the company's social and spiritual mission of serving the poor and marginalized sets it apart. From their early days in the agriculture business, Ralph and Cheryl witnessed the hardship experienced by their farmhands, many of whom came from south of the U.S. border for seasonal work. They could see the toll through children who were often left without supervision and unable to attend school because of frequent family moves to find work. So they created full-time

¹Kari Constanza, "A Piece of Eden." *World Vision* 7, no. 2 (2003): 22-27. See also Jim Rice, "Core Values," *Sojourners*, November-December, 2000.

year-round employment and built a preschool. They learned more about poor living conditions and health issues, including a boy being bit by rats as he slept, recalls Cheryl Broetje (who directs the "community profit" side of the business). Ralph and Cheryl decided to put up almost everything they had saved to that point and built 100 two, three and four bedroom homes. The homes form clusters known as Vista Hermosa (beautiful view) and are rented to employees and their families at substantially subsidized rates.

Before the Broetjes knew it, they realized many more needs had to be met. As they put it, they were soon in the social-work business. And so they also built a private Christian school, a ranch for troubled youth (Jubilee Youth Ranch) and a day-care center that serves employees, also at highly subsidized rates (no one pays more than \$7 per day), a chapel and a grocery store. After-school programs, an onsite library and a computer lab were set up. Money was set aside for college scholarships for the children of employees. In all the company donates about 60 to 75 percent of its yearly after-tax profits to local, domestic and international charitable projects (a total of \$50 million to date). Countering concerns about paternalism, Cheryl is proud to note that in the past, up to 40 percent of the families who leave Vista Hermosa go on to become first-time homeowners.

The Broetjes' beliefs shape their direct management practices too. When I (Kenman) had the privilege of visiting the business a few summers ago, I was taken aback by the thoughtfulness and humility with which the Broetjes designed the entire operation. The company views itself as a community and practices a servant leadership model. A deepening awareness that some families had almost no time together as a unit (fathers working early morning in the fields, and mothers spending swing shifts in the plant) compelled them to build a new state-of-the-art packing facility that could run alongside the old one and eliminate the need for early evening work. And realizing a new facility would be more efficient and thereby possibly cost workers their jobs, much careful thought was given to the maximum number of jobs that could be preserved while running the business in an economically sustainable manner.² For the past two years, a council made up of employees has given away 100 percent of the proceeds (often in the hundreds of thousands of dollars) from a cherry orchard to

²Albert Erisman and Kenman Wong, "An Orchard with Fruit That Lasts: A Conversation with Cheryl Broetje," *Ethix*, November 2005.

support various causes. The employees are actually empowered to solicit proposals, much like program officers of a charitable foundation.

The company's motto is "A quality fruit company committed to 'bearing fruit that will last'" (Jn 15:16) "Sure, we have to make money or we'd have to shut the doors," Cheryl Broetje explains.

But profit isn't our main motive. It becomes the by-product of treating people with dignity, respect, and mutuality, and as equals in every sense of the word. We all have a role to play in creating a community of people who care for a business that then cares for them. We believe that if we ever stopped doing that, we would implode.³

Broetje Orchards is a business that grows and sells excellent apples, but as the Broetjes note, they are also in the business of developing people.

Broetje Orchards is an early pioneer of what have become known as "social enterprises" or "social ventures" that seek to directly blend social and financial bottom lines. Social enterprises comprise one among several movements that are working toward making business a more direct and intentional partner in solving difficult social problems, such as poverty and environmental sustainability. Each of these movements has attracted entrepreneurs, customers, media attention, curriculum development at the university level and large sums of investment dollars. Moreover, some mainstream business organizations are adopting similar practices and aims.

In what follows, a number of exciting developments in business will be discussed. Before we begin, it is worth noting that these efforts are *not* charitable, per se. While they do focus on humanitarian issues and some degree of profit may be sacrificed for other bottom lines, these efforts creatively occupy the space that has traditionally divided the for-profit and nonprofit sectors. These emerging organizations offer a powerful witness to the need for business to be an active partner in solving social issues as they seize upon the power of economic competition and the profit motive (although often in tempered form) to encourage innovation and discipline in ways that donor-funded and government entities typically cannot. Business has a unique capacity to bring innovative products and services to

³Cheryl Broetje, www.broetjeorchards.com/index.cfm?pageId=A6B922A8-16A8-5F5A-37A77AD149247D85, accessed November 12, 2008.

scale quickly, transfer knowledge between various market segments and geographical areas, and operate sustainably free of dependence on donor and government funding. Instead of charity, each of the following movements take advantage of what business does best in pursuit of creating economic and social value.

We will discuss the move to comprehensive Corporate Social Responsibility (CSR), Bottom or Base of the Pyramid (BOP) business, Social Enterprise, Micro-finance, Business as Mission (BAM), and new ownership and control models. We will then examine how they fit into a vision for business that is characterized by transformational service for the common good. It is important to note that these developments represent categories that are not neatly separable. Some scholars even see an emerging convergence of most, if not all of them.⁴ For example, the line between social enterprise and a more robust conception of CSR may be a thin one. Likewise, social entrepreneurship has certainly been a factor in the rapid expansion of Micro-finance. Social entrepreneurs and BAM leaders can also use BOP strategies in achieving their objectives. We also wish to point out that we are not invalidating or minimizing the role of businesses that operate in more conventional spheres (the subject of most of this book) in contributing to God's work in the world, especially as many of them are moving in the direction of emphasizing benefits to multiple stakeholders.

COMPREHENSIVE CSR

In the past, CSR (Corporate Social Responsibility) was generally defined as not doing any overt harm in the course of pursuing "normal" business activities. Many corporations also practiced CSR by investing in their local communities through charitable giving and staffing local volunteer efforts by sending their employees.

More recently, however, CSR has grown to become a much more robust and comprehensive concept. Once considered "normal," business operations such as sourcing and manufacturing, for example, are now being carefully examined to see if they violate moral (beyond legal) standards for the treatment of workers and environmental care. The older disconnected practice

⁴For example, Kim Alter groups many of these movements or organizations under the banner of "Social Enterprise" (see Kim Alter, "Social Enterprise Typology," *Virtue Ventures*, November 27, 2007, www.virtueventures.com/typology).

of giving large sums to charity, while producing goods in ways that were harmful to employees or end users is considered far less acceptable.

In fact, emerging CSR can be described as "360 degrees," "vertically integrated" or "seamless" in nature as business organizations are now internally examining and externally being held accountable for how their activities affect multiple stakeholder groups from the start of the supply chain to product or service end use. Business organizations must now consider how their actions affect investors, suppliers, consumers, employees and the environment. McDonald's is a good example of a company that has been influenced by the shifting nature of CSR. In years past, McDonald's enjoyed a fine reputation for corporate citizenship as a result of its charitable giving, particularly its investment in building "Ronald McDonald houses" near hospitals to offer shelter to families with children battling lengthy illnesses. More recently, however, McDonald's has been criticized for contributing to childhood obesity because of the nutritional value of its food products. This type of criticism has undoubtedly forced the company to re-examine its product line and to expand the number of choices available on store menus.

While certainly not embraced by all as a positive change (some think its ridiculous to hold a company and not parents responsible for children's eating habits, for example), the evolving nature of CSR has been driven and shaped by a combination of forces. Changing public expectations, government/regulatory pressure, nongovernment/advocacy organizations, media scrutiny, and the speed and volume of news and information travel on the internet have all played a role. Moreover, the use of ethical screens in investment and consumption decisions has also grown dramatically in recent years.

Some sincere and outspoken business leaders have also led the charge on the corporate side. For example, PepsiCo's CEO Indra Nooyi, is an outspoken proponent of a new kind of capitalism, in which corporations take on responsibility for multiple bottom lines.⁵ Similarly, Clif Bar's founder, Gary Erickson, states: "To me shareholder value is long-term stewardship or sustainability. . . . We know we need profit, but profit is not why we exist. Profit enables Clif Bar to remain healthy and to do good

⁵Betsy Morris, "The Pepsi Challenge," *Fortune*, February 19, 2008, http://money.cnn.com/2008/02/18/news/companies/morris_nooyi.fortune/index.htm.

over the long haul.”⁶ This sense of purpose translates into five “bottom lines” or aspirations at Clif Bar: Business, Brands, People, Community and Planet. Even Bill Gates (founder of Microsoft, known for its highly competitive business practices) has expressed his frustration at capitalism’s failures to address the needs of the poor and has called for a “creative capitalism” that is redirected toward helping those at the bottom of the economic ladder.⁷

Many companies provide examples of a more robust approach to CSR. Timberland, another company with a CEO (Jeff Swartz) who embraces a comprehensive CSR viewpoint, has moved from annual to quarterly CSR reporting in a quest for more transparency and stakeholder engagement. The report covers fifteen different performance indicators, including energy use, material composition of products (for health and environmentally friendliness), employee volunteerism/service, and labor conditions of factories.⁸

Starting with the treatment of workers far down the supply chain, companies like warehouse retailing giant Costco conduct audits of their supplier’s farms to make sure employees are being treated fairly. According to CEO Jim Sinegal, Costco never wants to be in the position of being accused of bringing low prices to consumers because of an unseemly activity.⁹ Likewise, Starbucks pays higher than market prices for raw beans and has invested in health care initiatives in coffee farming countries.

Mattel, another company with a strong commitment to CSR, has factories, especially those which produce the company’s “Hot Wheels” line, that look nothing like the type of Chinese sweatshops reported by the news media. Work is designed in such a way that employees rotate through various stations rather than performing the same repetitive tasks. Factory workers are also housed in facilities that rival any modern dormitory in China,

⁶Gary Erickson with Lois Lorentzen, *Raising the Bar: Integrity and Passion in Life and Business* (San Francisco: Jossey-Bass, 2004).

⁷Robert A. Guth, “Bill Gates Issues Call for Kinder Capitalism,” *Wall Street Journal*, January 4, 2008, <http://online.wsj.com/article/SB120113473219511791.html>.

⁸Alex Hausman, “Timberland’s Journey to Quarterly CSR Reporting,” *Environmental Leader*, June, 25, 2008, www.environmentalleader.com/2008/06/25/timberlands-journey-to-quarterly-csr-reporting/; for actual reports see www.JustMeans.com.

⁹Albert Erisman and David Gill, “A Long Term Business Perspective in a Short Term World: An Interview With Jim Sinegal,” *Ethix*, March-April 2003, pp. 6-9, 16, reprinted in Scott B. Rae and Kenman L. Wong, *Beyond Integrity: A Judeo-Christian Approach to Business Ethics*, 2nd ed. (Grand Rapids: Zondervan, 2004), pp. 146-51.

and they enjoy air-conditioning, ping pong tables and karaoke machines.¹⁰

In exercising greater responsibility toward consumers, some companies like Walmart, which gets beaten up far more than praised for its practices these days, has long had policies of carrying family-friendly products. The company has refused to carry some video games with explicitly violent content and has used its considerable buying power to force record companies to produce special versions of compact discs with sanitized lyrics that would fit in with the family atmosphere of Walmart stores. According to former COO Don Soderquist, Walmart executives were not motivated by money in instances like these; they did it because it was the right thing to do.¹¹

Comprehensive CSR is not well received by all. As noted earlier some question its fairness. (Is it fair to make companies responsible for the end use of its products; e.g., McDonald’s for obesity?) Others object that it amounts to window dressing to appease and attract consumers. Yet others argue that it encroaches on the ability of business to pursue its profit objectives and so hurts investors who have risked their hard-earned funds to capitalize the company.

Given these concerns, how well does it fit in with the vision of transformational service? Undoubtedly, some parts fit in very well. Recall that business should not be an engine only to generate private wealth, but should be a vehicle for service to others. Also, restitution laws in the Old Testament and the idea that we are “our brother’s keeper” are glimpses into a biblical ethic of responsibility for how our decisions and actions may affect others. Catholic social teaching also provides us with helpful ways to envision corporate responsibility, namely, the concepts of subsidiarity and mediating structures. According to the former, “every social activity ought of its very nature to furnish help to the members of the body social, and never destroy and absorb them.”¹² What this means is that business and government must not harm people’s relationships with God, with others, with nature or with themselves. The latter implies that

¹⁰“Mattel’s Efforts at Social Responsibility,” *Los Angeles Times*, November 28, 2004, p. C1, http://seattletimes.nwsource.com/html/nationworld/2002102819_monitor28.html.

¹¹Albert Erisman and Kenman Wong, “Wal-Mart Way Produces Accolades, Criticism, Growth: A Conversation with Donald G. Soderquist,” *Ethix*, March/April 2008, p. 9.

¹²*Compendium of the Social Doctrine of the Church* (Vatican City: Pontifical Council for Justice and Peace, 2004), p. 81, cited in Lloyd Sandelands and Andrew J. Hoffman, “Sustainability, Faith and the Market,” *Worldviews* 12, nos. 2-3 (2008): 129-45.

business can serve as one of the structures (like churches and schools) that stand between the individual and large institutions (the state) and which are necessary for integrating people into societal life.¹³

As business becomes even a more powerful force for change in a global economy, businesspeople and institutions must take greater responsibility for their actions, particularly consequences produced for the powerless and the voiceless. Since companies like McDonald's choose to market their products directly to children, some measure of corporate responsibility for end use is not far-fetched.

However, a major challenge is drawing a clear responsibility line. Holding companies entirely accountable for all unintended consequences produced by the use of their products negates legitimate forms of shared responsibility. Certainly, parents, governments and educational institutions have roles to play too. A strong argument can be made that McDonald's should not be ultimately responsible for overuse of its products if the company is marketing them responsibly and if it is making accurate information regarding the nutritional value of its foods readily available. After all, it is parents or other caretakers who make the final decisions (up to a certain age) for their children, and it is they who provide the money to purchase the food kids eat.

Furthermore, it might be more accurate to conceive of CSR as a series of relationships that make up a circle. At various points along the line that comprises that circle are businesspeople and organizations. Other social institutions such as government and families exist at other points. Finally, consumers and investors are also important and oft-neglected parts of the circle. In many ways, how we act in terms of purchases and investment decisions are strong drivers of the global economic system and thereby of business behavior. Comprehensive CSR may focus too much on the corporate/business part of the circle.

Another major challenge at this point is to develop accurate and auditable metrics for how well companies are doing with respect to treating other stakeholders. Like Timberland, many companies already

¹³While Peter Berger and Richard John Neuhaus are widely credited for the more recent rebirth of mediating institutions as a means of social analysis, for their relationship to business see the work of Timothy L. Fort, especially "Business as a Mediating Institution," *Business Ethics Quarterly* 6, no. 2 (1996): 149-63; and *Ethics and Governance: Business as Mediating Institution* (New York: Oxford University Press, 2001).

post CSR reports on their websites. A fairly recent development called "triple bottom line reporting" (3BL) represents one effort to formalize and standardize the metrics used. While the concept of the 3BL has promise, some critics believe that it has limited usefulness, and what gets passed as social responsibility reporting is often more public relations or "spin" over substance.¹⁴

Another challenge or limit of this movement is the reality of duplicitous motives. To no one's surprise, it seems clear that at least some of the corporations publicly speaking this language are far more motivated by capitalizing on a trend to attract consumers and investors to benefit the financial bottom line than by a values-based commitment. What if cultural values shift? Will comprehensive CSR simply go by the wayside as one more discarded trend that has lost its usefulness?

BOTTOM OR BASE OF THE PYRAMID BUSINESS

An exciting movement involves the role of corporations in alleviating poverty. The Bottom or Base of the Pyramid (BOP) movement calls on large companies, including, multinational corporations (MNCs) to consider doing business with the world's poorest four billion people (two-thirds of the world), one part of the population they have long ignored.¹⁵

C. K. Prahalad and Stuart Hart, two of the movement's seminal thinkers state MNCs should consider "selling to the poor and helping them improve their lives by producing and distributing products and services in culturally sensitive, environmentally sustainable, and economically profitable ways."¹⁶ In so doing, several objectives may be reached, including providing opportunities for people who make up the bottom of the pyramid to become connected to global markets and thereby lift themselves out of economic poverty. Of course, since large corporations are involved, the focus isn't just on alleviating poverty. The more traditional bottom line of financial growth is also emphasized. Researchers estimate that the market

¹⁴For a critique of 3BL, see "Wayne Norman and Chris MacDonald, "Getting to the Bottom of the Triple Bottom Line," *Business Ethics Quarterly* 14, no. 2 (2004).

¹⁵See Allen Hammond et al., *The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid* (New York: World Resources Institute, 2007).

¹⁶C. K. Prahalad and Stuart Hart, "The Fortune at the Bottom of the Pyramid," *Strategy+Business* 26 (2002): 2; see also C. K. Prahalad, *The Fortune at the Bottom of the Pyramid* (Philadelphia: Wharton School Publishing, 2004); and Stuart Hart, *Capitalism at the Crossroads* (Philadelphia: Wharton School Publishing, 2005).

in the eighteen largest developing countries is \$1.7 trillion and in the "multi-trillions" overall.¹⁷

MNCs have largely overlooked this market because of assumptions regarding viability. Purchasing power parity (PPP) is roughly equivalent to \$1,500 U.S. dollars (the minimum deemed necessary to sustain a decent life) for the billions of people in this economic tier and less than \$1 per day for the bottom billion. Thus, it is natural to question how goods and services traditionally offered by large corporations to top-tier markets can be afforded. There may be want or need for some of the products and services, but the assumption is made that there will be little or no true economic demand.

Similar to the way the microfinance movement (discussed later in this chapter) has had to overcome myths about the economic resources and financial habits of impoverished people, leaders of the BOP movement point to level of activity that occurs in the informal economy, much of which is invisible to corporate executives, who are mostly based in countries with top-tier economies.

This market is reachable, they argue, via innovation and overcoming a set of orthodoxies, including assumptions about the importance, needs, ability to pay of the consumers and the availability of managers who wish to work in these countries and tackle the challenges of serving their needs. Prahalad says,

If we stop thinking of the poor as victims or as a burden and start recognizing them as resilient and creative entrepreneurs and value-conscious consumers, a whole new world of opportunity will open up. . . . What is needed is a better approach to help the poor, an approach that involves partnering with them to innovate and achieve sustainable win-win scenarios where the poor are actively engaged and, at the same time, the companies providing products and services to them are profitable.¹⁸

He goes on to state, "When the poor at the BOP are treated as consumers, they can reap the benefits of respect, choice, and self-esteem and have an opportunity to climb out of the poverty trap."¹⁹ BOP lead-

¹⁷See Prahalad and Hart, "The Fortune at the Bottom of the Pyramid," and C. K. Prahalad and Allen Hammond, "Serving the Poor Profitably," *Harvard Business Review* 80 (2002): 48-57.

¹⁸See Prahalad, *Fortune at the Bottom of the Pyramid*, pp. 1, 3.

¹⁹*Ibid.*, p. 99.

ers are also emphatic that products and services be designed with environmental sustainability in mind, given the amount of damage that would be caused if developed-world products and services are simply replicated and consumed by billions more.²⁰

Once assumptions are changed, many operational and strategic innovations are needed.²¹ There are significant challenges to providing products and services or creating employment opportunities for people who have small and often erratic incomes, live in media-dark areas, and may not have the necessary skills to serve in production or distribution capacities. Moreover, the contexts in which many of these people live may support trade in ways taken for granted in higher-tier economies. For examples, some countries lack infrastructure such as good roads and payment systems (e.g., check clearing, electronic deposit and money transfer) by which the efficiency of economic transactions is enabled.

Some BOP strategies are simple, for example, selling items such as laundry soap in single servings to address the inability to purchase in bulk due to small and irregular incomes on the part of consumers. Others are revolutionary. For example, an effort by British telecom giant Vodafone (one of the largest mobile telecommunications firms in the world, by revenue) in cooperation with Kenya-based Safaricom launched M-Pesa in 2007. M-Pesa (*Pesa* means money in Swahili) is a service that enables economic transactions over mobile phones in Kenya.

A dramatic increase in cellular phone ownership due to an equally dramatic reduction in phone costs and the availability of prepaid service during the past few years has allowed for widespread adoption in developing countries. For a small fee customers can deposit funds at one of many M-Pesa agent locations (often at small stores where Safaricom prepaid phone cards are sold) that are then credited to their mobile phone accounts. Then, via phone they can use the funds to make purchases at stores (by sending electronic money to the store owners' M-Pesa account) or transfer money to family members living in another part of the country. The family members can take the credit that appears on their phone to another M-Pesa agent to receive the actual cash or use the credit to make

²⁰See Prahalad & Hart, "The Fortune at the Bottom of the Pyramid," p. 4.

²¹See Ted London and Stuart Hart, "Reinventing Strategies for Emerging Markets: Beyond the Transactional Model," *Journal of International Business Studies* 35, no. 5 (2004): 350-70.

purchases of their own. For example, a worker living in a city can send part of his income to his wife and children living in a far away village. Money transfer (remittances), something easily done in a wealthy country, often produces tradeoffs between expense, speed and reliability to people living in economically impoverished parts of the world. So, it is no surprise that M-Pesa has been very well received in Kenya. According to *The Economist*, as of late 2009, M-Pesa boasts seven million users. (Kenya has a population of 38 million people, and 18.3 million have mobile phones.)²²

MNCs (or divisions thereof) involved in BOP initiatives include Shell Solar (energy/utilities), Cemex (housing) Kodak (cameras) and H.L.L., a subsidiary of Unilever (health- and hygiene-related products, such as soap).²³

In the best cases the people who live at the BOP are not just seen as potential customers but as key participants in distribution and procurement, thereby creating direct productive economic opportunities for them. For example, Grameen has successfully created income opportunities for women who own cell phones and then earn a living by selling time, typically to fellow villagers.²⁴ Other opportunities exist for people to sell prepaid cards or recharge phone batteries for a fee. Similarly, a key part of H.L.L.'s rural distribution strategy in India involves thousands of local villagers who are trained as "traveling retailers."²⁵ Nestlé has helped spur rural economic development by relying on local farmers to supply product, and other workers for storage and distribution in its milk districts. In addition to economic gains, nutrition, food safety, infrastructure, training and access to veterinary expertise are among the other benefits of the program.²⁶

The BOP movement's emphasis on achieving multiple bottom lines, a

²²"Beyond Voice," *Economist*, September 24, 2009.

²³For further descriptions of these and other examples, see V. Kasturi Rangan et al., eds., *Business Solutions for the Global Poor: Creating Social and Economic Value* (San Francisco: Jossey-Bass, 2007); and Prahalad, *Fortune at the Bottom of the Pyramid*.

²⁴The Grameen phone initiative was very successful in its earlier years, but due to saturation of cell phones due to lower costs, the model appears now to be less economically beneficial. The point, however, is that similar income-generating opportunities exist.

²⁵V. Kasturi Rangan, Dalip Sehgal and Rohithari Rajan, "The Complex Business of Serving the Poor," in *Business Solutions for the Global Poor*, ed. V. Kasturi Rangan et al. (San Francisco: Jossey-Bass, 2007), pp. 144-54.

²⁶Ray Goldberg and Kerry Herman, "Economic Development for a Value-Added Food Chain and Improved Nutrition," in *Business Solutions for the Global Poor*, ed. V. Kasturi Rangan et al. (San Francisco: Jossey-Bass, 2007), pp. 183-89.

proactive role for business to help alleviate economic poverty, economic empowerment and the need for sustainable design are highly commendable. If more businesses approached their work in this manner, transformational work could take place. However, there is a need to take a cautionary approach. First, the fortune to be made may be overstated. Aneel Karnani argues that the market at the bottom is more of a mirage.²⁷ Second, MNCs are often shareholder owned and are thereby under tremendous short-term pressures to bring products and services to a profitable scale. Therefore, they are vulnerable to take actions that favor financial growth over the best interests of the people they purportedly serve and thus may exploit the economically poor by diverting scarce financial resources into unnecessary purchases. Indeed, it is worth asking if people living at the BOP really need all of the products and services we have in top-tier economies that cause harm to physical, social, spiritual and environmental health. To be fair, leaders of the movement are keenly aware of the need to operate carefully, since companies could easily cross into the territory of profiting on the backs of economically poor people.²⁸

Next, much of the existing BOP literature refers to economically impoverished people as "the poor." While this practice can be overlooked as a simple rhetorical issue (and "the poor" is routinely used language in literature from many disciplines), there are many dimensions of poverty. Ignoring this reality may well reduce people to economic agents alone (see chap. 5). This often unintentionally leads to the assumption that economic growth and development are synonymous, therefore rendering the creation of other types of value (social and spiritual) an afterthought at best.

On a related note there is a danger in treating people like consumers rather than neighbors. The BOP movement's intention to regard all people as equals is commendable. Undoubtedly, treating people like consumers may well be a step in the right direction and is an improvement over regarding them as charity recipients or, worse yet, as invisible. However, outcomes that work directly against human flourishing are produced if business practitioners see the people they are dealing with as consumers

²⁷Aneel Karnani, "The Mirage of Marketing to the Bottom of the Pyramid," *California Management Review* 49, no. 4 (2007): 90-111.

²⁸See for example, Rangan et al., ed., *Business Solutions for the Global Poor*, p. 11.

alone, and if people come to see themselves primarily through such a lens. Treating people as dignified children of God entails seeing them in their entirety as human beings. Moreover, their economic interests might be better served by seeing their creative and productive capacities as the parts of the movements that follow attempt to do.

SOCIAL ENTERPRISE

Beyond deeply integrated CSR there is another movement afoot (of which Broetje Orchards may be considered a part) that seeks to make business an even more direct and proactive partner in solving social problems. In addition to social enterprise (which itself has multiple definitions), this emerging category has been called "social entrepreneurship," "social ventures," "socially motivated business," "for-benefit," "for more than profit" and "not just for profit," among others.

The number and variety (e.g., nonprofit, religious nonprofit, for profit) of organizations is diverse as the names used to describe this emerging sector. Despite the variety of names and organizational forms, however, they all share common threads. Like Broetje Orchards described at the beginning of this chapter, social ventures use skills (such as entrepreneurship and innovation) and income-generation models once seen as belonging exclusively to the domain of business to help achieve specific social objectives, once seen as residing exclusively to the nonprofit sector. Many if not all effectively function as "blended value organizations and blur the traditional lines that have existed between the for-profit and nonprofit sectors.²⁹ Often, these organizations are trying to move to, or have attained, financial self-sufficiency through their own earned income. In short, these organizations use business in a more direct and intentional manner to encourage human flourishing.

Distinguishing these organizations from traditional business organizations that embrace CSR is a fuzzy line (especially since both employ the language of multiple bottom lines) and might be better characterized as a matter of degree. Like the organizations that are moving toward

²⁹For a thoughtful and detailed discussion of multiple manifestations of blended value organizations and the intersections of social and financial value, see Jed Emerson, "The Blended Value Proposition: Integrating Social and Financial Returns," *California Management Review* 45, no. 4 (2003): 35-51.

comprehensive CSR, most if not all social ventures attempt to be socially responsible.

However, they go farther. One helpful definition can be derived by adapting the definition of social entrepreneurship developed by Jerr Boshee and Jim McClurg. While describing enterprising nonprofit organizations, Boshee and McClurg provide a key distinction between entrepreneurs and social entrepreneurs:

Traditional entrepreneurs frequently act in a socially responsible manner: They donate money to nonprofits; they refuse to engage in certain types of businesses; they use environmentally safe materials and practices; they treat their employees with dignity and respect. All of this is admirable, but their efforts are only *indirectly* attached to social problems. Social entrepreneurs are different because their earned income strategies are tied *directly* to their mission: They either employ people who are developmentally disabled, chronically mentally ill, physically challenged, poverty stricken or otherwise disadvantaged; or they sell mission-driven products and services that have a direct impact on a specific social problem (e.g., working with potential drop-outs to keep them in school, manufacturing assistive devices for people with physical disabilities, providing home care services that help elderly people stay out of nursing homes, developing and selling curricula).³⁰

Traditional entrepreneurs are ultimately measured by financial results: The success or failure of their companies is determined by their ability to generate profits for their owners. On the other hand, social entrepreneurs are driven by a *double* bottom line, a virtual *blend* of financial and social returns. Profitability is still a goal, but it is not the only goal, and profits are reinvested in the mission rather than being distributed to shareholders.

Boshee and McClurg's definition captures the critical distinctions between CSR and social ventures. However, as Arthur C. Brooks notes, some social enterprises may be for-profit in nature and may in fact distribute profits to shareholders.³¹

One of the most well known social ventures is Newman's Own Products. The company uses the motto, "Shameless Exploitation in Pursuit

³⁰Jerr Boshee and Jim McClurg, "Toward a Better Understanding of Social Entrepreneurship: Some Important Distinctions," *Social Enterprise Alliance*, 2003, www.se-alliance.org/better_understanding.pdf.

³¹See Arthur C. Brooks, *Social Entrepreneurship: A Modern Approach to Social Value Creation* (Upper Saddle River, N.J.: Pearson Prentice Hall, 2009), pp. 16-17.

of the Common Good" on its labels. Started by the late actor Paul Newman and his close friend A. E. Hotchner in 1982, the company makes and sells food products such as salad dressings, popcorn and salsa, and donates all of its net profits (through Newman's Own Foundation) to support charitable causes (including Hole in the Wall camps), a total of \$250 million to date.³²

Other examples are abundant. Some, which fit Boshee and McClurg's definition, originate as creations of enterprising nonprofit organizations and return profits to the umbrella organizations, empowering them to be less reliant on donor funds or government grants to sustain their social missions. For example, a number of social enterprises, including food services, commercial laundries and document-shredding businesses, were created by the Seattle-based Northwest Center. These enterprises not only earn income, trade on quality and value rather than charity, and are self-sufficient but also employ the disabled clients of its umbrella organization. Likewise, while running multiple income-generating businesses (which provides 99 percent of operating budget), including packaging, manufacturing and wholesale food distribution, Pioneer Human Services also employs people on the margins of society, including ex-convicts, providing them with a steady income and a pathway back into the mainstream workforce.

Other social ventures (like Newman's Own) look more like traditional for-profit businesses but often have a nonprofit (social profit or community profit) arm or at a minimum a strong social motivation and focus. Athena Partners was founded to raise funds devoted to finding a cure for cancer. Founded by a cancer survivor and former Microsoft executive, the company sells bottled water and competes for shelf space at supermarkets with brands owned by beverage giants Pepsi and Coca-Cola. Edun is a company founded by U2 front man and poverty activist Bono (Paul Hewson) and his wife Ali. Edun produces its designer clothing in countries (such as South Africa and Tanzania) that are badly in need of sustainable employment and commercial relationships.³³

Many social entrepreneurs are explicitly motivated by faith. For exam-

³²Paul Newman and A. E. Hotchner, "Newman's Own Story," *Time*, November 10, 2003, www.time.com/time/magazine/article/0,9171,1006144-1,00.html.

³³Bono Offers Clothing with a Conscience," Associated Press, March 15, 2005, www.msnbc.msn.com/id/7182840.

ple, Pura Vida (which means "pure life" in Spanish) coffee was started by two Harvard business school classmates, John Sage and Chris Dearnley, to aid a Christian ministry (run by Dearnley) that serves children in impoverished coffee-growing regions in Latin and South America. The company gives most of its profits to its nonprofit arm, Pura Vida Partners. The company's motto is "create good" and has become one of the largest sellers of fair trade, sustainable coffee in the nation, and is a big hit on college campuses.³⁴

Another faith-motivated enterprise is Earthwise Ventures, which seeks to build a fleet of two hundred catamaran-style passenger ferries to service Africa's Lake Victoria. Earthwise aims to bring economic vitality to the region and earn a financial profit at the same time. Lake Victoria, which borders Tanzania, Uganda and Kenya, is the second largest freshwater lake in the world. Currently, there is no reliable ferry service, and if traveled by land a one- to three-day drive is necessary to get around the body of water. The ferry will reduce the trip to seven hours at a cost of about \$25, roughly the price of bus fare, and if financial models hold true it will bring a profit to Earthwise, funded by private investors. The service aims to reestablish reliable travel routes and promote economic activity in the forms of tourism, trade and much more efficient distribution of good and services.³⁵

Founded by South Africa-born (and now Seattle-area based) Rob Smith and Ugandan Calvin Echodu, Earthwise will build the boats in Washington state and then disassemble and ship them to Uganda, where they will be reassembled and operated by a team of forty locals working under the leadership of Echodu. The company will also contribute to economic development by buying *jatropha* seed from local farmers to produce biofuel. Motivated by his Christian faith, Smith says, "The Gospel gives us a ticket to earth, not just to heaven. It should transform the way we live and how we treat our neighbors." He goes on to state, "Growing up in Africa convinced me not only does Africa need good investment, but our kids need an example. . . . They see a culture of aid organizations handing out money from donors abroad, not

³⁴Pura Vida has had a recent change in ownership structure, so its mission is changing. See Stephanie Strom, "Hybrid Model for Nonprofits Hits Snags," *New York Times*, October 25, 2010, <http://www.nytimes.com/2010/10/26/business/26hybrid.html>.

³⁵Kristi Heim, "Everett Man Building Fleet of Ferries for Africa's Lake Victoria," *Seattle Times*, August 17, 2009; Julia Youngs, "Earthwise Ventures," lecture given at Seattle Pacific University, Social Enterprise class, November 2009.

people earning a living through productive labor.”³⁶

Social ventures can also employ BOP strategies. For example, a partnership between Grameen and Danone (makers of Dannon yogurt), deemed a “social business” by Muhammad Yunus, uses many BOP techniques (pricing and product innovation) to offer an affordable and highly nutritious yogurt to combat hunger, but returns only a symbolic profit of 1 percent to investors, though it is technically a for-profit enterprise.³⁷

From the standpoint of transformational service, social enterprise is a welcome movement. Thinking creatively about how to merge and blend business with social goals is a true example of integration. However, there are several dangers or challenges. One danger is to mistakenly imply that all businesses must be explicitly “double bottom line” focused in order to benefit others. Though the degree and intentionality may be different, conventional businesses do make societal contributions, and as many of these organizations take steps toward embracing broader purposes, they are often doing so more directly as well.

Second, like CSRs mentioned earlier, sometimes motives may be unclear. Is an institution really driven by a social mission or just the appearance of one because it might sell well to certain constituents? Third, a challenge or reality rather than a weakness is the fact that managing two bottom lines can produce difficult if not altogether irreconcilable tensions. For example, there will be inevitable choices and tradeoffs that need to be made to preserve or enhance both bottom lines. For example, what if the most needy clients are the most expensive to employ or serve? Which bottom line will take precedent?

MICROFINANCE

During the past five years microfinance (and the broader category of microenterprise development) has exploded in growth. In 2006 Muhammad Yunus and the Grameen Bank shared the Nobel Peace Prize for their pioneering work in microfinance. Likewise, the United Nations declared 2005 as “the Year of Microcredit.” While these events prompted many Americans to learn about microfinance, the MicroCredit Summit esti-

³⁶Heim, “Everett Man.”

³⁷Muhammad Yunus, *Creating a World Without Poverty: Social Business and the Future of Capitalism* (New York: Public Affairs Books, 2007).

mates that microfinance has already served over one hundred million poor people around the globe and that at least three thousand institutions are engaged in its delivery.³⁸

Microfinance has emerged over roughly the last thirty years and has been touted as a revolutionary way to combat poverty, in part because it is a bottom-up development method that relies more on a business model than on traditional charity to serve the poorest of the poor.³⁹

Microfinance involves providing small-scale financial services like loans, savings accounts and insurance, which have traditionally resided within the realm of business, to the economically poor. Loans can range in size from a few dollars to a few thousand dollars. Many of the borrowers are women who often lack a consistent income stream and have little or no collateral so they cannot access traditional or formal financial services. They may even be illiterate, so they can't even fill out the required loan forms.⁴⁰ In many cases clients have to borrow from local money lenders, who often charge exorbitant interest rates for their services.

Microfinance is seen as a “hand-up” approach because, in theory, clients use loans to help start, stabilize or expand small businesses in industries such as agriculture, animal husbandry, soap production, crafts, textiles, transportation and small retail operations, to name a few. The increased income produced from their business often leads to better nutrition, health, housing and the ability to send children to school.

Microfinance has also exploded many myths about the poor, in particular their ability to pay back loans and to save money. In many cases, loan repayment rates of greater than 95 percent have been reported. When loans (initially capitalized by donor funds, government grants and increasingly through investment dollars) are repaid, the funds are recycled and reloaned, often to new recipients, beginning a new cycle and leading to an exponential impact from the same funds. Moreover, microfinance is more financially sustainable than traditional development efforts since credit services rely on loans that are repaid and recycled rather than purely char-

³⁸State of the Microcredit Summit Campaign Report 2007, www.microcreditsummit.org/pubs/reports/socr/EngSOCR2007.pdf.

³⁹Philip Smith and Eric Thurman, *A Billion Bootstraps: Microcredit, Barefoot Banking and the Business Solution for Ending Poverty* (New York: McGraw-Hill, 2007).

⁴⁰See Muhammad Yunus, *Banker to the Poor: Micro-Lending and the Battle Against World Poverty* (New York: Public Affairs Books, 2003).

itable funds that are exhausted once they are spent.

Upon first hearing about microfinance many people wonder how poor people with no assets can pay back loans. Several factors are at play. First, economically poor people are hard working and are adept at survival under difficult conditions. It is said that poor people who are lazy, particularly in the developing world, are dead.⁴¹ Second, microfinance institutions have developed methods to help ensure repayment. For example, they often rely on the use of repeat loan cycles, so that repayment guarantees access to future loans. In addition, peer groups are often used. While microfinance loans can be made to individuals, many borrowers start out in self-selected groups. The groups serve to screen applicants for their ability to repay, offer peer support and may act as guarantors of repayment, often through mandatory savings that are a required condition for taking a loan. Microfinance institutions also use frequent but low repayment installments so that the payments are manageable for those who have difficulty coming up with large (lump) sums all at once.

In addition to loans, some microfinance institutions also provide services that help contribute to social safety. For example, some institutions provide savings services. Poor people already save money for emergencies, weddings and to take advantage of economic opportunities. However, safety and immediate household needs can jeopardize the ability to regularly save. So, many people pay someone to keep their funds safe or they accumulate money through informal groups such as rotating savings and credit associations (ROSCAs) in which a group of people each put in weekly or monthly funds, and someone takes home the entire pot of money.⁴² Though just in nascent stages, others provide insurance services (or partner with insurance providing organizations) since economically poor people rarely have social safety nets to protect them from natural disasters and the loss of income occurring because of a death in the family.

Microfinance can also be contextualized in settings where there are other ongoing development projects or are packaged with other social services. In a microcredit-plus model many organizations provide nonfinan-

⁴¹See Bryant L. Myers, *Walking with the Poor: Principles and Practices of Transformational Development* (Maryknoll, N.Y.: Orbis, 1999).

⁴²Stuart Rutherford, *The Poor and Their Money* (New York: Oxford University Press, 2000). See also Beatriz Armendariz and Jonathan Morduch, *The Economics of Microfinance* (Cambridge, Mass.: MIT Press, 2007).

cial services, such as literacy classes, business training, health care and spiritual education and development, along with financial services.

Because of the developing-country contexts where it is used, microfinance might sound like a cottage industry, but it is developing quickly. For example, the last several years have seen the establishment of organizations that have developed information databases, financial rating systems and benchmarking data. Other organizations are devoted to capacity building, technical advice, funding, outcomes and best practices research.⁴³ Currently, there are many efforts being made to make microfinance even more available by lowering transaction costs and barriers. For example, the Grameen Foundation is working to develop open-source accounting and management software. Other organizations are now using technology such as smart cards and cell phones to enable transactions.

Many Christian organizations have been involved in microfinance from its earliest days. Opportunity International is one of the most well known. Relief and development giant World Vision has long been involved and recently created VisionFund. Esperanza International and Hope International are others.

Looking through the lens of business as transformational service, microfinance and its achievements should be celebrated. The effort to assist the poor and eradicate poverty is a direct extension of the biblical vision for justice. Dignity is also honored through the use of a hand-up approach. And the potential for more sustainable efforts through the use of recycled funds is an improvement over traditional charitable models.

The explosion of myths regarding the economically poor has opened previously unimaginable access to capital. With the high repayment rates by clients (often higher than in developed countries) coupled with the high interest rates charged, it was inevitable that microfinance would attract purely profit-seeking investors. Thus, big name Wall Street-based institutional investors have become involved as capital providers on Wall Street. And in 2006 one Mexico-based microfinance institution, Compartamos, that had been originally funded by government grants and loans from NGOs like Accion actually had an IPO, raising over 400 million dollars.⁴⁴

⁴³Brigit Helms, *Access for All: Building Inclusive Financial Systems* (Washington, D.C.: World Bank, 2006).

⁴⁴Richard Rosenberg, "Reflections on the Compartamos Initial Public Offering: A Case Study

At some level, of course, attracting this type of capital should be a cause for celebration. The poor can pay back so well that large Wall Street investors are actually lining up to loan them money! Who'd have thought? Moreover, more capital is being mobilized into microfinance, allowing more people to be reached (outreach breadth).

However, there are several dangers too. First, microfinance can easily reduce the definition of *poverty* to a lack of money and thereby equate human well-being with material wealth. A more comprehensive and Christian definition of poverty includes social, psychological and spiritual dimensions. Therefore, any attempt to comprehend or alleviate poverty must be holistic in focus and define human well-being beyond materialistic or economic terms. On a related note, exceeding care must be taken in trying to define and measure outcomes. While economically poor people can often pay back the loans, and there is lots of available anecdotal evidence about beneficiaries, more evidence is needed that their lives are actually being improved in the process.⁴⁵

Second, given all of the publicity, it is easy to believe that microfinance holds the key to efficient development. It is important to be clear that microfinance is *one* tool in the development tool box. Hying microfinance to the point that it supplants or replaces other legitimate measures of poverty alleviation is simplistic and harmful.⁴⁶ In fact, if not properly motivated or managed, microfinance can produce extremely negative outcomes for its recipients (e.g., increased debt burdens and social shame).⁴⁷ To create more safety for clients, an increasing number of practitioners and scholars believe that a full range of financial services (including savings, insurance and remittances) versus mere credit is a more responsible course of action in meeting the needs of clients.⁴⁸

Finally, some of the recent trends are alarming. Some worry that microfinance institutions have focused more on financial measures of sustain-

ability (operating without subsidy) than on the well-being of clients. In practical terms this translates into aggressive promotion of loan products, which can lead to adverse inclusion and overindebting of clients, exorbitant interest rates on loans (sometimes exceeding 100 percent on an annualized basis), which can saddle clients with debt that may be able to repay but at the cost of other areas of their lives. Some institutions also have been accused of keeping clients in debt (i.e., they must take loans if they are to have access to other services). The entire industry has been criticized for emphasizing loan products (which are profitable to institutions) over and above savings products, which may well be equally or more beneficial to clients but less profitable for the institutions.⁴⁹

These particular criticisms have only grown in the last few years with the influx of commercially (profit) motivated capital. In fact, Yunus worries that some institutions have crossed the line into loan sharking.⁵⁰ We wonder if some microfinance institutions will experience mission drift and work harder to attract or satisfy investors than serve their clients. There are some economically poor areas where it is very expensive to deliver microfinance services. In the quest for financial well-being, these clients either may be charged exceedingly high rates of interest or abandoned altogether (hurting *depth* of outreach).

While high interest rates in themselves can be caused by a number of factors (e.g., inflation, high transaction costs) and do not necessarily violate biblical injunctions against usury, the situation looks different once profit seeking enters the equation. If high rates are charged because of the need for return necessary to generate private profit, this is more questionable. Of course, in our broken world we seem to be caught between tensions. If profit cannot be made, will capital flow to this sector?⁵¹ And if microfinance institutions don't focus on the financial bottom line enough,

on Microfinance Interest Rates and Profits," CGAP Focus Note No. 42, June 2007, www.cgap.org/gm/document-1.9.2440/FN42.pdf.

⁴⁵Anel Karnani, "Microfinance Misses Its Mark," *Stanford Social Innovation Review*, summer 2007.

⁴⁶See Peter Greer and Phil Smith. *The Poor Will Be Glad* (Grand Rapids: Zondervan, 2009).

⁴⁷See Kim Wilson, "The Money Lender's Dilemma," in *What's Wrong with Microfinance?* ed. Thomas Dichter and Malcolm Harper (New York: Practical Action, 2007).

⁴⁸See, for example, Daryl Collins et al., *Portfolios of the Poor: How the World's Poor Live on \$2 a Day* (Princeton, N.J.: Princeton University Press, 2009).

⁴⁹For extensive criticisms of microfinance, see Dichter and Harper, eds. *What's Wrong with Microfinance?*

⁵⁰"Online Extra: Yunus Blasts Compartamos," *Bloomberg Business Week*, December 13, 2007, www.businessweek.com/magazine/content/07_52/b4064045920958.htm; see also, Jonathan Lewis, "Microloan Sharks," *Stanford Social Innovation Review*, summer 2008.

⁵¹See Michael Chu, "Profit and Poverty: Why It Matters," *Forbes*, December 20, 2007. See also a transcript of much publicized direct debate between Chu and Muhammad Yunus on the topic "Is It Fair to Do Business with the Poor?" *World Microfinance Forum Geneva*, October 2008, www.othercanon.org/uploads/Is%20it%20Fair%20to%20do%20business%20with%20the%20Poor.pdf.

they will not attract capital. However, if they do focus on the bottom line too much, they may abandon service to the poorest of the poor or burden them with too much debt.

A partial solution to this problem is to work on a multiple bottom line "service" model. Microfinance organizations must measure achievements of other bottom lines and perhaps must make conscious efforts to sacrifice some return to serve their target markets. While a strong argument can be made that there is room for commercially funded organizations like Compartamos, there may always be a need for donor- or government-subsidized microfinance, particularly in the incubation stages, for those who cannot be serviced on a more sustainable basis—poorest of the poor type clients.

BUSINESS AS MISSION

Business as Mission (BAM), also referred to as Kingdom Business, has generated lots of excitement and conversation within segments of the Christian community over the past two decade or so. The movement, which began in the 1990s when globalization allowed many more businesses to be built overseas, is new enough that a commonly accepted definition and boundaries regarding its scope are still very much in discussion. However, some of the seminal and emerging writing indicates that the movement seeks to employ business in the work of global mission. In particular, the movement seeks to encourage and facilitate the work of Christian owned and operated business organizations that focus on holistic transformation in the developing world, with a special emphasis on countries formerly closed to evangelism. In short, BAM enterprises function "to bring good news in word and deed to the neediest places in the world."⁵²

Like some of the other movements discussed in this chapter, BAM organizations seek to act in socially responsible ways, focus on creating blended value, emphasize bettering the lives of the poor and oppressed, and on achieving profitability. However, they also seek to create spiritual transformation in the countries they operate in.

While acknowledging the limitations to his definition, C. Neal Johnson notes:

⁵²Steve Rundle and Tom Steffen, *Great Commission Companies* (Downers Grove, Ill.: InterVarsity Press, 2003), p. 25.

BAM is broadly defined as a for-profit commercial business venture that is Christian led, intentionally devoted to being used as an instrument of God's mission (*missio Dei*) to the world, and is operated in a crosscultural environment, either domestic or international. BAM companies are themselves ministries at two levels. First, they minister to all those who are directly in the business's spheres of influence, such as their workforce and their families, suppliers and vendors, investors and creditors, customers and clients, even competitors. Second, they engage the community they operate in and undertake holistic, people-impacting community-development initiatives.⁵³

BAM organizations can range in size from microenterprises to large transnational corporations and can range in scope from craft exporters to technology companies.⁵⁴ Regardless of the size or industry, leaders of the movement are emphatic that no matter the size or the industry, these organizations should serve as profitable, taxpaying, job-creating entities that have a holistic positive impact rather than as fronts for hidden agendas such as evangelism. The latter neglect to create economic value, which is badly needed by developing countries, contribute to a false bifurcation between business and the real work of missions, invite hostility and distrust from locals, and are more easily expelled by governments.⁵⁵

While the idea of integrating business and mission seems new, BAM leaders note it is merely reemerging. Recognizing the need for spiritual and economic transformation, David Livingstone, a missionary pioneer, stated in 1857, "Those two pioneers of civilization—Christianity and commerce—should ever be inseparable."⁵⁶

BAM enterprises stretch across the spectrum in terms of geographical location, size and industry. Among the best known and largest is Galtronics, a manufacturer of wireless antenna solutions. While located in Galilee, the "Gal" in the company's title actually has a deeper meaning. *Gal* is

⁵³C. Neal Johnson, *Business as Mission: A Comprehensive Guide to Theory and Practice* (Downers Grove, Ill.: IVP Academic, 2010), pp. 27-28. For a similar definition, see Mats Tunehag, Wayne McGee and Josie Plummer, eds., "Business as Mission," Occasional Paper No. 59. Lausanne Committee on World Evangelization, October 2004, pp. 12-13.

⁵⁴For a discussion of the varieties of enterprises involved, see Kenneth Eldred, *God Is at Work: Transforming People and Nations Through Business* (Ventura, Calif.: Regal, 2005).

⁵⁵See for example, Rundle and Steffen, *Great Commission Companies*, pp. 22-25; see also Tetsunao Yamamori and Kenneth A. Eldred, eds., *On Kingdom Business* (Wheaton, Ill.: Crossway Books, 2003), pp. 8-9; see also the Lausanne Committee working paper "Business as Mission."

⁵⁶David Livingstone, cited in Eldred, *God Is at Work*, p. 42.

the Hebrew word for "wave/roll," as in "to wave/roll over your trust onto" or to "commit oneself."⁵⁷ Started in the late 1970s by Ken Crowell, the company became northern Israel's largest employer by the 1990s and grew to a value of \$70 million by 1998. The company has also sold over one billion antennas.⁵⁸

Another example is a large (3,100 employee) semi-conductor fabricator in based in China (Semiconductor Manufacturing International Group) that went public in 2004 at a market value of \$6.4 billion.⁵⁹ Others operate at a much smaller economic scale. For example, Cards from Africa, founded by Chris Page in 2004, gainfully employs orphans in manufacturing and distributing handmade greeting cards from Rwanda.

There is much that is praiseworthy about BAM: the movement's integrated vision takes seriously the idea that business can be central to God's mission rather than just financially supportive of it. Approaching business in terms of holistic transformation (versus financial or spiritual alone) is a vast improvement and fits very well with the central premise and goals of this book. And if the writing, conferences, businesses and investment funds inspired thereby are accurate indicators, the movement may well be on the way to reshaping global missions.

Our cautions and criticisms of the movement are few. First, as with any enterprises that are concerned with achieving multiple bottom lines, care must be taken to guard against mission drift, particularly if there are ownership pressures to hit specific financial return targets. Second, pursuing multiple bottom lines produces inevitable tensions, as it may well be impossible to optimize value for every constituent. Organizations that proclaim the name of Christ in all they do are setting themselves up for very high standards and expectations. While this may be positive in terms of accountability, BAM practitioners must have very carefully conceived reasons, frameworks and metrics for making tradeoffs when they become necessary.

Finally, while recognizing that there are ongoing conversations about the scope of the movement, we are concerned that BAM, as it has been

⁵⁷Yamamori and Eldred, *Kingdom Business*, pp. 45-48; see also William Goheen, *The Galtronics Story* (Eugene, Ore.: Wipf & Stock, 2004).

⁵⁸Joe Maxwell, "The Mission of Business," *Christianity Today*, November 9, 2007, www.christianitytoday.com/ct/2007/november/24.24.html.

⁵⁹Eldred, *God Is at Work*, pp. 227-29.

primarily approached, can do much more to include businesspeople who are faithfully looking for ways to create holistic value and engage in mission, but under the auspices of secularly owned and managed companies.

EMERGING OWNERSHIP AND CONTROL STRUCTURES

The foregoing examples are both exciting and inspiring to be sure, but how much freedom do firms, especially those operating under conventional shareholder-owned structures, have in terms of moving in these directions? Firm ownership and control matter greatly in terms of an organization's ability to serve multiple bottom lines (see chap. 2).

As the section on comprehensive CSR shows, publicly owned corporations can take some steps, without damaging market valuations or triggering a lawsuit for breach of fiduciary duty to shareholders. They can openly state in their charters and mission statements the intention to serve multiple stakeholder groups. They can attract like-minded constituents (especially employees, investors and customers) and thereby, relax some of the market pressures that constrain them. Moreover, many states now have constituency statutes that permit managerial decision making that considers the interests of a broader range of stakeholders. However, accelerated and potentially large-scale movement may require fundamental structural changes in order to set organizations free from high or short-term financial return pressures.⁶⁰

It is no accident that many of the organizations mentioned in the social enterprise section of this chapter are private, closely held entities, usually by a single owner or a relatively small group of equity partners. Clearly, these types of ownership structures permit the most freedom in successfully achieving blended value. However, privately held organizations tend to be smaller and may lack access to the capital needed if they wish to grow in order to make a broader (though not necessarily deeper) impact. Neither is there a guarantee the mission will continue after ownership passes through the hands of the current owner or owners who possess controlling shares. Furthermore, concentrating too much power in the hands in one or a few people is a situation fraught with peril. For all of these foregoing reasons, there are several nascent movements to revive older and create

⁶⁰For a thoughtful critique of the limits of CSR, see Deborah Doane, "The Myth of CSR," *Stanford Social Innovation Review* (Fall 2005): 22-29.

newer forms of organizational ownership and governance in theory and practice.

Among the best known and widely practiced older alternative forms of ownership is the co-op, sometimes now referred to as "stakeholder-owned enterprises." For purposes of clarification, co-ops and employee-owned organizations are not one and the same. Employees can own shares through a co-op but also through more conventional means, such as in publicly traded companies via employee-owned stock ownership plans (ESOPs). Moreover, customers, community members as well as employees can be owners of a cooperative.

In Spain, the Mondragon Corporacion Cooperativa is among the world's best-known co-op. In America, R.E.I., a recreational equipment retailer, comes to mind. Of course, there are many farming co-ops and credit unions that are also member owned. Microfinance pioneer Grameen Bank is nearly all client-member owned (94 percent), with after-tax profits returned in the form of a dividend to owners. In all cases, stakeholders own the co-ops, and management pursues the objectives and goals set by them. Typically, members benefit from economies of scale, lower costs, fewer conflicts of interest and returned profits in the form of a yearly dividend.

Some co-ops are highly successful in the traditional sense of profit, while also permitting the pursuit of blended value. However, a cooperative ownership structure alone is no guarantee that the organization will pursue transformative purposes or holistic flourishing. There is no intrinsic reason why co-ops would have to serve the interests of other (nonowning) stakeholders. They also vary, sometimes greatly, in terms of their governance structures and levels of transparency, even to their members. Coops also have difficulty raising capital, since their bylaws often place limits on capital returns.⁶¹

In the quest for brand new corporate structures, several nascent forms are emerging. In addition to these models others will likely emerge, partially as a result of movements such as the Corporation 20/20 initiative.⁶² One proposed structure is the L3C, or low-profit limited liability com-

⁶¹See Marjorie Kelly, "Not Just for Profit," *Strategy + Business* 54 (2009): 6.

⁶²See Allen White, ed., "The Paper Series on Restoring the Primacy of the Real Economy," from the 2009 Summit on the Future of the Corporation, Boston, June, 2009.

pany. Spearheaded by Robert M. Lang Jr. and Marc Owens, L3Cs are seen as a hybrid between traditional nonprofit and for-profit organizations. A play on the traditional LLC (Limited Liability Corporation), L3Cs enjoy liability protection like a corporation and the flexibility of a partnership. Unlike traditional nonprofits, they can expand their operations by attracting private investment (from foundations, institutions and individuals), and provide return on capital, albeit at a low rate. Unlike traditional for-profits corporations, L3Cs are tax-exempt and must make a social mission, not profit making, their key purpose.

L3Cs can be designed to be financed by multiple tiers (tranches) of capital. The highest risk investment would be borne by charitable foundations in the form of program-related investments (PRIs). Foundations would receive lower than market rates of return, which they can accept because they are set up to achieve social goals. With this investment in place, the financial position of an L3C can be strengthened, allowing it to attract other investors. Other tiers, with lower risk, could then include those with a market rate of return or below market rates, in the case of socially motivated investors.

A number of states, with Vermont being the first, have approved L3Cs, and there are discussions for federal level of recognition. An example of an existing L3C is Maine-based MOOmilk, an organic milk company formed by a group of farmers in Maine with private investors and some start-up funds from well-known Stonyfield Farms.⁶³ More than eighty corporations registered as L3Cs in Vermont between early 2008 and early 2010.⁶⁴ On the investment side there are still tax issues that need to be settled, so as of 2009 few, if any, foundations had yet to invest in them.⁶⁵

Another emerging model that has gained more traction is the B (Benefit) Corporation. To become a B Corporation, an organization must undergo a rigorous certification process through B-Lab, a Pennsylvania-based nonprofit started by three former Stanford classmates. Under the

⁶³Sharon Kiley Mack, "True Yankee Ingenuity Launches MooMilk," *Bangor Daily News*, October 10, 2009, www.bangordailynews.com/detail/124751.html.

⁶⁴Malika Zouhali-Worrall, "For L3C Companies, Profit Isn't the Point," *CNNMoney.com*, February 9, 2010, http://money.cnn.com/2010/02/08/smallbusiness/l3c_low_profit_companies/index.htm.

⁶⁵"The L3C: Low-Profit Limited Liability Corporation Research Brief," Community Wealth Ventures (2008), <www.cof.org/files/Documents/Conferences/Legislativeandregulatory01.pdf>.

process, companies must meet "comprehensive and transparent social and environmental standards." Then, they must formally institutionalize their values by writing the interests of a broad group of stakeholders into their governing documents. In short, a company's board is *committing to* honoring the interests of these stakeholders, and by formalizing it the hope is that the organization's mission can withstand ownership, investor and leadership changes.⁶⁶ According to the B Corporation website, incorporating both sets of changes should allow a company to create a strong market presence through third party validation to consumers and joint promotional efforts through B-Lab, attract investors with similar values, and gain resources and a community of like-minded entrepreneurs. B-Lab's founders also want to attain widespread state-level legal recognition and special tax status for B corporations.⁶⁷ In 2010, Maryland became the first state to officially recognize them and Vermont, the second.⁶⁸

Over two hundred companies, across fifty industries in nearly thirty states collectively, representing over \$1 billion in revenue, have been officially certified as B corporations.⁶⁹ Among the best known B corporations are Vermont-based Seventh Generation, a company specializing in non-toxic household products (e.g., cleaning supplies, hygienic paper products and diapers); Pennsylvania-based footwear maker Dansko; Chicago-based Shorebank; and Seattle-based Pura Vida Coffee.

While promising, most B corporations are still small, at least when compared to Fortune 500 companies, and therefore limited in their ability to make large-scale impact. Most B corporations are also closely controlled by their founders, so tight control and the possibility of mission drift under a change of ownership still remains.⁷⁰ Moreover, until B corporations receive legal recognition and protection, their status may be at odds with existing state-level corporate laws regarding fiduciary duties to

⁶⁶See the B Corporation website: www.bcorporation.net/about.

⁶⁷Ibid.

⁶⁸Diane Mastrull, "Maryland Adopts New Socially Aware Corporation Law," *Philadelphia Inquirer*, April 15, 2010, www.philly.com/philly/business/20100415_Maryland_adopts_new_socially_aware_corporation_law.html; "Vermont Becomes Second State to Pass B-Corporation Legislation," *Outdoor Industry Association News*, June 2, 2010, www.outdoorindustry.org/news.webnews.php?newsId=12600&newsletterId=136&action=display.

⁶⁹Danielle Sacks, "John Mackey's Whole Foods Vision to Reshape Capitalism," *Fast Company*, December 1, 2009, www.fastcompany.com/magazine/141/the-miracle-worker.html.

⁷⁰Kelly, "Not Just for Profit," p. 8.

shareholders. If and when they do get recognition, it isn't yet clear if a stakeholder, such as a customer or community member, could sue for breach of duty for not receiving enough consideration. If so, formally institutionalizing stakeholder obligations is risky. If not, some wonder if the status has real meaning.⁷¹

Though not certified as a B corporation, other organizations have adopted similar practices. For example, Portland-based Upstream 21, a holding company, goes beyond Oregon corporate law, which *permits* a company to consider stakeholders in its decisions, by stating in its corporate documents state that company directors *shall* do so.⁷²

Other interesting models exist too, including the previously mentioned Grameen Danone joint venture that focuses on nutrition in Bangladesh.⁷³ Europe has long been home to foundation-owned firms. One of the best known of these is Sweden-based Ikea, the furniture manufacturer and retailer. And Google stunned, and perhaps confused, observers when it announced its foundation would engage in "for-profit philanthropy" with an annual budget of \$2 billion. While promising, most of the foregoing innovations are still in the infant stages and are small when compared to the overall size of business.

In addition to structure, however, several other matters need to be settled before an organization can truly pursue transformational work. The first is organizational mission. Not all missions beyond the bottom line necessarily encourage human flourishing. Second is the issue of internal control and governance. For example, "foundation-owned enterprise" connotes that profits will be passed onto good causes. Yet the foundation that owns Ikea, the Stichting INGKA Foundation, is one of the world's wealthiest, yet has been criticized for giving away very little to charity. Further, the foundation serves the goal of promoting "innovation in the field of architectural and interior design"; while not something bad (humans need beauty), it is a ways from what most would consider a pressing need.⁷⁴ Thus, internal governance provisions in the form of charter state-

⁷¹G. Jeffrey McDonald, "When 'B' Means Better," *Christian Science Monitor*, July 22, 2009 Accessed at www.csmonitor.com/Money/2009/0722/when-b-means-better.

⁷²Kelly, "Not Just for Profit," p. 8.

⁷³Yunus, *Creating a World Without Poverty: Social Business and the Future of Capitalism*.

⁷⁴"Flat Pack Accounting," *The Economist*, May 11, 2006, www.economist.com/PrinterFriendly.cfm?story_id=6919139.

ments, perhaps a special class or number of voting shares, vesting control in a trust or other measures must be set up so that the mission is actually achieved. Several recent cases including ownership changes at Pura Vida (p. 267) and the closing of Unitus (a pioneering microfinance organization) highlight the complexity of trying to create hybrid organizations with two bottom lines.⁷⁵ Finally, there is the issue of how these organizations do their work. A good mission doesn't guarantee good processes or how they do their business. For example, do they treat all constituents fairly, and are they attuned to issues of sustainability? Do they go about their business according to the guiding questions we suggested in chapter two?

All of these efforts represent creative and bold ways to break out of entrenched ways of thinking about business, but do they represent its future? It would be risky to say so with any degree of certainty. However, what we can attest to is the level of excitement with which our current students embrace and engage these newer models. Similar to the opening conversation found in chapter one, many of our students have thought that meaningful, effective work could be found only within nonprofit organizations, government offices and perhaps churches. So, these newer models represent not only more direct and meaningful ways to influence the world but also lasting, sustainable ones that yield the potential to free up charitable dollars for other purposes.

Another that may arise is how these new models might apply to businesses that operate in more conventional spaces. Can the Boeings, Microsofts and Chase Manhattan Banks of the world become emerging social type enterprises with robust blended bottom lines? Given their histories and ownership structures, we believe that it's unlikely; though we need to add that do they not need to in order to make a positive social contribution. As we have emphasized throughout this book, business, even in its more conventional spheres, when approached with the right motives and practiced with attentiveness to correct ideals, can be a place of service to God and neighbor. The last thing we want to do is create a new hierarchy (like the old one between sacred and secular work) that somehow implies that only these emerging types of organizations are holier.

What may be more achievable, however, is that these organizations can

engage in ways of thinking and acting that reflect some of the concepts brought forward by these emerging models (many are moving toward more comprehensive CSR). In fact, some evidence exists that this is already happening. The names of the gigantic corporations involved with BOP-type ventures is one indicator. Other indicators are evident at places like Boeing, where there are many efforts to make air travel more environmentally sustainable.

As many business schools (including top-tier ones such as Harvard and Stanford) have done over the last decade or so in terms of changing their curricula and supporting cocurricular activities such as social venture competitions, the emerging generation of business leaders will be exposed to these ideas and may be more likely to implement them. Some of this may show up in the form of new models of business (perhaps some we haven't even imagined yet), while others will come in the form of pushing the boundaries of more conventional business organizations in new directions.

⁷⁵See Strom, "Hybrid Models for Nonprofits Hits Snags."

CONCLUSION

What will business be like in the both the near and distant future? Will it, as Charles Handy asks, destroy itself? Can it move beyond the increasing perception that it exists only to serve its own interests? Will the majority of businesspeople labor within its confines for the sake of earning a paycheck and nothing more?

Without a doubt, these are important questions. Through these pages we hope we have presented persuasive arguments and compelling stories and examples to show that business can be (and in some ways, already is) much more than what it is commonly thought to be. Business can function to serve others and not just the financial interests of owners. Business can also be a source of gratifying, purposeful and meaningful work that is worthy of a vocational level of investment, and in which the hours devoted to it fly by.

In order to fulfill its potential, however, a new story must be developed about business's core purposes and our involvement within it. The idea that business is a legitimate calling is one that is perhaps more widely accepted than ever before, but *what it is a calling to* is less explored territory. This is the central question that we have attempted to shed light on in this book. Business, from a Christian viewpoint, we have argued, is a calling to transformational service for the common good. It is a calling on personal, institutional and structural levels to serve God and participate in his mission of bettering the lives of others in multiple dimensions.

Undoubtedly, some high ideals have been set. Reaching them in a global business environment, where some competitors have vastly different motivations and aims, will not be easy. Implementing faithful strategies, processes and practices will require courage, devotion, and lots of trial and

error. Moreover, there is little doubt on our part that in a broken world, some tradeoffs and acceptance of "half loaves" may be necessary. Without biblically based ideals and frameworks, however, we will lack a compass, and it's likely that we will simply drift with the winds of conventional but often mistaken "wisdom." Or worse yet, we will simply head down the path of least resistance, which may lead us to a bottom that is even murkier than the one business has recently encountered.

Courageous (and, in many cases, faithful) business leaders in emerging organizations, and in what might be called conventional industries, have all taken concepts that can be fit under a vision of transformational service and have applied them in creative and imaginative ways. Many of them, it should be said did not arrive in these places overnight. Most have learned through failure.

We hope this book challenged you to think and act in new ways that are consistent with how we think business can help achieve divine purposes in the world. Our intention is to plant seeds, deepen conversations and enable changed outlooks, purposes, values and practices. We hope you will join in the movement (loosely speaking) of people (many Christians, but many others from different faiths and belief systems) who are trying to engage business in a way that makes future headlines much more celebratory than the ones we have recently experienced. Although we would extend the spirit of his comment to include all business, we concur with what former Supreme Court Justice Louis Brandeis once said about the importance of redefining success in business: "Then the term 'big business' will lose its sinister meaning, and will take on a new significance. 'Big business' will then mean business big not in bulk or in power, but great in service and grand in manner."¹

¹Louis D. Brandeis, *Business—A Profession* (Boston: Small, Maynard & Company, 1914), p. 12.