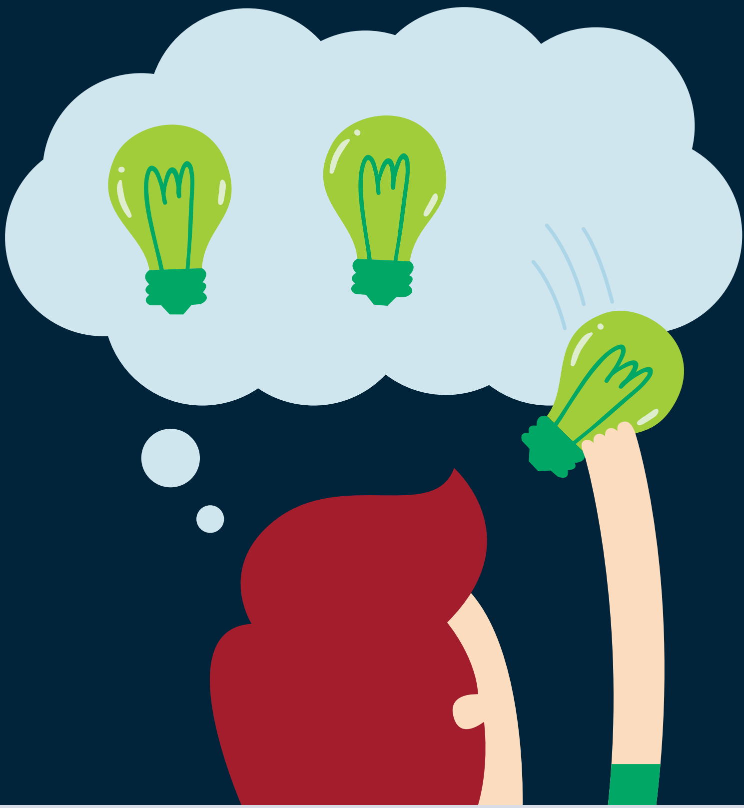
RIGHT LANE REVIEW

COLLECTED | 2025

Responsible Business



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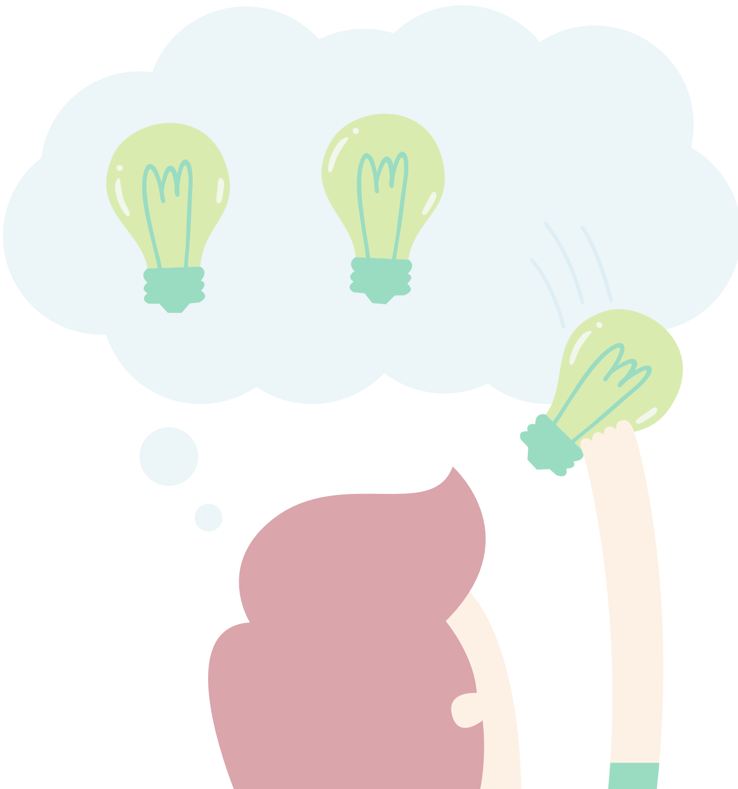

Foreword

Businesses are crucial players in addressing the complex and interconnected challenges of today's world, as employers, capital and resource allocators, and influencers. By embracing responsible practices, businesses can drive positive change and contribute to a more sustainable and equitable future.

The following compendium of articles (published in Right Lane Review) written over the past 18 months, delves into various facets of responsible business practice, offering insights and practical strategies for organisations striving to make a positive impact on society. Each article addresses a unique aspect of corporate responsibility – from enhancing ethical standards to adopting a purpose aligned ownership and governance structure – making them, I hope, useful reads for anyone interested in the future of business.

Four leaders in the fields traversed by these articles agreed to write responses to them, sharing reflections on the material and extending the thinking. I'd like to thank them all for their thoughtful and engaging contributions.

Responsible business

The first article, 'What does it mean to be a responsible business? Moving the conversation forward', explores the evolving definition of corporate responsibility. Inspired by, and building on, the work of Oxford sustainability and integrated reporting academic, Robert Eccles, this article proposes a comprehensive framework for what it means to be a responsible business today. It sets the stage for a deeper understanding of the role businesses play in society and the need for a more holistic approach to corporate responsibility.

The response was written by Fiona Reynolds. Fiona was CEO of the UN-auspiced Principles for Responsible Investment, whose signatories collectively manage around $150 trillion in assets worldwide. Back in Australia now, Fiona is an independent director and advisory board member working across the business and investor sectors on ESG and sustainability issues.

Business ethics

Next, 'The state of ethics in organisations: Why can't we (still) kick straight?' investigates the current state of business ethics and the challenges we face in maintaining ethical standards. Drawing parallels with goal-kicking in Australian football, the article laments persistent ethical failings and offers six best practices to promote an ethical climate within organisations. It underscores the importance of ethics in building trust and long-term success, making it essential for anyone committed to fostering a culture of integrity in their organisation.

Dr Simon Longstaff AO, executive director of The Ethics Centre, and one of the world's most prominent applied ethicists, wrote the response.

Corporate giving

The third article, 'Corporate giving: Unlocking slivers of value to address social challenges', discusses the transformative potential of corporate philanthropy. The article describes how businesses can leverage even small portions of their profits to make significant social impacts. If we can normalise the practice of corporate giving, companies can help address pressing issues such as homelessness, mental health, and domestic violence. This article provides a compelling case for why and how businesses should integrate philanthropy into their operations.

The response was written by Jarrod Miles, author of the Giving Large Report, co-founder of STRIVE Philanthropy and Australia's foremost expert on corporate giving.

Foundation ownership

Finally, 'From profit and purpose to profit for purpose: Towards a more progressive professional services firm ownership model' examines the shift from traditional profit-driven models to those that integrate purpose at their core. This article narrates the journey of Right Lane Consulting as it transitions to a majority foundation-owned company, highlighting the benefits of this innovative ownership structure, pioneered by socially minded Nordic entrepreneurs. By reconciling tensions between profit and purpose, this model demonstrates how organisations can pursue commercial returns that directly benefit society. According to The Economist, long-term ownership, including by nonprofit foundations, is one reason Nordic firms have outperformed those from the rest of Europe over the past 10 years (The Economist, 2025).

Prof Steen Thomsen, the Novo Nordisk Foundation Professor of Enterprise Foundations at the Copenhagen Business School, wrote the response. Steen is the world's leading academic expert on industrial foundations.

It is my aim that these articles provide valuable insights and fresh perspectives to help navigate the complexities of today's business landscape. By reading and reflecting on them, leaders and professionals can better understand how to drive positive change within their organisations and contribute to a more sustainable and equitable world.

Dr Marc Levy

Reference

The Economist. (2025, January 4). Way of the Viking: Why are Nordic companies so successful? https://www.economist.com/business/2024/12/30/why-are-nordic-companies-so-successful

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RIGHT LANE REVIEW

What does it mean to be a 'responsible business'?

Moving the conversation forward

Right thinking

In a recent HBR article, ESG scholar and integrated reporting expert Robert Eccles writes, 'At the core of the ESG debate is the fundamental question of the role of the corporation in society: What does it mean to be a responsible business?'

Inspired by Eccles' intriguing question, and ardent in the belief that his 3-point prescription isn't yet a sufficient answer to it, Right Lane founder and chair, Dr Marc Levy, proposes a list of 10 characteristics of responsible organisations.

What does it mean to be a responsible business? This is the question that Robert Eccles seeks to answer in his recent article, 'Moving beyond ESG' (Eccles, 2024). Eccles references attacks on ESG – environment, social and governance factors – from the left and the right: ESG doesn't go far enough for some progressives and it's 'woke nonsense' to some on the right.

I am an unapologetic cheerleader for ESG. I don't really buy the idea that we need to rebrand ESG or move past it to something else. As a discipline and a set of practices, it has focused the attention of companies, policy makers, institutional investors and other actors on the impacts on them and their constituents of climate change and biodiversity loss, of contravening labour rights and perpetuating gender inequalities. It has also drawn attention to their roles in fixing these fundamental problems for the world.

In seeking to answer his intriguing question, Eccles proposes a new framework, comprised of 3 'strategies'; businesses should be clear about purpose, straightforward in their sustainability reporting and constructive in their engagement with stakeholders.

The question and his 3 strategies align more with what he believes corporate leaders should do to manage the conflicting pressures in the ESG political war, than with what it takes to be a responsible business. Nevertheless, I am very engaged by Eccles' work, and I think we all should be grateful for his provocation. In using the term responsible business, he invites a different sort of conversation, one that transcends the ESG debate and goes to the role of the corporation in society.

There can hardly be a more important conversation. For most of us, businesses, organisations responsible or otherwise, educate and protect our kids, source our food and make the clothes we wear; they hold our money and grow our wealth; and they provide our medicines and the facilities in which we grow old.

Eccles' 3 strategies are part of the answer to be sure, but in my opinion they aren't enough. A business can do these things and still act irresponsibly, unethically or unfairly. In this article, building on my recent work on business ethics, corporate giving and alternative forms of corporate ownership and control, I seek to move the conversation forward by advancing a more comprehensive list. This list of 10 factors is pitched at a 'level of abstraction' between Eccles' 3 strategies and ESG evaluations, B Corp assessments and the like, which are necessarily more detailed.

I will use the terms responsible business and businesses, and responsible organisations, interchangeably, as organisations of all kinds and forms – public and private for-profits, community organisations, public sector organisations, etc. – should act responsibly, and no type of organisation is immune from acting irresponsibly.

10 FACTORS FOR RESPONSIBLE BUSINESS

1. Make catalytic commitments to ambition

Eccles is right, 'too many mission, vision, and values statements are so broad that they could apply to any organization'. Responsible business is being more precise about these statements, including as they relate to social and environmental challenges; but specific intent isn't enough. Responsible organisations employ catalytic mechanisms to translate 'lofty aspirations into concrete reality' (Collins, 2002), putting paid to accusations of greenwashing, tokenism or virtue signalling.

Catalytic mechanisms are tangible commitments, related to an organisation's ambitions, and often involve actionable steps, clear metrics and accountability. Examples include explicitly aligning priorities and resource allocation with an organisation's purpose and vision; and setting public targets and hitching the remuneration of an organisation's leadership to them.

Collins references a US construction materials and contracting company, striving for product and service quality, that allows its customers to 'short pay', to reduce their invoice payments, if they are not completely satisfied. The consulting firm I founded, Right Lane, restructured into a foundation-owned enterprise, resolving otherwise irreconcilable trade-offs between profit and purpose. More on that later.

2. Agree on a holistic, long-term value creation thesis

Eccles argues for 'highlighting material ESG issues that directly affect value creation—but not including the broader positive and negative impacts a company has on the world.' In a rebuke of so-called double materiality, he contends that 'not all stakeholder issues are pertinent to shareholder value' and that 'trade-offs are inevitable'.

I would argue that an organisation's value creation thesis, or its strategy by another name, ought to face into both: how forces at work in the world will impact (improve, impair or interrupt) a business's pursuit of its ambitions; and how its choices, investments and operations affect the places in which it will pursue those ambitions. That is, organisations should consider the 'outside-in' and the 'inside-out' impacts (Husain, 2024).

As Eccles observes, there may have to be trade-offs in pursuit of value creation for most organisations, in terms of, for example, waste, energy usage, quantum of community engagement or versions of labour arbitrage. And policy making and regulation are the primary ways in which negative externalities are mitigated. But these axioms do not let businesses off the hook.

Eccles says organisations' efforts in this regard should be bounded by shareholder value creation and the law. Organisations should be candid about negative externalities and try to reduce them, if doing so doesn't diminish economic profits; and they should be wary of new laws, like a tax on carbon, that may suddenly make them financially material.

We need to think holistically – more expansively – about value creation. It is essential for organisations to consider their impacts on the health of the planet, including the places in which they operate. They rely on those places for the quality of many of their inputs; the strength of their reputations and relationships; and the local 'business clusters' that sustain them.

Taking the inside-out view, to reduce environmental impacts, may also lead to product, service and business model innovations; improve an organisation's ability to anticipate and respond to potential risks; build trust with stakeholders; and align with the trajectory of regulatory compliance and reporting standards (Husain, 2024).

Responsible organisations ought to support the climate transition by joining industry initiatives, supporting strong public policy and actively reducing GHG emissions, including Scope 3 (business travel, purchased good and services, waste disposal, etc.).

For public companies, and others, it is becoming untenable not to do so, even for those with limited environmental impacts, in the face of pressure from universal owners, civil society and employees.

3. Practise deep listening with stakeholders

The idea of practising 'deep listening' with stakeholders is inspired by the Australian aboriginal practice, called Dadirri in some languages. It is patient, empathetic, quiet, contemplative and reflective (Ungunmerr-Baumann, 2015).

Eccles calls for constructive engagement with stakeholders, with a focus on shaping and shifting narratives, including hostile ones, that will impact value creation. Can we go further than that though? There's a controlling overtone to shaping and shifting narratives. Stakeholders are the customers who buy our products; the people who work in our organisations; the regulators who define our competitive context; the owners whose capital we depend upon. Ours is not to shape them.

I was lucky enough to conduct a materiality review for a major financial institution for some years. From my perspective, it was enriching for them for several reasons. Perhaps the most important was deeply listening to stakeholders' perspectives on topics that might impact long-term value creation – from financing heavy industry and renewable energy to addressing customer disadvantage and hardship; from the need for transparency in reporting and engagement to setting appropriate targets and thoughtfully remunerating executives. The CEO and board were deeply engaged in this work, which unearthed novel and valuable insights on strategic issues. Stakeholders said their approach to engagement was a competitive advantage.

4. Promote an ethical climate

If ethics is doing what is right, an ethical climate is a fundamental feature of a responsible organisation.

In the article 'The state of ethics in organisations: Why can't we [still] kick straight?', I advanced the thesis that business ethics have lost prominence in recent decades. This has been partly due to ethics being displaced by other theories and practices of a virtuous kind, like organisational values. A lack of focus on ethics has contributed to all manner of ills, from the destruction of sacred aboriginal sites to fees for no service scandals. High profile ethical failings among professional services firms, financial institutions and mining companies, have had disastrous consequences for vulnerable consumers, public trust and economic value.

The right thing to do is not always obvious, and there will always be a strong element of judgement involved in acting ethically. Responsible organisations ought to promote ethical conduct: setting clear expectations of their people; modelling ethical conduct; mandating training in ethical decision making; acting emphatically on ethical failings; and creating a physically and psychologically safe environment in which people can raise concerns and challenge prevailing thinking.

Candid sustainability reporting – through which impacts and outcomes, positive and negative, can be documented and communicated – is one of Eccles' 3 strategies. I have chosen to include it here in the list as candour is reflective of ethical conduct, as is transparency.

5. Manage your workforce professionally and fairly

In very round numbers, organisations employ more than half of Australia's – and nearly half of the world's – population. Just one of our clients at Right Lane employees more than 100,000 people. Influencing how, and how well, people spend around half of their waking hours is an intimidating responsibility.

In an article titled 'Saving management from our obsession with leadership', academics from the universities of Virginia, Cornell and Erasmus (Detert et al, 2022) suggest that our focus on highfalutin notions of leadership has come at the expense of the valuable discipline of management.

Responsible organisations manage their people professionally. Their roles are well structured and interesting; they understand the expectations of them, and they know where they stand with respect to their performance, development and prospects. They are remunerated fairly and, where possible, share in the organisation's success; their input is sought on matters that impact them; they receive thoughtful guidance, feedback and coaching when relevant; and they receive essential supports.

6. Make decisions rigorously and mindfully

What is responsible decision making? Well, it is evidence-based, in that, prima facie, decisions based on reliable information are likely to be more effective in achieving desired outcomes. But responsible organisations are also conscious that effective decision-making requires a balance between adequate information and timely action (avoidance of procrastination), with intuition playing a key role.

Responsible decision making is actively engaged with the potentially perilous influence of decision biases. In our strategy work, we see instances of decision makers anchoring on the first compelling evidence that comes to them, searching for information that confirms what they already believe, or overestimating their insightfulness.

Frequently, we see clients wanting to act on single-minded conviction rather than thinking through scenarios and options and reflecting deeply on their choices. Responsible decision-making considers options. It also employs the organisation's resources productively and prudently, avoiding waste. And it 'circles back', making the link between decision choices, and the corresponding activity, and outcomes.

There is regulation in Australia concerning strategic and business planning in our superannuation system (APRA, 2019). It asks questions of its regulated entities that illustrate the point:

What did you decide to do? Why? How did you decide to do it? How will you know whether it works? When will you see the impacts? Now that you know the impacts, did it work the way you thought it would? If it did or didn't work, what are you going to do about it?

7. Embrace diversity, equity and inclusion

I approach diversity, equity and inclusion (DEI) with an eagerness to learn and contribute thoughtfully. While I draw on my own experiences, I remain mindful of my limited perspectives.

Not more than 15 years ago I watched a very senior, formidable female chair suffering the indignity of arguing with male director colleagues about the need for gender balance in the company's management ranks. It wasn't more than 10 years ago that I was taken aback when a male colleague told me he refused to go on a conference panel because there were not enough women on it.

Expectations regarding DEI, and the minimum acceptable standards of owners, governments, regulators, customers and other stakeholders, have changed rapidly and they are continuing to do so. Within a few short years, it will simply be unfeasible to do anything but embrace diversity, treat people fairly and enable people to participate in organisational opportunities and decision making.

Australian Race Discrimination Commissioner, Giridharan Sivaraman (2024), notes in a webinar on building an anti-racist workplace, that discrimination must be approached at the structural level—for example, in sourcing candidates, recruiting, onboarding, work practices and remuneration; in creating culturally safe workplaces and providing leave for cultural needs; in addressing complaints, development, promotion and participation in decision making.

Project kick-off meetings present a routine but illustrative 'work practices' example. At these meetings, where the tone is set for the work of weeks and months to come, we can seek to understand whether colleagues have any needs we can accommodate in the team. These might relate to, for example, prayer, flexibility, quiet spaces, perspective-taking, communication and feedback. One of my senior colleagues used a instructive analogy to make the point, 'You wouldn't have a dinner without asking your guests whether they have any dietaries'.

This is just basic human decency, and there is clearly a moral imperative. If people are not compelled by that, DEI has been linked to higher rates of innovation and performance (Lorenzo et al, 2018); better problem solving and less group think (Eswaran, 2019); and higher levels of employee trust and retention (Brodzik et al, 2022).

Regardless, powerful stakeholders are not waiting for consensuses that may never come. Responsible business will get ahead of the curve.

8. Take proportionate responsibility for your ecosystem and trade fairly

Organisations are part of complex ecosystems; their power in those systems comes from their size, profitability, reputation, relationships and other assets. Responsible organisations use rather than abuse their power, engaging other actors, including trading partners, within their ecosystems to make the broader system stronger, in ways that chime with their objectives.

Let's take the example of large super funds. These powerful institutional investors, at the apex of global capital markets, can improve their retirement ecosystems by engaging with policy makers, cooperating with regulators, scaling others' innovations and striking advantageous but sustainable deals with counterparties. Perhaps most significantly, they can engage with the private and public companies in which they are invested about the extent to which their value creation theses are robust to climate change; and whether these organisations are respecting human rights, trading fairly and governing their organisations in line with established good practices.

Responsible organisations, engaged with their ecosystems, ought also to work towards consistency between their own philosophies and commitments and the public positions of the industry bodies and lobby groups with which they align. We've seen instances of misalignment in, for example, mining, healthcare and financial services, with adverse company impacts and wider universal investor ramifications. The same principle applies to organisations' positions and those of internal stakeholders.

9. Pledge 1% to support the communities in which your organisation operates

I wrote in 'Corporate giving: Unlocking slivers of value to address social challenges' that in dedicating 1% of pre-tax profits to address social challenges responsible businesses could liberate billions of dollars to address homelessness, the mental health crisis, domestic violence, insecure work, and other intractable social problems.

More than 1,500 Australian firms like Atlassian, Canva and CultureAmp, have joined the Pledge 1% movement. Salesforce pioneered this model of integrated corporate philanthropy, through which signatories pledge 1% of their equity, profit, employee time or product back into the community. Fourteen of the ASX 50, including Coles, Woolworths, CSL and Telstra are giving more than 1% of pre-tax profits (Patten, 2023).

There are numerous strategic reasons why organisations give, from social license to reputation repair and from enhancing their customer and employee value propositions to strong industry norms. Organisations are part of the communities in which they operate in and benefit from. As Michael Porter and Mark Kramer (2002) observed, context-focused corporate philanthropy, where organisations use their giving to improve the places in which they operate, brings social and economic goals into alignment and '[unlocks] a vastly more powerful way to make the world a better place.'

10. Choose ownership and governance structures suited to your purpose

What are you in business to do? If it is to cure the sick, provide access to justice, or educate students, is a conventional shareholder owned structure the right way to go about that?

In his entertaining Ted Talk, 'Transforming Ownership to Create a Better Economy', Armin Steuernagel (2018) tells the story of a small German hospital his father ran when Armin was growing up. The hospital had happy employees, well cared for patients and healthy profits. After a series of ownership changes to larger and larger shareholder owned companies though, there was increasing pressure to drive down costs and drive up profits, to justify the acquisitions. Organic food gave way to an outsourced kitchen with less nutritious food. Armin's father was forced to 'fire half the doctors' and cut the time the doctors could spend with patients.

There are myriad alternatives to shareholder ownership that may be more suitable for some organisations, from steward and foundation ownership to mutuals and cooperatives and from social enterprise to employee ownership.

There are over 1,800 active mutuals and co-ops in Australia, and 12,000 social enterprises. In 2022, I transformed Right Lane into a majority foundation-owned enterprise. The Right Lane Foundation, a registered charity, has its own board and will get dividends from Right Lane Consulting. With these funds it will support consulting projects for organisations low on resources, and help build skills and knowledge in the purpose economy. In adopting this model, we overcame an irreconcilable trade off between profit and purpose, which I explain in the article 'From profit and purpose to profit for purpose: Towards a more progressive professional services firm ownership model'. Most of our profits will go to our purpose, to help organisations that do good to do better.

In steward owned models, which are common in northern Europe, control of the company remains with people who are actively involved in the business – not thousands of kilometres away like the hospital group in Armin's example – and there is a purpose-driven profit allocation (Steuernagel, 2018).

But you don't need to change ownership structure in pursuit of more inclusive, transparent and stakeholder-accountable governance. Some of our clients in financial services and healthcare have advisory boards representing certain stakeholder interests.

A company's constitution can reflect how an organisation considers stakeholder interests and perspectives. As part of our firm's B Corp certification, we are currently being asked to change our company constitution to oblige directors to consider the likely consequences of any long-term decisions on employees and shareholders; customers and suppliers; the community, society and the environment. This push isn't new. According to the Business Roundtable's 1981 statement on corporate responsibility, 'the shareholder must receive a good return but the legitimate concerns of other constituencies also must have the appropriate attention (Paine, 2023).'

In restructuring into a foundation-owned enterprise, Right Lane's employees who are members of the Foundation will elect some directors to the firm's ultimate governance body, the Foundation board.

Other methods responsible businesses are employing include participatory management (approaches such as employee councils); governance codes; and whistleblower protections (see, for example, Paine and Srinivasan, 2019).

Some of these approaches are emblematic of what Harvard Business School governance authority Lynn Paine calls ‘structural stakeholderism’ (Paine, 2023), whereby ‘advocates… seek to hard wire the interests of other stakeholders into the process, rather than relying on… business leaders to take them into account.’

There is a deep, though not entirely settled, literature on the positive link between ESG (and corporate social responsibility and adoption of the UN Sustainable Development Goals) and financial performance (see, for example, Whelan et al, 2021; Glavas & Visentin, 2024; and Saha et al, 2024). Regulators often make the link between responsible business practices and fair competition and the protection of public interest (see, for example, Eggers et al, 2023). Consumers increasingly prefer to deal with responsible companies and people want to work for them (Reichheld et al, 2023). Responsible business practices have been linked to improved risk mitigation, reputation and trust, operational efficiency, employee retention and business longevity (see, for example, Whelan & Fink, 2016).

This article suggests 10 factors that characterise responsible business, a novel and untested combination. There is no proven, direct link between this combination of 10 factors and business outcomes. But perhaps making the link between 3- or 10- point prescriptions and business outcomes is not the point. If you look at the 10 points individually, they are quite difficult to refute. Pay lip service to your purpose? Turn a blind eye to whether your strategy and business model will be robust to climate change? Ignore your environmental and ecosystem impacts? Eschew your stakeholders? Act unethically in pursuit of results? Mistreat staff and trading partners? Disregard individual differences? Obviously not. So, please join with me, and Eccles, in thinking, and talking and writing about responsible business, what it means, what it takes.

The author would like to thank Lauren Spiteri, Chris Fayers and Nathan Fabian for their thoughtful comments on drafts of this article.

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Fiona Reynolds

Reorienting business towards a values-driven approach

For as long as I have worked in the Environmental, Social, and Governance (ESG) space within the business and investment community, its relevance and legitimacy have been contested—perhaps never more so than in the current climate, where it is derided by some as 'woke capitalism.' When it comes to ESG considerations, there is no doubt that the private sector has a role to play in building a fairer world and that profiting from exploitation—whether of people or the planet—is unacceptable. Those who contest its legitimacy are often those who want to maximise profits at any cost, failing to recognise the critical role that the private sector, particularly business, plays in both the economy and the health of society. After all, we do not live in an economy; the economy is there to serve the society we aspire to create.

Dr Marc Levy's article in the Right Lane Review presents an interesting framework for defining and advancing the concept of responsible business. The article looks to move beyond the polarising ESG debates and reorient the conversation toward a broader, values-driven approach that considers business ethics, corporate governance, and long-term sustainability. As Chair of the UN Global Compact in Australia, I see clear synergies between Levy's ten factors and the UN Global Compact's Ten Principles (https://unglobalcompact.org/what-is-gc/mission/principles), which provide a universally recognised framework for responsible business. The UN Global Compact believes that corporate sustainability starts with a company's value system and a principles-based approach to doing business. By incorporating the Ten Principles into strategies, policies, and procedures, companies uphold their responsibilities to people and the planet while also setting the stage for long-term success. Over 15,000 businesses across the globe, integrate the principles into their business process and report against them on an annual basis. These principles—spanning human rights, labour, the environment, and anti-corruption—closely align with Levy's call for ethical business practices. His advocacy for deep listening and an ethical climate resonates with Principles 1 and 2 (human rights), while his focus on climate action reflects Principles 7, 8, and 9 (environmental responsibility).

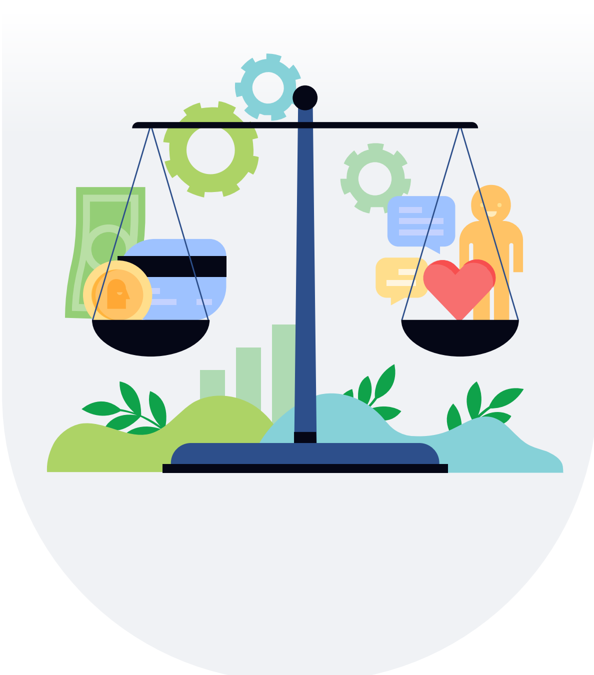
I agree with Levy's critique of Robert Eccles' 3-point strategy as being insufficient, and his argument that a responsible business requires more than clear purpose statements, transparent sustainability reporting, and stakeholder engagement and his challenges to Eccles' assertion that ESG should be limited to shareholder value creation and legal compliance. We must also recognise the issues that can prevent businesses from fully embracing responsible practices, such as short-term investor pressures, political interference, regulatory constraints, and governance structures that prioritise immediate returns over long-term value creation. Whilst the private sector has a role to play is creating a more sustainable world, it is not its role alone and roadblocks are often put in its way.

Moving forward, bridging the gap between aspirational frameworks and real-world business constraints remains crucial. The UN Global Compact's Ten Principles provide a strong foundation for companies looking to integrate these ideas into their operations and governance structures, ensuring that responsible business is not just an aspiration but a reality.

Dr Marc Levy's article makes a strong contribution to the conversation on responsible business. It provides a useful roadmap for corporate leaders and investors alike.

Fiona Reynolds is Chair of the UN Global Compact Network Australia (UNGCNA).

A former CEO of the UN-supported Principles for Responsible Investment, she is one of the world's most prominent figures in ESG and responsible investing.



The state of ethics in organisations:

Why can't we [still] kick straight?

Right thinking

Have business ethics lost prominence in recent decades? Are business ethics like goal-kicking in Australian football, the only aspect that hasn't improved in recent decades? Drawing on interviews with senior executives, this article examines the state of ethics in contemporary organisations and identifies 6 good practices to promote an ethical climate.

What happened to business ethics? When I was coming up in consulting in the 1990s, ethics was a popular topic: ethics training was commonplace in organisations; ethics experts were prominent in the management discourse; and there was a subject on it in my MBA course.

Ethics has remained an important part of our thinking at Right Lane (see Exhibit 1); however, I would argue that there is generally much less talk of business ethics today than in the '90s.

If I'm correct, and ethics has lost prominence, why is that? Surely, it is no less essential now than it was then. We've recently witnessed high profile ethical failings in professional services firms, financial institutions and mining companies, with disastrous consequences for vulnerable consumers, public trust and economic value.

Is ethical conduct like goal-kicking in Australian football, the one aspect of the discipline that hasn't improved in recent decades?

I decided to ask some of our senior clients about the state of ethics in organisations, speaking with 5 CEOs and one Deputy CEO. Two interviewees were from for-profits (a healthcare company and a law firm); 2 from non-profits, both institutional investors; and 2 from government agencies.

I asked them about what ethics means to them and why ethics are important, about elevating ethics and handling ethical violations, about the payoff from ethical conduct and well-known cases of problematic conduct. I asked them whether they thought I was right, that ethics had receded in the managerial consciousness, and if so whether they thought that was because ethics had been displaced by other theories and practices of a virtuous kind, like purpose and values, ESG, stakeholder capitalism and shared value.

Exhibit 1

I've been referring to Right Lane as an ethical consulting firm for many years. What I meant by that originally was that we chose to work with clients low on resources; we had inclusive ownership and a form of stakeholder governance; we chose not to serve clients in certain industries; we made our numbers transparent to our people; and we employed social procurement where possible.

In recent years, we've attempted to be (even) more 'mission authentic' and resolve possible conflicts in our ownership structure by becoming primarily foundation-owned.

Definitions and importance

I started the interviews looking to define terms – What is ethical business conduct and what is an ethical organisation? – and to get a sense of how much ethics matter today.

One interviewee said ethical business conduct is 'doing the right thing, cognisant of the organisation's place in society and its social license, and acting in accordance with an agreed set of values.'

Another said, 'It goes to values, but for me it's more about behaviours. You can have a virtuous mission and values, with ordinary behaviours ... a lot of it is how you go about things, how you treat people when faced with ethical dilemmas ... that goes to the heart of being an ethical organisation.'

In discussing the importance of ethics, some interviewees pointed to the relationship between ethics and trust:

> 'Ethics is the basis of trust ...'

> '… trust is the most important thing and there is no trust without ethics.'

> 'Trust comes from people of ethical or good character … good judgement.'

This link to trust seems particularly germane in sectors that benefit from public support, like healthcare and superannuation: 'In an industry like ours, I have to believe that organisations are acting ethically … we have to behave ethically and keep patients uppermost in our minds … to have a trusted place in society'. And one of the super fund CEOs: 'We are entrusted with tens of billions of dollars of other people's money in a compulsory system … this potentially creates a platform to do good and bad things … rightly, as a consequence, people want to know what we do and how.'

Elevating ethics

I asked interviewees how we could elevate ethics beyond a 'violation framing' to create a 'pro-ethical' climate. Some interviewees thought elevating ethics was indeed possible and worth doing. A number mentioned decision making as a realm where ethics could be elevated:

> '… put the patient at the centre of everything … don't do anything without reference to patients … make that part of the fabric of the organisation.'

> '[embed it in] everything … every decision [the organisation] makes.'

> 'It's important that we walk the talk … decisions are made in a way that is ethical and the reasons why communicated.'

Others were more circumspect, even sceptical about elevating ethics:

> 'It's not something you can decide [to do]; it's part of who you are, so you've got to have people around you ... relationships with people of that ilk.'

> 'It's hard to train for ethics. John Cain never used the franking machine ... [he] always bought his own stamps.'

Domains of an ethical organisation

I gave interviewees a list of domains of an 'ethical organisation' (see Exhibit 2). I asked which were the most important to them and what they were trying to do in these areas. The green shading shows those that were rated highest. Number 9 accountability and transparency received the most votes overall.

Exhibit 2

List of 10 domains of an ethical organisation	
1.	Purpose and ambition
2.	Governance and compliance
3.	External conduct and citizenship
4.	Choice making and decision making
5.	Culture and inclusion
6.	Leadership and management
7.	Fairness and equity
8.	Rights and justice
9.	Accountability and transparency
10.	Privacy and confidentiality

Source: Right Lane Consulting. (2024).

Interviewees said that an organisation's purpose and ambition were means of communicating an ethical intent in a shorthand form that is appealing to staff. However, that isn't enough. As one interviewee said:

> 'I think ... it's a given ... you need to go far beyond that ... take it down to the next level for staff to, say, an employee charter or client promise'.

Governance and compliance are important '[as a public sector organisation] because of the scrutiny we come under'; 'knowing there are guardrails gives a level of comfort to the top team and board'.

As noted above, decision making and making choices are how ethical conduct often manifests. One interviewee said that ethical conduct is observed when 'the right people, have the right inputs and consider both can we do it and should we do it ... and we wouldn't be concerned if anyone, anywhere, knew about it.'

Regarding accountability and transparency, interviewees' input centred on clarity of expectations:

> 'You have to be clear about what you are doing and what you expect.'

> 'You can manage ethical behaviour by being clearer about expectations ... this is what we expect and what you can expect.'

Some interviewees said that two or more of these dimensions go hand in hand; for example, 'I would use culture and inclusion and accountability and transparency in tandem'.

Ethical theories

I shared with interviewees a list of theories from the above mentioned MBA course (Sinclair 1996) and asked them to tell me which ones resonated with them. These are shown in Exhibit 3. The green shading in the table shows the top 4 results, with 'virtue ethics' receiving the most votes overall.

Exhibit 3

Ethical theories	Descriptions
Utilitarianism	The right action can be worked out by weighing consequences – good and bad – and acting to maximise the greatest good to the greatest number.
Deontological (or Kantian or Duty ethics)	Certain duties ought to be observed (honesty, justice) by everyone regardless of their consequences or context.
Ethical egoism	The right action is what is in the individual's self-interest – with personal consequences doing the regulating.
Subjectivism	People should do what feels right.
Ethical relativism	The values and norms of societies determine what is judged to be right or wrong.
Rights or contractarian	Ethical action follows from respecting human rights.
Virtue ethics	The right actions follow from good character and personal virtues such as integrity and courage. Instead of prescribing rules for ethical behaviour, we should be cultivating character.

Interviewees offered a range of illuminating reasons for these preferences; for example, 'Human rights are always a fundamental, foundational piece'; and 'I'm a pragmatist. Virtue ethics give you foundations you can weigh up'.

Referencing complexity, some interviewees were sceptical of utilitarianism and more definitive, absolutist theories like duty ethics:

> 'The ends don't always justify the means in a complex world.'
>
> 'We don't have the luxury of black and white; things are complex.'

Most interviewees pointed out the benefits of using these theoretical framings as different lenses: 'The basis for ethic decision making is the interplay between them.'

Handling ethical violations

Where there is a clear breach of the law, a compliance code or the organisation's policies, interviewees generally said the response should be swift, formal and consistent with performance management, grievance and dispute processes:

> '[In healthcare] there is a strong regulatory framework around compliance breaches, whistle-blower protections, a focus on patient safety.'

In other cases – in grey areas – managers should first seek to understand:

> 'For the more day-to-day ethical breaches, I'd seek to know why. Why did you think that was the right thing to do? How did you get to that decision, using what process? It can sometimes come back to [the design of incentives], making sure people are not encouraged to put personal gain ahead of the needs of the patient community.'

Hardwiring ethics versus culture

Interviewees said both were important, hardwiring ethics and nurturing an ethical culture:

> 'You need both. You can't rely on policy all the time. You also need a culture of ethical conduct, and you have to have policies and structures [especially] for new people.'

> 'A lot of it is in the Corporations Law … safeguards … but that won't necessarily drive behaviour, so it becomes more about values, culture, transparency.'

Formal codes can go too far. '[Our] industry code has been revamped to [become] more values based. It went into great detail … people stopped thinking. Things can get out of balance with [too much] hardwiring and rules. People in Sicily are better drivers with no rules … Step back and talk about who we are trying to protect, so that people appreciate why.'

Governance structures and ownership

Participants noted that alternative governance arrangements give rise to different expectations relating to ethics:

> 'The independence of the organisation and our governance is established under the Act … Being a public servant … there is more [guidance] than you would otherwise have.'

> 'As a professional firm] I don't know, it doesn't inhibit us, but if I think of say an industry super fund, that definitely helps them [having as a legal reference point] "acting in members' best interests". Ours is probably

> better than a corporate model because we are interested in the outcomes over the long term ...'
>
> 'There is more transparency as a listed organisation ... activist shareholders ... an ESG framework ... adherence to standards.'

Professional advisors

In the interviews, I referred to cases of problematic conduct from professional services firms and asked whether interviewees had any expectations of their professional advisors relating to ethical conduct:

> 'Yes, it is reasonable to have expectations about how they conduct themselves, ethically, transparently, in good faith. You are allowing them access most others wouldn't have ... and you rely on [them having] basic ethical practices, like confidentiality, obviously.'
>
> 'They have to comply with the laws ... we ask them to sign agreements ... Do we have expectations? Yes ... about the way decisions are made ... people assume because they are smart and professionals they'll know what's best ... [got to] have checks and balances.'
>
> 'There are a lot of transactional relationships in financial services, but the best ones have some kind of partnering and we can only really partner where we are values aligned ... a common understanding and alignment probably improves the likelihood of success.'

A few interviewees were cynical about the ethics of advisors in the wake of recent scandals: 'It's hilarious that they preached to us about our governance and risk management frameworks.'

For some, professional advisor alignment was an area for more work. ‘We perhaps don’t do enough to think about the ethics of our partners. It’s very person-dependent; we haven’t matured our third party [protocols] to the extent I’d like. Do we feel ethically aligned? No. But we do say they should understand our perspective.’

Link to business outcomes

I asked interviewees about how being an ‘ethical organisation’ relates to other imperatives like financial results, customer satisfaction and staff engagement; and about whether they thought ethical behaviour led to favourable outcomes (and failures led to unfavourable ones):

> ‘Ethical behaviour – or the lack of it certainly shows up in outcomes: safety ... fewer deaths and injuries ... sustainability in what we do ... society sees these things; they come to the surface.’

> ‘We want to be a trusted brand and ethics is imperative in that ... [it impacts] how we attract our workforce, how we make decisions to put the organisation and our members in a better place.’

Ethics are important in the context of an organisation’s customer and employee value proposition:

> ‘If you are a values-led, ethical organisation, there will be a greater opportunity to connect to customers; it can be a real differentiator.’

> ‘I think when competing for talent, it has to be clear what you stand for, not just what you do.’

> ‘More and more people will join organisations they perceive to be ethical.’

In some cases, the question about how ethics sits with other imperatives led to discussions about balancing profitability and maintaining an organisation's social license. 'Everyone has to be able to hold these interests [in tension] and find a path that delivers for all.'

One CEO said that leaders' thinking should be integrated and holistic. He used the example of the sustainable development goals: '… you can target a single SDG and screw up something else'.

Some interviewers did not want to 'weigh up' these concepts; for them, it isn't a trade-off or a dichotomy, but something more fundamental:

> 'You don't do it for a payoff.'

Good practices

Reflecting on the interviews and the state of ethics in Australian organisations, I've identified 6 good practices to promote ethical conduct.

1. Call out business ethics and differentiate ethics from analogous concepts

Interviewees were engaged with my theory that business ethics have been displaced to some degree by other concepts, and some agreed with me:

> 'Values are a more modern way of thinking about ethics.'

> 'I don't know the last time I heard someone talk about ethics in a business context. We use values, ESG and a range of other things, but we are talking about the same thing.'

Are we though?

I believe that the displacement of ethics has been detrimental. The other theories and practices I mentioned earlier (purpose, values, etc.) have their place; but I think it's a different place. Promoting business ethics in organisations – including engaging with the language and the different theories, and having conversations about real world ethical dilemmas, the deep reservoir of cases we now have – can be richer, experientially, and more instructive, practically.

2. Set clear expectations

I am a fan of accountability expert Peter Bregman. He writes about 'clear expectations' being essential to 'the right way to hold people accountable', along with making sure they have the right capability, clear measurement, thoughtful feedback and appropriate consequences (Bregman 2016).

Some interviewees referred to the importance of clear expectations in relation to ethical conduct. Expectations can be set via formal procedures and standards:

> 'We have a professional standards committee. Knowing that's there helps.'

> '[We have] ... an employee service charter and a complaints procedure.'

Expectations can also be clarified through intentional conversations. As Bregman says, 'The first step is to be crystal clear about what you expect ... It doesn't all have to come from you. In fact, the more skilled your people are, the more ideas and strategies should be coming from them. Have a genuinely two-way conversation, and before it's over, ask the other person to summarise the important pieces ... to make sure you're ending up on the same page.' This is well illustrated by this quote from one of the interviews:

> '[Organisations have] moved from can we get away with it, to should we do it ... and towards greater

> transparency ... without transparency there's no accountability.'

3. Model ethical conduct and send clear messages from the top

Interviewees spoke about what their organisations were doing to model ethical conduct:

> 'Role modelling is important, as is telling stories, repetition.'

One CEO had developed an acronym to help his colleagues contemplate ethics. He wanted his organisation to be an ethical PLACE. People should act in accordance with the organisation's Purpose and the Law; keep in mind All customers; alert to the Community's and the board's Expectations.

4. Train people in ethical decision making

Some organisations are using scenario-based training, particularly focusing on making decisions and choices ethically and handling ethical dilemmas.

I remember the transformative power of working through real-world cases in my MBA ethics class, expertly guided by Professor Amanda Sinclair. Observing ethics training in the years that followed, I saw the same ah-ha realisations in the expressions of numerous clients and colleagues.

5. Act emphatically on failings

The twin notions of ethical absolutism and relativism have been helpful to me as I've contemplated business ethics. Some situations are black and white; others are a shade of grey. Either way, in dealing with clear breaches or violations of laws or important policies or standards, or in addressing conduct where right and wrong is more subjective and difficult to discern, interviewees said taking deliberate and prompt action was the best course:

> 'You've got to step in quickly. Doing so later is always harder.'

> '[In the less clear-cut cases] things like [personality] clashes and bullying ... where there are failings, there is a lot of coaching, debriefings, a plan to work through it.'

6. Promote psychological safety and diversity

A number of the interviewees spoke about creating a safe environment for colleagues to raise concerns and challenge prevailing thinking:

> 'Having worked in organisations with ethical failings, if there's a culture of fear, if people don't feel safe ... they'll walk past things ... if you want an ethical [climate], people need to feel able to challenge ...'

> 'We hold focus groups and discussions ... These led to "See something, say something, do something" ... that's shorthand for psychological safety ... there are new questions in our colleague survey whereby people can speak without consequence ... including do I feel that I can be heard ...'

One interviewee highlighted the link between diversity and inclusion and ethical conduct:

> 'Sympathy, good judgment, diversity including neurodiversity ... these things make for ethical workplaces ... kinder, safer workplaces and better decisions.'

So, why are we still experiencing the Juukan Gorges, the fees for no service scandals and professional confidentiality breaches? Why aren't we (still) kicking straight?

Commentators in Australian football have said that goal kicking hasn't improved because today's game is so much faster; players fatigue, impacting execution of their skills. That sounds familiar to us when we contemplate business ethics. Every second business blurb seems to start with a version of 'the unrelenting demands of unprecedented change'. However, just like blaming the demands of football for the missed goals, blaming the accelerating pace of change feels unsatisfying. As highlighted above, there are certainly things that leaders can do to foster an ethical climate within their organisations.

To improve conversion, goal kickers are told to slow down, develop and implement a stepwise routine that avoids common pitfalls, concentrate on process rather than outcome, and practice routinely. Based on the insights from the interviews, and good practices outlined above, that prescription is pertinent for leaders wanting to rehabilitate business ethics and build ethical organisations.

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Dr Simon Longstaff

Understanding the importance of ethics in organisations

While depressing, the core premise of the article, that since the 1990s there has been a decline in interest the topic of business ethics is true. As the article notes, people struggle with the word 'ethics' – preferring to speak of 'values' or to frame issues under the 'ESG' banner. However, both approaches leave out far too much of what makes ethics both distinctive and essential.

For example, a limited focus on 'values' ignores the vital importance of 'principles'. Values are like a signpost pointing in the direction of what is 'good'. But one can easily go astray by using the wrong means in order to achieve good ends. That's where 'principles' come in. While 'values' define what is 'good' (worth pursuing), 'principles' define what is 'right' thus shaping the means by which one secures that which is 'good'.

While the intention behind ESG is positive, the truth is that the concept is basically incoherent – as, by itself, nothing really links the E to the S to the G. On the other hand, 'ethics' is comprehensive in that when implemented well, it should establish a common 'standard for judgement' that affects every decision made by a business – in all of its parts. In that sense, it provides the 'core DNA' that ensures integrity – in both senses of the word. The first sense of 'integrity' refers to the alignment between what is espoused and what is done (something mentioned by those interviewed for the article). The second sense refers to the coherence between each part of the organisation and the whole.

It's difficult to disagree with any of the advice for practical action that the article offers. However, there are a couple of fundamental issues that are either not mentioned or need further development.

First, the source of most 'ethical failure' is not to be found in 'bad people'. Indeed, most of what goes awry is caused by good people making bad decisions. And when you ask them why those decisions were made, the most common response is along the lines, 'I just didn't see it at the time. I really didn't! I mean, everyone was doing it … it's just the way our business (or industry) does it. Everyone knows that …'

The first enemy of ethics is 'unthinking custom and practice'. That is why ethics is ultimately about the development of a capacity for reflective practice with reference to a stable standard for judgement (core values and principles). That is one reason why 'ethics' is not so popular – because it is constantly challenging settled beliefs and conventions.

The second enemy is hypocrisy – where one thing is said but another is done. Again, this is not always obvious. For example, the seeds of hypocrisy can lay buried in policies, practices and structures that subtly drive people to do the opposite of what is espoused. Business leaders need to be incredibly vigilant when it comes to the effect of misalignment in these areas. That is because employees invariably assume that the leadership must know of – and therefore must countenance – the factors that drive aberrant behaviour. Therefore, those leaders must themselves be hypocrites!

A further point that might have been explored is the role of 'shadow' values and principles – those that are never declared publicly but are the real drivers of choice and behaviour. They can be either positive or negative in their orientation and effects. That is not the issue. Rather, the problem is that these 'mutations' to the core DNA – whether for good or ill – are mutations.

A final observation. I think it increasingly important that business leaders avoid 3 sources of error. First, narrow forms of compliance (regulation and surveillance) simply do not work in the governance of complex organisations. That is clear from the testimony of those interviewed for the article. Second, there are serious problems with the concept of a 'speak-up culture'. That approach frames the process of 'speaking up' as something dangerous and only to be pursued when there is something wrong to disclose. I much prefer the idea of a 'culture of curiosity' in which everyone questions why things are done – with a view to tying things done back to core values and principles. Last, I would caution against thinking that 'transparency' can stand in for trust. The whole point of trust is that its work is most significant when it can be relied upon in conditions where no one is watching.

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Corporate giving:

Unlocking slivers of value to address social challenges

Right thinking

14 of the ASX 50 companies are already contributing at least 1% of pre-tax profits to the communities of which they are a part. With Australian business profits approaching one trillion dollars (eat your heart out, Austin Powers), the upside for corporate philanthropy is tremendous. Normalising the 1% Pledge in the Australian business community, as proposed by Atlassian, Salesforce and others, would be a major driver.

Australian business pre-tax profits are around 830 billion dollars (ABS, 2024). Concurrently, the social challenges facing the nation are materially underfunded – fiscal constraints, a comparatively weak individual giving culture.

Unlocking just 1% of pre-tax profits for corporate giving, could mean billions of dollars of additional funding going into addressing homelessness, the mental health crisis, domestic violence, insecure work, and other intractable social problems.

Recently, each time I've made a presentation about the role of business in addressing social problems, I've asked the audience to raise their hands and only put them down if they agree with one of 3 propositions:

» enough business capital is going into addressing social problems

» most businesses are doing a good job of balancing profit and purpose

» most senior managers have the tools they need to successfully hold the tension between profit and purpose.

Nearly all the hands stay up.

So, what's the problem? What's stopping some businesses from getting behind their purposive pronouncements?

To be fair, some leading Australian companies are already giving more than 1% of pre-tax profits, in line with an aspect of Pledge 1% initiative[1], 14 of the top ASX 50, including Coles, Woolworths, CSL and Telstra (Durkin, 2023).

The reasons companies like this give are compelling, but diverse: to earn their social license; to strengthen or repair their reputations; to enhance their customer or employee value

1 Pledge 1% is a global initiative that encourages companies to donate 1% of their time, product, profit and/or equity to a charity of their choosing | (pledge1percent.org)

propositions; to accede to corporate and industry norms; to respond to stakeholder demands.

There is strong support from influential theorists. More than 20 years ago, the world's most famous strategy professor, Michael Porter, with his Harvard colleague Mark Kramer (2002), called on businesses to bring their social and economic goals into alignment by using their charitable efforts to improve their competitive context; that is, the quality of the business environment in the location or locations in which they operate. At the Philanthropy Australia Conference 2024, we heard a compelling example of Latinas in Tech, a group that helps develop and diversify the next generation of tech talent, supported by leading Silicon Valley firms.

There is no shortage of 'why arguments', but there is the question of 'how'.

Before I go deeper on how, the drivers I think we should prioritise to grow corporate giving, it's useful to contemplate how much corporate giving there is in Australia today and what we might aim for. With these data points, we can take a top-down view of how much corporate giving we need to unlock.

Let's start with the baseline. How much are corporates giving now? Strive Philanthropy publishes a report annually on the top 50 corporate givers, drawn from 75 of the ASX 100 with eligible community contribution disclosures, selected high revenue private companies and corporate aligned foundations. In 2023, they estimated that the top 50 contributed $1.4 billion (Myles, 2023)[2].

Corporate giving is concentrated: the top 10 contribute around two-thirds of the $1.4 billion. In estimating the total, the tail is likely to be long. Perhaps the baseline is in the order of $2 billion, but that's a guess. The Productivity Commission rightly made more and better data on corporate giving a focus of its recent philanthropy review recommendations to government (Productivity Commission, 2024).

What about the target? One per cent of Australian business's pre-tax profits is already an established, albeit, 'stretchy' target, proposed by JBWere and others (McLeod, 2022; Rosevear, 2023; Miles, 2023). No matter how well organised the effort to grow corporate giving though, it is unlikely that everyone will sign up, so perhaps the target should be $5 billion by 2030. The government aims to double giving by 2030 (Leigh, 2024); that's broadly consistent with setting a $5 billion target, if we assume that corporate giving is going to have to do more than its share of the lifting.

The simple answer relating to how to get there is to 'sure up' the above list of reasons for corporate giving. However, as previously noted, these reasons resonate in distinctive ways for different corporate givers. Each company will have its own combination of reasons, some related to reputation ballast and customer value proposition and others to engage employees and 'keep up with the Joneses'. If we really want to take an organised approach to growing corporate giving, we should instead focus on those factors that are controllable at the system level. What can we do at the system level by way of moral suasion, improving the evidence base and creating conducive conditions to foster a giving mindset among corporates?

2 The Australian Financial Review Corporate Philanthropy 50 list, which determines eligibility for its list based on a percentage of pre-tax profits in that year (rather than on a 3-year rolling basis, as generally used by Strive Philanthropy) put the number at $1.5 billion (Durkin, 2023).

Like many problems we come across in our work, there are likely to be a small number of high impact 'drivers', the 'slivers of value' referred to in the article title. The first and most obvious driver is compounding. Corporate profits grew around 7% per annum between 2019 and 2024 (Trading Economics, 2024); compounding the $2 billion at 7% over the years to 2030 could contribute as much as $800 million, albeit that profit growth may not be as high in the next 5 years when compared to the last.

Getting more companies to contribute 1% of pre-tax profits to giving – by, for example, establishing industry norms, activating influential stakeholders and recognising leading givers – would make a big difference. Strive has estimated that getting the materials and financial services companies in their sample to 1% would add around $650 million (Miles, 2023).

Workplace giving is another big driver. Workplace Giving Australia estimates that if Australians gave at half the levels of Americans, and the current corporate matching rate held at around 60%, that could amount to another $700 million (Workplace Giving Australia, 2023).

Getting more corporate equity into the hands of foundations, in the manner of the industrial foundations of Northern Europe, is another potential driver. In 2023, the Novo Nordisk Foundation made donations of more than AUD 2 billion (Reuters, 2024). Novo is a standout, but other majority foundation-owned companies like Carlsberg, Boche and Rolex all make very large philanthropic commitments. Socially minded private company owners looking to transition their corporate structures should be considering giving, or selling, an equity stake to their foundations, unlocking future dividends streams to address societal challenges.

In 2022, I restructured Right Lane Consulting into a majority foundation-owned enterprise. Read more about that on page 53.

In recent years, Right Lane has invested more than $1.5 million in consulting engagements for organisations low on resources.

On current numbers, under foundation ownership, we hope to increase our annual investment 3-or 4-fold.

There are other priorities that need to be added to the list. Some of them won't contribute directly to the challenge of increasing corporate giving to $5 billion, but they will support it. The mix of cash and in-kind donations may be off kilter. Cash donations were only $550 million in 2017-18 (Philanthropy Australia, 2022). They are presumably more now, but the available data is limited. What proportion of the $5 billion should come from cash and in-kind donations? Perhaps we should account consistently for the value of volunteering and engagement too, but should these values be separate to the $5 billion target?

Certainly, we need to improve the data we collect and the way it is reported. The Productivity Commission has recommended to government that it require all public companies to disclose their rate of community giving (Productivity Commission, 2024), and this should go further to encompass private companies through their tax returns.

Peer comparison, further scholarship on impact, and platforms and systems will play a part too.

Governments should properly fund essential social services; but corporates can play a distinct and complementary role. Their giving can reduce the risk of income concentration, and be more ambitious, 'catalytic', flexible and responsive. It may also allow recipients to advocate more freely regarding government policies.

Corporate giving represents a massive growth option for the philanthropic sector in pursuit of the Commonwealth Government's objective to double philanthropic giving by 2030. Unlocking this value will require an organised, concerted effort at the system level.

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Jarrod Miles

The planets align for corporate philanthropy

Dr Marc Levy's article in the Right Lane Review sheds light on the vast potential for Australian businesses to drive meaningful social change through impactful philanthropy. As neatly described by Levy, by allocating just 1% of their pre-tax profits, corporations could channel substantial funding to effectively address the urgent social issues confronting our communities. While the summary highlights strides made by a few leading firms embracing the 1% Pledge (or consistently giving more than 1%), it also asks critical questions about the broader corporate sector's hesitance to fully commit to this philanthropic path.

In parallel, our work at Strive Philanthropy delves into these very dynamics, revealing both promising trends and areas ripe for development. The GivingLarge Report documents a commendable and growing annual investment of over $1.5 billion in community contributions from Australia's top 50 businesses. Yet, it also exposes disparities in giving levels and a lack of transparency that hampers a fuller understanding and expansion of corporate giving.

Despite this, there are now pleasing signs that giving is now much more of a given. Philanthropy is quickly becoming an important strategic choice for large companies. An emergence of conscious corporations committed to ESG, a ground swell of conscious consumers, of purpose engaged employees and even impact minded shareholders who want a social return on their investment. The planets have certainly aligned with these social trends which is leading to a firm hardening in the value that they may bring to the business. Enlighted companies are taking the opportunity to develop strategies for these emerging stakeholder needs and are quickly realising that their increased community investment can coincide with, or even boost, their firm's success.

These findings align with broader global insights that reveal the necessity for a structured model that marries corporate strategy with social investment, a synergy that has the potential to not only elevate community impact but also to engender intrinsic stakeholder value. A "Rising the Tide" model proposed by Strive Philanthropy advocates for a systematic approach—one that promotes a meaningful cycle, starting with the need for clear corporate disclosure, then followed by other important elements like robust research and best practice sharing. All of which could lead to improvements in benchmarking, goal setting and greater satisfaction for engaged stakeholders.

The themes emerging from Dr Levy's insights and our findings coalesce around the importance of establishing an environment conducive to this possibility of sustained corporate giving. Looking ahead, the path to doubling corporate contributions by 2030, as envisioned by government targets, seems within reach if these insights are acted upon with urgency and creativity. As companies increasingly align their philanthropic initiatives with broader business objectives and societal needs, they have the potential to not only bolster their own brands but also drive a powerful wave of social progress.

Jarrod Miles is the Director and Co-Founder of Strive Philanthropy.

He is also Australia's foremost expert on corporate giving.

From profit and purpose to profit for purpose:

Towards a more progressive professional services firm ownership model

It’s late 2027. A new Right Lane Consulting (RLC) associate, let’s call her May, arrives for her first day at the firm. As part of her induction, like all staff, she is invited to join colleagues who’ve chosen to participate as members of the Right Lane Foundation (the Foundation).

Foundation membership gives May and her colleagues the right to vote for some members of the Foundation board, other directors being appointed by the initial directors. Through these elected directors, May and her colleagues have a say in the governance of the Foundation.

At the end of FY2026-27, the Foundation made its final payments to shareholders who in 2022 participated in the debt for equity swap that enabled it to acquire majority ownership of Right Lane Consulting. Soon after the final payments were made, I sold more of my shares to the Foundation, dropping below 20% ownership. That triggered a clause in the Shareholders Agreement that enabled the Foundation to take control of RLC, with the sole right to appoint and remove directors. So, now, through the elected directors, May and her colleagues have a say in the governance of RLC too.

In her first week, May is considered for two projects, one for a super fund client and the other for a small NGO doing place based collective impact work in Central Victoria. The former is to be funded by the client. The latter is to be funded by the Foundation, from its share of the RLC dividends. In deciding what May would do, the principal in charge of staffing for May's team was largely ambivalent about whether May was staffed on one or the other as they are both at full fees.

A few days later, May is staffed on another project funded by the Foundation, to determine whether the Foundation should invest in an early-stage social inclusion tech start up or support a social sector executive capability building program.

May's hypothetical experience is emblematic of our plan and, so far, it's on track.

Here's the story of why and how this came about.

The back story

In July 2022, Right Lane became the first privately owned Australian management consulting firm, and possibly the first for-profit company in Australia, to restructure into a majority foundation-owned company. The Foundation is a not-for-profit, charitable purpose, Australian public company registered with both the ACNC and the ATO, with its own board operating independently of RLC.

The push towards a new form of ownership and governance, one that would do a better job of integrating purpose and profit, started more than 10 years ago when I read 'The for benefit enterprise' by Heerad Sabeti in the November 2011 issue of the Harvard Business Review.

Most of the work we were doing at Right Lane, the management consulting firm I'd started a few years before, was in the public and non-profit sectors. That was satisfying and gave me and my colleagues a sense of purpose.

We sought to formalise the choice we'd made to focus on socially purposeful work by developing a strategy map for our firm. Strategy maps were de rigeur at the time. Developed by Kaplan and Norton of balanced scorecard fame, they show causal relationships between objectives. Working from the bottom of the map to the top: great people and good processes and practices lead to satisfied clients and, in turn, excellent financial outcomes. We developed a double-headed strategy map, with financial and social outcomes given equal prominence at the top.

At our weekly stand up meetings, we would talk about how we would do work for clients we cared about and grow the firm consistent with our purpose.

Acknowledging the co-existence of purpose and profit motives was good, but it wasn't enough. I wanted our firm to take it further. Sabeti gave me a name and a framework to do that.

We started referring to Right Lane as an 'ethical', 'for benefit' firm (even creating a 'for benefit' logo for our external comms) and adopted Sabeti's principles of reasonable profits, inclusive ownership, stakeholder governance, social procurement and transparency. I established an advisory board of former clients and people who understood our work and our clients and started an employee share option plan.

By the early to mid 2010s, ‘benefit corporations’ had some legal standing in the US, but no one I ran into was talking about them here. One of my colleagues said to me: ‘That for benefit thing you are doing is all very well, but how would clients know whether there is any legitimacy to it; you aren’t reporting and there’s no independent organisation giving you a tick.’

Then B Corp came to Australia. We became the first management consulting firm to be certified here in 2015 and recertified twice since. That certainly lent a proof point to what we were trying to do.

In recent years we also broadened our list of client exclusions. We’d always screened out tobacco and alcohol companies, gaming businesses and some policy programs that we thought were detrimental, and we added certain mining and consumer finance sectors, and the rest of the tobacco and alcohol value chain.

Our resolve on these exclusions was tested in May 2020. Revenue was down over 40% in those early months of COVID. We were fielding calls every day from clients shutting down, circumscribing, or delaying projects. We didn’t have anywhere near enough work. A big wine company called asking for help with strategy.

We were staring into the abyss in those early months of COVID, weighing the need for redundancies; but how could we serve the Foundation for Alcohol Research and Education on the one hand and big alcohol on the other.

Around this time, I was influenced by the work of Aaron Hurst who wrote a book on the purpose economy. Our advisory group, particularly former McKinsey senior director John Stuckey, encouraged us to more deliberately and clearly identify the purpose economy sectors that would be our focus. Reinforcing our focus on the social and public sectors, the caring economy, social justice and workers capital, and developing missions for our work in each of those sectors, certainly strengthened our resolve about the impact we wanted to have.

The driving sentiment for all of this was that purpose and profit needn't be traded off. There had been support for this idea in the management literature for some years (see for example Prahalad & Hart 2002). However, we found that there were trade-offs, an obvious one relating to pro bono work for clients low on resources. These projects were sometimes done the way they frequently are in professional services, with spare capacity in the quieter months.

Foundation antecedent

By June 2020, we'd started meeting people face to face again. I met a new client Jacob Varghese, the CEO of Maurice Blackburn, at the Richmond institution, Chimmy's. He wanted to know whether there was a governance model, like a for purpose trust, that would achieve a better balance between purpose and profit and enable efficiency and long-term investment.

Doing research on Jacob's question opened my eyes to different ownership structures I'd never thought about, including 'steward ownership' and in particular 'foundation ownership', which was popular in northern and central Europe.

I was inspired by the Scott Trust, which owns the Guardian and Observer newspapers. The Trust, a non-profit dedicated to securing the financial and editorial independence of the Guardian in perpetuity, owns the Guardian Media Group (GMG), which is a 'for profit'. Each entity, the Trust and GMG, has its own board.

The world's leading foundation ownership academic, Professor Steen Thomsen from the Copenhagen Business School, explained to me the research on the favorable outcomes of foundation ownership. He and his colleagues had shown that conventionally-owned companies had a survival probability of 10% after 40 years, while foundation-owned companies had a 60% survival probability. Foundation-owned companies had higher staff longevity and levels of profitability similar to non-foundation-owned companies. They also had strong reputations.

Perhaps foundation ownership was an antidote to the short-termism that had become such a serious concern for corporate governance. Foundation ownership might offer a way to transcend the profit-purpose trade off too. What if there was a model where you could pursue profit ethically and use those profits for good? We were already '(creating) economic value in a way that also creates value for society by addressing its needs and challenges', as Michael Porter and Mark Kramer put it, but what if there was a way to do that which was scalable rather than circumscribed by inevitable tradeoffs between full fee-paying clients and those doing great work but without the resources to pay our fees.

Steen introduced me to Flemming Bligaard Pedersen, the former CEO and chair of Rambøll, a big Danish foundation-owned engineering firm. At Rambøll, the Foundation owns most of the shares in the for-profit engineering business (the staff own a minority). Staff fill some positions on the foundation board. The Foundation invests the dividends it receives from the engineering business to promote the sustainability of the group, employ the directors of the commercial business and support research, education and humanitarian projects.

I had earlier discovered that thousands of businesses in northern and central Europe were foundation-owned, from Bosch to Bertelsmann, Lego to Lidl, Rolex, Tata and Zeiss. Speaking with a colleague from another professional services firm, one that had been foundation-owned for more than 50 years, and hearing about how the model had withstood recessions and mergers, expansion into new geographies and personal conflicts, gave me confidence that it could work for us.

Right time for Right Lane

Learning about Foundation and steward ownership coincided with other imperatives for change at Right Lane. I wanted to step back from my executive leadership role and appoint a CEO to run the firm. Our employee share ownership plan had bee a more sustainable footing, and to continue and extend the work we were doing in the purpose economy, with a different ownership structure.

I shared 3 options with our shareholders: sell to a global firm, further diversify the shareholding by making it easier for other staff to acquire shares; or head down a path towards foundation ownership.

While potentially lucrative, the first option would have potentially diluted our purpose, tied me to an executive role for some years and precipitated an exodus of some key staff. The second option was appealing, but it had taken 10 years for me to sell a little over 30% and I wanted to move much more quickly. I also didn't believe that simply adding more shareholders would further our purpose, and there are other ways for colleagues to share in the firm's profits.

The third option would foster 'mission authenticity'. But we had to find a way to have the Foundation buy some of the firm's shares so that it could use dividends to fund consulting engagements for clients who couldn't normally afford them.

I also thought foundation ownership would foster firm sustainability, as demonstrated by Steen. We would get and keep the most talented staff if we could create a virtuous cycle of profit and purpose.

There was some skepticism and resistance to option 3 at first. It helped when the person I chose to succeed me, Chiara Lawry, made it a condition of her taking the job that we proceed towards foundation ownership. Chiara saw the potential of the model. Foundation ownership, and Chiara's appointment, spoke of renewal.

It was not the simplest of the 3 options. My colleague, Jo Bradley and I, supported by the architect of our employee share ownership plan, Adam Rich from Wisewould Mahoney, would have to create the founding documents from scratch, there being no precedent in Australia. I decided not to use my 'drag-along' rights, so shareholders were able to decide whether to sell to the new foundation. Not everyone wanted to sell, so I would have to agree terms with those who did.

Jo, Adam and I would also be starting from scratch in our discussions with the Australian Charities and Not-for-profits Commission (ACNC), whose approval we needed to establish the Foundation and have it acquire shares in RLC. They had apparently never seen the likes of what we were proposing and we would have to change our model to satisfy their requirements. No RLC shareholders could be on the Foundation board. No one could sit on both the Foundation and RLC boards.

Jo agreed to be the inaugural Executive Director of the Foundation, joined on the board by our colleagues Chloe Mitchell, as chair, and Aaron Richards, all 3 deeply trusted colleagues, with shared personal values, who believed in what we were trying to do with the Foundation.

There was a vast amount of documentation and activity: developing the objects; writing the IM to shareholders laying out a proposition and plan; drafting and redrafting the Foundation Constitution; incorporating the Foundation as a new public company limited by guarantee; preparing applications to the ACNC for registration as a charity, and to the ATO; drafting the share sale agreements and the security deeds, the deed of waiver and consent and the deed of assumption to the shareholders agreement, the accession deed, the share transfer forms and the PPSR verification statements, the director appointments and resignations, the director resolutions and the share certificates. Jo and I exchanged more than 200 emails with Adam.

We also had to strike a sale price and work out how to have the Foundation buy the shares at that price. Our bank didn't want to provide debt to fund the purchase on terms we found acceptable and so, guided by transactions adviser Gary Higgins, we chose what's called vendor finance and worked our way through the legal and tax issues. The value of the shares being sold by the selling shareholders was converted to a debt to be paid down, with interest, over the next 3 or 4 years, depending on the profitability of RLC.

After that, the Foundation will invest dividends that it receives from its shareholding in RLC into supporting charitable organisations and their projects across a range of sectors including health, education, social welfare, human rights, environment and public benevolent institutions.

The Foundation will seek to fund their access to quality consulting and professional services that would not otherwise be affordable to them; advance knowledge of charitable organisations in the fields of strategy, growth and organisational effectiveness; build capabilities within charitable organisations by working with current and future leaders; and provide forums for charitable organisations to discuss and learn about best practices.

I am proud of what we have achieved at Right Lane, having helped hundreds of organisations that do good to do better – in aged care and aboriginal enterprise; childcare and cancer prevention and support; drug and alcohol research and education and disability services; public parks and public health; place based philanthropy and plaintiff law; rare diseases and radiation protection; refugee settlement and responsible investing; sustainability and social justice; workers' rights and workers' capital.

As I enter the final years of my career, I feel that the firm is in very good hands and has a bright future, under the leadership of Chiara, and the CEOs that follow her, and those stewarding the Foundation. Should our plan come to fruition, by the time May starts at Right Lane, we should be doing at least 5 times the work we are currently doing for organisations low on resources that do good.

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Prof Steen Thomsen

Why the Right Lane Foundation marks a turning point for Australian business

Australia has witnessed a bold and inspiring initiative in corporate governance with the establishment of the Right Lane Foundation, the nation's first majority foundation-owned consulting firm. At the helm of this transformation was Marc Levy, founder of Right Lane Consulting, whose vision and determination have given us a model that redefines the relationship between profit and purpose.

I salute a human being who has resisted the temptation to cash in and instead created a structure that will help Right Lane Consulting make a real difference to its clients and to Australia.

Having had the privilege to be part of this journey, I have watched with admiration as Marc and his team navigated uncharted territory to align the interests of the firm, its clients, and society at large. What Right Lane Consulting has achieved goes beyond innovative governance—it is a roadmap for sustainable business practices that holds immense promise for Australian enterprises.

From inspiration to action

Marc's inspiration to establish an enterprise foundation began with a profound question: can businesses balance profit and societal good without compromise? Drawing on concepts like steward and foundation ownership, as well as examples from the European model of firms such as Bosch and Zeiss, he envisioned a firm that could scale its impact while preserving its mission.

The process was not without challenges. As Marc recounts, creating the Right Lane Foundation involved meticulous planning, legal innovation, and overcoming significant resistance. It required rethinking ownership, governance, and culture. Yet, the result speaks volumes: Right Lane Consulting is now majority-owned by a not-for-profit foundation that uses dividends to support socially impactful projects.

What is an enterprise foundation?

Enterprise foundations are organisations where a charitable foundation holds ownership of a for-profit business. While the business operates commercially, its profits are reinvested in societal good through the foundation. This model ensures long-term stability and aligns the company's operations with a higher purpose.

The concept, though well-established in parts of Europe, is relatively new to Australia. Enterprise foundations represent a shift from short-term shareholder returns to long-term stewardship, offering a promising alternative to traditional ownership structures. They are a way for businesses to embed sustainability and social responsibility into their DNA.

In Right Lane Consulting's case, the foundation not only directs dividends toward charitable initiatives but also influences governance. Employees have a voice in its operations, fostering a sense of shared ownership and mission alignment.

Lessons for business owners

For other Australian business owners, Marc Levy's journey offers several key takeaways:

1. **Aligning profit and purpose is possible:** Marc's journey demonstrates that business success and social impact need not be at odds. By creating an enterprise foundation, he has shown that both can reinforce each other, leading to sustainable growth.
2. **Courage and creativity are essential:** Breaking new ground requires bold decisions and creative thinking. Right Lane Consulting's transformation demanded not just leadership but also the willingness to navigate untested legal and organisational frameworks.
3. **Employee engagement is key:** Giving employees a voice in governance strengthens the culture of an organisation. Right Lane Consulting's approach has empowered its people to take ownership of its purpose, ensuring that values remain at the core of its operations.
4. **Business as a force for good:** Marc's example encourages us to rethink what businesses can and should achieve. His work is a call to action for other business leaders to consider how their enterprises can contribute to societal progress.

Learning from the example: The example of Rambøll

Right Lane Consulting's journey was shaped by inspiration from European foundation-owned companies, particularly Rambøll, a Danish engineering firm that has grown to 16,000 employees. Rambøll's commitment to sustainability and its ability to scale its purpose-driven approach offer a powerful example of what is possible under this model.

Flemming Bligaard Pedersen, the former CEO of Rambøll, played a role in advising Marc during the creation of the Right Lane Foundation. Rambøll demonstrates how foundation ownership can enable firms to thrive commercially while investing in long-term societal and environmental good—a testament to the resilience and scalability of this model.

I hope that Right Lane Consulting can play a similar role in helping other Australian businesses on the road to steward ownership.

Why we need enterprise foundations

In an era of increasing social and environmental challenges, the need for sustainable and responsible business practices has never been greater. Enterprise foundations address these needs by fostering long-term resilience and societal good. Unlike conventional corporations, they are less vulnerable to short-term pressures, allowing them to prioritise mission over immediate profits.

In Marc's words, this model transcends the traditional trade-offs between purpose and profit, creating a 'virtuous cycle' that benefits all stakeholders. By embedding purpose into their core structure, enterprise foundations offer a way to tackle some of society's most pressing issues—from inequality to environmental sustainability—while maintaining commercial viability.

Looking ahead

The establishment of the Right Lane Foundation is not just a milestone for one firm; it is – I hope – a significant step for Australian business. Marc's leadership provides a blueprint for others to follow, proving that with determination and vision, we can build businesses that are both successful and impactful.

As we celebrate this achievement, we must also look forward. Let this be the beginning of a movement toward more progressive ownership models. By embracing enterprise foundations, Australian businesses have the opportunity to lead the way in creating a more equitable and sustainable future.

Prof Steen Thomsen is Novo Nordisk Professor of Enterprise Foundations at Copenhagen Business School.

He is the world's leading foundation ownership academic.

Want to know more?

If you would like to discuss any of these articles in more detail, please contact

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Certified B Corporation

Right Lane Consulting becomes the first Australian management consulting firm to become foundation owned.

In recent times there has been increasing public focus on the role played by professional services firms. Important questions have been raised about the value firms have delivered, particularly on projects involving the use of taxpayer funds. We are deeply conscious of our role in society, and we believe a conversation on the public value delivered by professional services is long overdue. To that end, Right Lane Consulting remains committed to its purpose of contributing to a better society by helping organisations that do good, do better. We are a proudly ethical consulting firm demonstrated by our foundation ownership model, the clients we choose to serve, our commitment to our low and pro bono program, and a service model that reflects our ability to keep our rates competitive and add value to our clients.

We back our model and believe it provides a way of doing consulting differently and better.

About Right Lane Consulting

Right Lane Consulting is an ethical management consulting firm serving the purpose economy.

Our vision is to build a strong Australian purpose economy that delivers a fairer and more prosperous society.

We employ our distinctive ideas and processes, and our absolute commitment to delivery, to help clients we care about pursue their inspiring missions.

We work alongside clients who do great work in their sectors, and we are driven to create outcomes that truly make a difference.

Right Lane Consulting was established in 1997 to help private, not-for-profit and public sector clients to clarify and accelerate their future plans. Over the past 27 years, we have helped the executive teams and boards of around 500 organisations to define and adapt their direction and strategy, identify and clarify their priorities, align their efforts with their aspirations, get their major projects started and finished, and measure and improve their performance.

Right Lane Consulting became the first strategy consulting firm in Australia to be B Corp certified in 2015. We have since recertified as a B Corp in 2017 and 2021. Certified B Corporations meet higher standards of social and environmental performance, transparency, and accountability.

Taking this commitment one step further, in July 2022, we transitioned to majority foundation ownership – the first Australian consulting firm to adopt such a structure.