undercurrents

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Bank Revelations:
Symptom of a deeper dilemma

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The Irish media is having a field day. What began as a one-off drama has become an ongoing soap opera, with each new banking faut pas the latest episode in the unfolding saga filling hundreds of broadcast hours, thousands of column inches, and surfacing a wide range of opinions in popular phone-ins and 'expert' autopsies right across the radio dial.

Though the most recent revelations of "tax issues" at AIB's Investment Managers division and "unacceptable practices" involving some of the bank's most senior managers were voluntarily disclosed by the bank itself, whistle-blowers have been pivotal in helping the media bring other wrongdoings into the public domain.

As the stories unfolded, RTE's Chief News Correspondent, Charlie Bird, became a key character in the station's coverage of AIB's Foreign Exchange Overcharging episode, and The Sunday Business Post was keen to include itself in the plot of Bank of Ireland's Resignation episode with its front page headline: "Soden quits following *Post* probe".

It's not hard to understand why a little self-congratulation and smugness might creep into the tone of the coverage. After all, most of those working in the media would like to believe that a key part of their task as the Fourth Estate is to watch over the great and the good on behalf of the great unwashed.

Despite the seriousness of such episodes and the real culpability of those involved, however, these are surface splashes indicating a far deeper and darker systemic undercurrent which is driving not only mainstream banking practice, but mainstream business practice in general.

What the media has not done and will never do, is to examine in a *systematic and sustained way* the root cause of such episodes so that we might understand and change what really counts.

Bank of Ireland's flirtation with pornography illustrates the nature of the problem. CEO Michael Soden resigned when he was revealed to have breached company policy by using his PC to access an internet site "with links to material of an adult nature".

Although his actions seem relatively minor in comparison with far more serious offences at AIB, Bank of Ireland's internet policy clearly tells employees "not to engage in any activity which is illegal, offensive, disruptive or likely to have negative repercussions for the group".

In a personal statement, Mr Soden affirmed that he had not done anything illegal by accessing the site, but said: "I have made it a central part of my tenure as group chief executive to set the highest standards of integrity and behaviour and to do so in an environment of accountability, transparency and openness."

In contrast to the reluctance that has characterised the responses of senior people at AIB, Mr Soden has done the honourable thing. Case apparently closed.

But wait. Just weeks earlier, material of an adult nature was very much at the heart of Bank of Ireland’s involvement in a deal with a pornography distribution company - a much more substantive issue with far wider consequences - and yet this didn't contravene any in-house policies.

The suggestion by the National Women’s Council of Ireland that its members close their bank accounts in protest raised a level of public awareness that scored a direct hit where it counts - the financial bottom line - and caused the bank to rethink and eventually relinquish its investment decision.

However its first line of defence had been to suggest that the pornography business is “a legal and regulated industry” and that it wasn’t the bank’s place to “moralise”, implying that business and financial decisions are just about money and somehow morally neutral and values-free.

Decisions never are, of course. All human behaviour, including the decisions and actions of business organisations, expresses a belief system and a set of values, and the bank’s decision to invest in a company, without regard to the hue of its publishing titles or the social impact of its content, is an expression of a value system that underpins not only its particular business, but AIB's business and the vast bulk of all mainstream business practice.

That value system was summed up recently by Bank of Ireland’s own chairman, Laurence Crowley, when he said: “The creation of wealth is paramount”. It’s ironic that his remarks opened a conference, organised by the Michael Smurfit Graduate School of Business, exploring “the challenges of humanising the global economy”.

But Mr Crowley’s assertion was made without a hint of irony or real understanding of the deeper dilemma at hand on that day, and subsequently thrown so graphically into relief by his organisation’s association with pornography: if money shapes our world, then how can we reconnect money and life so that money enhances rather than diminishes life?

The problem for Laurence Crowley, for Bank of Ireland, for AIB Investment Managers, for banks and business in general and indeed for all of us, is that we haven’t answered the much bigger question begged by the “wealth is paramount” proposition: What *is* wealth?

What *is* it... wealth? Is it simply cash in hand, money in the bank? Or is wealth the substrata of human, social and ecological *life* upon which all financial value depends? And if banks, investors and businesses were to explicitly acknowledge what real wealth is, how would that shape their money-making, money-investing and money-spending decisions? - decisions that ultimately shape what we preserve, what we promote, and what we destroy in the process of accumulating cash.

You see, if we define wealth as cash, and if we take the “creation of wealth is paramount” thesis to its logical conclusion, then we’ll turn everything into cash: fish and forests, personal time, family and community life... we'll sacrifice individual spirit, corporate culture and public trust and we'll pollute air, land and water, all in pursuit of cheapness and profit. And we’ll undoubtedly achieve our goal - an enormous pile of cash. Unfortunately, there’ll be nothing left to enjoy. No *life* left.

Every business needs to make a profit. But profit is like health: though we need it, it’s not what we live for. As individual human beings, we don’t need to be told this. We understand there’s no joy in looking at a pile of money. We know that real meaning lies in love, family, relationship and the ability to make a meaningful contribution, and we appreciate the soul-replenishing properties of nature and a healthy hike in the countryside.

But somehow, institutionalised within organisations and distanced from the impacts of our decisions and actions by bureaucracy, hierarchy and the fiction of organisational charts, we seem to lose our innate intelligence. We forget what we know. And when we forget, we destroy what’s important. Why does this happen?

It seems clear that what people in business are collectively suffering from is a mindset problem: a deeply flawed Story which conceives of business as somehow separate and independent of society and its wider environment. This Story of separateness has shaped the legal framework that requires business to prioritise the needs of shareholders and profit above all other concerns.

The whole idea of separateness is, of course, an illusion. As Bank of Ireland and AIB have discovered in recent weeks, every business, like every individual, participates in a web of interdependent relationships, and operates within a wider context to which it is accountable for its behaviour. You can choose to ignore it or long-finger it, but the truth of that reality is never going away: business is a wholly owned subsidiary of society, which in turn is a wholly owned subsidiary of the environment. That's the true context for all business activity.

Because it routinely ignores this context, however, business has become a contested institution. Poll after poll shows that the unimpeded pursuit of cash-at-all-costs and the ideology of jobless growth that has characterised the thrust of capitalism as it is currently practiced has earned the institution of business a loss of loyalty within its own employee ranks, and a loss of public trust, putting reputation, brands and corporate value increasingly at risk.

The reactive response of a relatively small number of organisations to public pressure has been to add Corporate Social Responsibility or CSR to their list of departments and practices. Intended to demonstrate that business is capable of and willing to be responsible, these purely voluntary CSR activities differ from company to company along a broad spectrum - from philanthropic giving programmes and workplace initiatives on issues like diversity and work/life balance, to including a formal report on an organisation's social and environmental impacts alongside its financial report.

It looks good. And indeed, CSR has succeeded in tabling the issue of corporate reporting, and elaborating good principles and practices for business. However, the flaw in CSR in its current form is that it allows business to ignore the root cause of its dilemma: the political and economic relationship between business and society.

Bank of Ireland and AIB illustrate this perfectly. Both have significant CSR programmes, but these are simply parallel realities operating alongside a dominant value system in which "the creation of wealth is paramount" shapes their substantive business decisions, with consequences that are both predictable and inevitable.

By ignoring the inherent contradictions in current business practice, CSR leaves the purpose and values of business intact and allows it to avoid the deeper transformation that would remake its relationship with society and begin to restore genuine trust.

In his conference address, Laurence Crowley exhorted business to make its profits "in a fair and ethical manner" and to look at how it distributes its profits, saying that "tax must be supplemented by individuals". In other words, he framed the relationship between business and society in philanthropic terms.

Unfortunately, he didn't address the deeper question: why should we need to supplement taxes at all? Deloitte and Touche estimates that corporate tax-dodging costs European citizens almost Stg £100 billion a year. And in a world where inter-group trading now accounts for 60 per cent of global trade, the practice of transfer pricing between transnational companies who can shift their tax liability around the world, is costing the US treasury $53 billion a year, and costs countries in the global south more than $50 billion.

If businesses genuinely want to be good corporate citizens, wouldn't an obvious first step be to behave like any good citizen and pay taxes in full where they're incurred rather than diminish national budgets? And could business leaders fixate on supplementing already vastly generous salaries, bonuses and share options if they had a firm grasp of what constitutes "unacceptable practices" or a sense of the moral responsibility to their organisations and the wider community that comes with the mantle of leadership?

Leadership isn't easy, and the duty of care it carries is onerous precisely because a leader's footprint is large and their behaviour powerfully communicates a value system to those around them, signalling what's okay and what's not okay around here. Like ripples on a pond, the people around them transform those values into policies and practices that shape entire organisations - in banking, business, politics, the media, the church - amplifying and communicating that value system into society, with profound shaping effects.

When organisations and leaders conceive of their responsibility to society in philanthropic terms, they fail to see that their *substantive* contribution is the impact of their products and services, and the processes, practices and procedures by which they're produced and provided. These are the real threads of the corporate narrative, a Story that's told day in day out, year after year, communicating the value system of business. It's a Story that shapes the lives of all those who bring businesses to life every day, and it determines the complexion of society itself, and the health of our entire ecology.

CSR is the corporate response to the negative consequences of the Story of separateness that beats at the heart of business. And given the scale of those consequences, it's not enough. What we need is a new Story - a profound cultural transformation - and we won't create that with programmes that leave the core untouched.

Nor will we create it by merely overlaying a tangle of rules and regulations on the same dysfunctional culture with the same destructive pressures. More boxes to tick will simply allow canny managers to prove they've observed the letter of the law, while creating even more gaps and loopholes through which to evade the spirit of the law.

So what are we to do? For a start, we have to stop tinkering with symptoms and go upstream to revisit the purpose and values on which our entire business model is predicated. Unlike the inevitability of day following night, there is nothing inevitable about the purpose and values underpinning business - people have framed them, people have changed them, and people help them evolve.

To support this evolution, we must confront ignorance and apathy. We have to help people revolutionise their perception of their role and their influence, personally and professionally, by becoming aware of the context in which they work and the downstream consequences of what they do.

We have to stop talking about *reforming* business and start talking about *transforming* it, and transformation begins with learning. People and organisations have to *learn* their way to an entirely different place.

But before that happens, we have to admit there's a deep and pervasive problem with the entire purpose and culture of business. Unfortunately, our whole system seems to be set up to avoid any examination of this possibility, and thus avoid the learning that we must do.

Perhaps what is needed most of all, is courage. In the context of a business community where peer pressure supports collective denial, including at the highest level, there needs to be a willingness to break the silence. We want to hear from one organisation - even one person - with the courage and the wisdom to stand up and admit there's something profoundly wrong... not because they have the answer, but because they are willing to learn.

That would be a wonderful place to start.

The courage required can be found - and *must* be found - in every single one of us. None of us in public and professional life can claim innocence in this. Whether in banking or any other profession, the individual members of any class of people which commits crimes and misdemeanours must take responsibility for the crimes of their class, and work to stop the rot.

We can begin by simply refusing to be professionally silenced or to silence ourselves. We can refuse to politely ignore, or continue to socially reward, those whose actions not only sully their own organisations and professions, but diminish our vision of what it is to be human. And we can speak out courageously for what we believe, and for what we believe is possible.

Until we do this, nothing much will change. **||| dya**

REFLECTION

UnderCurrents is intended to respectfully provoke new conversations and challenge individuals and organisations to become conscious of the web of relationship in which everything exists, and the profound responsibility that lies with each one of us for the world that unfolds on our watch.

We encourage you to reflect on these ideas privately, or together with colleagues.

Questions you might explore:

- Where am I in all of this?
- Where is my organisation in all of this?
- What are we contributing to the way things are?
- And how might I / we experiment with our life and work practices to foster healthier patterns of relationship?

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