

## The Seven Principles of Sustainable Society

Before we can enjoy the rewards of a sustainable society, argues DREW L. HARRIS, commercial culture will have to be radically realigned

**A**S THE rhetoric around sustainability intensifies and globalisation adds to the turbulence of modern life, the question arises: can we identify organizing principles that would nurture sustainable social systems?

A study published in the *Journal of Global Competitiveness* (Nov. 1998), addressed this question by comparing and synthesizing studies of groups, organizations and specific, intentional communities. The study synthesized the research on highly effective work teams done primarily at the Harvard Business School, a Ph.D. dissertation study of companies with highly stable workforces (including Lincoln Electric, Hallmark Greeting Cards, Haworth Industries, and Chaparral Steel), and historical analyses of Fairhope, Alabama (a community established to demonstrate the viability of Henry George's economic theories).

These studies exemplified traits of sustainability at each level of the social system: stable (both long-term existence and small turnover in members), self-supporting (do not require constant or substantial influx of exogenous resources), and effective (serve the needs and interests of substantially all of the participants).

Seven core principles emerged as necessary components of sustainability:

### 1. Wide distribution of synergistic value

Collective action produces incremental value above the sum of the individual contributions. This is the essence of collective action - to be able to produce more than the sum of the parts. What distinguished the sustainable social systems was how they distributed that synergistically created value through group rewards, profit sharing, funding community infrastructure and services. Individuals (internal or external) or small subsets of individuals were not allowed to privately appropriate a disproportionate share of the value generated by collective action.

### 2. Individuals retain the value they create

Successful work teams balance group rewards with differential pay for differential ability and performance. Organizations provide pay-for-performance incentives to stimulate individual behaviour while the collective rewards (profit sharing, bonuses, stock options, etc.) focus behaviour and motivation on collective outcomes.

At the community level, economists have well documented the negative effects of appropriating private initiative (i.e., taxing wages, commerce, thrift). For example, economists Nicolaus Tideman and Florenz Plassman<sup>1</sup> concluded that the dampening effects of taxing productive activities costs the G7 countries approximately US \$7 trillion every year in GDP.

### 3. Eliminating or severely limiting privileges

At the organisational level, absence of class distinction may be a manifestation of the first principle cited above - profit sharing. Most perquisites of rank serve as additional compensation, an implicit reward for attaining a level in the organisational hierarchy.

While one might reinterpret that principle as another example of reducing the private collection of synergistic value, it has another effect. The dollar value of any particular perk may not capture a disproportionate share of synergistic value. The destructive effects on the social system emerge through the appearance of private rules (privilege) for an elite group. At the community level we see the resistance to this in complaints that government officials appear to disregard (and sometimes

have explicit private law excluding them from) the laws that affect the populace. Small group studies have shown that favouritism (a form of privilege) is a universal source of discord.

### 4. Participative administration

Democratic participation in administration is a key organizing principle. In both communities and organizations, participative administration need not take the form of a direct democracy. However, the following conditions appear as necessary for an administration to function with effective participation:

- ◆ Opportunities for leadership.
- ◆ Processes for people to be heard (especially their grievances), even if no action is taken. People seem to have a universal need to have their point of view expressed and taken seriously.
- ◆ Processes for correcting injustices.
- ◆ Opportunities for each person to contribute.
- ◆ Creating a forum for inquiry (besides advocacy).

### 5. Learning systems that include self-inquiry

Inquiry in the sense of classic liberal education appears present in all three levels of sustainable social systems. Successful work groups shared information not just within groups but across groups. Along with its capacity to remedy dysfunctional behaviour, self-reflection provides learning opportunities for systems.

The new model of effective organisations embodies learning systems. Early writers on democracy emphasized the requirement of an educated populace for the success of democracy. Indeed, the United States built its public school system on the justification that such education was a prerequisite for a free society. That education has explicitly included knowledge on the process, rights and responsibilities in a democracy. One could easily view the democratic chaos of the former Soviet countries as symptomatic of the lack of education about the core philosophical underpinning of democracy. (For example, majority rule while respecting the interests of minorities and holding some rights as inalienable even when a majority might want to usurp them).

### 6. Goals and values that guide action and foster systemic identification

At the team level, clear purpose and specific goals seem to make a significant difference in team performance and in member satisfaction. At the organisation level, statements of vision and values, mission statements, and statements of strategic intent seem to guide and shape organizations toward success. In *Built to Last: Successful Habits of Visionary Companies* (1994), Jerry Porras<sup>2</sup> identifies higher order values and strategic intent emphasized at companies such as Harley Davidson and Intel as contributing to relatively greater success compared with competing firms that assert their purpose as maximizing shareholder value. (Harley Davidson's current success can be compared with an earlier time when it emphasized shareholder profit and floundered.)

At the community level the guiding direction seems less clear. Some communities and nations have identities that endure (America - the land of opportunity, land of the free; New Hampshire - live free or die; Philadelphia - City of brotherly love). These may influence collective behaviour. However, a purpose, rather than an identity seems more likely to generate collective action. Fairhope was intended to demonstrate a socio-economic model. America gained independence amid rhetoric of

creating a new socio-economic order ("...in order to form a more perfect union...").

This principle provides self-reinforcement: the greater the success of the identity or purpose the more people identify with and commit to the system.

#### 7. Secure tenure for members

Small groups in which individuals enjoy stable tenure are more productive. At the organisation level, highly stable companies such as Lincoln Electric and Haworth Industries (a leading US office furniture manufacturer) officially promised secure employment (membership). In most communities, citizenship guarantees standing. Losing one's citizenship (membership) requires deliberate (and usually highly provocative) action by the individual and the community. Any attempt to remove citizenship meets with inquiry about the nature of citizenship. This principle provides a setting in which the exercise of true inquiry can flourish and where members secure their role in creating collective values. Secure membership provides a balancing effect in the social system by ensuring membership for those who challenge the system with dissenting opinions.

**W**HILE EACH of these principles may add value individually to a social system, their robust power comes when taken as a group. As a group they interact, self-reinforce and self-regulate.

For example, the quest for proportionate distribution of synergistic value creates a potential tension when related to the principle of equitable distribution of individually created value. Mutually satisfying resolution of this tension may only come through the democratic process. The means of distributing the collectively created value may also vary with the purpose of the collective. For example, communities might choose to provide services while organisations may provide direct payment to members.

Similarly, introducing a new privilege without adding collective value might instigate a participative "voice" process to correct the injustice combined with an inquiry about the nature of the privilege and its potential to contribute to collective value. However, without equal distribution of synergistic value system members may lose their will or incentive to engage in democratic voice. Without the corrective effect of participative voice authorities might grant additional privileges. The formal recognition of principles or processes does not ensure their use.

Given the assault on academic tenure, the apparent non-responsiveness of many governmental agencies, and the losses of companies once noted for their secure tenure (e.g., IBM and Digital Equipment Corp.), one might question the appropriateness of secure tenure for sustainable social systems. Here, again, the principles appear to function as a group. What academic environment or government agency functions in self-aware inquiry, provides differential rewards for differential performance or shares in the collective value that they create? Tenure alone does not (nor do any principles alone) provide effectiveness and sustainability.

The groups, organisations and communities cited in the studies maintained their sustainable qualities for long periods, but this raises the question of the depth to which the principles are embedded. Work groups can be vulnerable to managers and sometimes to the larger organisational culture. For example, in the classic studies on motivation at the Western Electric Hawthorn Facility, workers who were not included in the studies sought to undermine the results, in part because those in the experiments became very happy and excited about their work.

At the community level, Fairhope has seen the imposition of county, state and federal taxes along with layers of government intervention which dilute the principles of sustainability. While its first half century of relatively pure application of the principles cited here provided a running start, the last two decades have seen increased class polarisation, increases in business failures, and a strong out-migration of its youth.

**E**NTITIES that intend to remain stable must manage these principles, but they must also manage the boundaries of their social systems. Perhaps the best individual strategy would be to create

and protect one's local, sustainable system while working to transform the next higher level of social system. Until we are all free, freedom embedded in an unsustainable system is tenuous at best.

## References

- 1 In *The Losses of Nations* (ed: F. Harrison), London: Othila Press, 1998; reviewed in *Land & Liberty*, Spring 1998, p.15.
- 2 Jerry Porras, *Built to Last*, New York: Harper & Row, 1994.

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## Brussels □ Priced off land

BRITAIN'S consumers wonder why they pay higher prices than their European partners for goods bought in the shops. One explanation is offered in *The Economist* (Feb.6), which reports that returns on capital invested in supermarkets are as much as 5% lower than for their European counterparts.

"The average supermarket in Britain is roughly half the size of an American supermarket, and two-thirds the size of a typical French store, which limits economies of scale.

"High land prices make it harder to build mega-stores in Britain. But even small retail outlets face

high costs. Bizarrely, it is more expensive to rent shopping-space in the nondescript south London suburb of Croydon than in the plush shopping streets of Milan, Stockholm or Dublin. A study by an estate agency, Healey & Baker, conducted last year ranked London's Oxford Street as the third most expensive shopping mile in the world after New York's Madison Avenue and Hong Kong's Causeway Bay. A recent McKinsey report on productivity found that, on average, selling-space in Britain was 40% more expensive than in America and 20% more than in France."

## TAXING DIS-HARMONY

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claimed by the sovereign government as its property, to the point where it wishes to coerce other governments which dare to deprive it of its legitimate revenue.

This raises serious questions which ought to engage fiscal philosophers, in an attempt to pin down the high tax regimes which presume to intrude into the affairs of sovereign nations. For example:

- Exactly which parts of a nation's income "rightly" belongs to the government? Do the citizens know that part of their income does not "belong to" them at all?
- What is the size of the tax base that "rightly" belongs to the government?
- On what grounds do governments claim the right to reserve that revenue for its exclusive use?

The language in which the OECD conducts its analysis lays the foundations for international conflict which could move from fiscal to force of a different character. For example, in paragraph 31 it talks of governments being able to conclude that some countries could be "poaching other countries' tax bases". In the past, nations have gone to war for less. But again the high-tax harmonisers need to be challenged on their property claims. Poaching pre-supposes ownership, which needs to be defined and legitimised in the court of world opinion.

The coercive philosophy behind the views expressed in the OECD report are revealed by the comment that "countries should remain free to design their own tax systems as long as they abide by internationally accepted standards in doing so" (para. 26). The basis of those standards needs to be critically examined before sovereign nations are intimidated into complying with the strictures of those who dominate the public discourse.

**Sources:** Mason Gaffney, *International Tax Competition: Harmful or Beneficial?* (Aug. 1998), and "Taxation of mobile Capital in a Global Free Market", speech, 2.9.98, Grand Cayman.