Cultures of social markets

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Abstract

Social enterprises and markets have too often been conceived of as distinct, small, and usually marginal segments of the wider...
business community and economy. Yet the macro-cultural and policy contexts between countries and regions have historically delivered very different forms and levels of enterprises, social responsiveness, impact, and accountability, from the Scandinavian social contract to Chinese state enterprises, and from the Anglo-Saxon forms of corporate governance to the co-determination models from Germany to Taiwan. This article explores some of these developments, building on a broader view of 'social enterprise' as concerning the translation of societal values into enterprise aims, activities, configurations and social markets, concerning how such practices are embedded into markets and economies. Drawing on the author’s research and reflections, the article points to the current opportunity and risks in establishing a broader agenda and practice of social enterprises linked to the decline in the historically dominant Anglo-Saxon approach to privileging financial capital.

**Keywords:** social enterprise; markets; business communities; social markets; societal values

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**A Typical Bellagio Day**

Debating the merits and features of a more social capitalism has become a fashionable pastime for progressives determined to pass through the eye of the needle in harvesting the dynamic whilst mitigating the negatives of capitalism. And so was it that one sunny Sunday afternoon at the Rockefeller Foundation’s gorgeous Bellagio Centre in Northern Italy I found myself debating what values count in defining social enterprises, and how such values translated into observable rules and structures.

Common currency in the debate was that values-driven purpose needed to be at the heart of modern enterprise, rather than privileging financial interests. Beyond that, some confusing differences emerged. Some asserted that the only values that counted in defining social enterprise should be those that, in their studied opinion, were ‘good’ referring for ease of reference to a need to
align to the Sustainable Development Goals (SDGs). Such values, moreover, needed to be explicitly expressed by the leaders and owners of such enterprises, who could then be taken to be well-intentioned people.

Juxtaposed to this interpretation of value-based enterprises was an assertion that values came in all shapes and flavours, some of which might be SDG-aligned, some not, and often involving trade-offs between many and diverse goals. Moreover, the counterpoint view was that values underpinning enterprises could be mediated through many rules and structures including, perhaps most contentiously, state ownership, and even the financial interests reflected through ownership or shareholding.

The debate was fun but ultimately unproductive. Those advocating the narrower, normative view were wedded to, and understandably inspired by, a vision of a world made better by an armada of social enterprises led by like-minded people. Those wanting to consider a wider universe of possibilities, a camp to which I confess to being a member, viewed values as being diverse and socially constructed and embedded in the broader societal landscapes within which enterprises and marketplaces existed.

Perhaps not easing the discussion was my choice of Chinese state enterprises as my anchor use case. Surely, I argued, we would need to include this class of organization in any definition of social enterprises (alongside state-owned enterprises from around the world). Even the most cynical would accept that in being state-owned and policy-directed, they clearly existed to serve purposes beyond securing risk-adjusted, financial rewards. And surely, in the case of China, they passed the impact test in being critical to stabilizing the management of the transitioning Chinese economy that lifted hundreds of millions of people out of abject poverty. Arguably, I finally suggested, they were critical in warding off the dangers of predatory domestic and international capital during this transition, which was so destructive in the post-Soviet, Russian experience.

The contrary camp was, unsurprisingly, horrified with the notion that Chinese state-owned businesses could be endowed with the same ‘social enterprise’ designation as, say, a Boston-based social venture funded by impact investors run by committed people dedicated to, for example, employing disadvantaged people, or marketing low carbon goods. The outraged response

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to my equivalence proposition had some merit of course. But the categorical problem was nevertheless established beyond doubt – that to view social enterprises and economy through a ‘Boston’ screen was just not credible. Indeed, to continue to insist on such a screen dangerously distracted us from the needed debate about the many manifestations of social enterprise and economy, and their implications for theory and practice.

**Value-Based Organization**

The Bellagio debate reminded me of two pieces of work from the 1990s, one that I had authored called *Value-Based Organization*,3 and the second I had read, a book originally published in 1993 entitled *The Seven Cultures of Capitalism* by Charles H. Turner and Alfons Trompenaars.4

*Value-Based Organization* was the first action-research programme that I set up after joining the New Economics Foundation in 1992.5 At its heart, it posited that the rules of any organization evolved over time and reflected its ‘enacted values’, and that such rules were a better representation of an organization’s values than its ‘stated values’ classically expressed in its vision, mission or goals. My interest in this perspective had developed on the back of a decade of advisory work supporting the development of organizations espousing strong social and environmental values, including the alternative technology non-profit, Intermediary Technology Development Group, and the massive, Buddhist, Sri Lankan community development organization, Sarvodaya.6,7

Over two years, we worked with these and a wider group of other values-driven organizations, including the anarchist-inspired Mexican group GEA8, the UK-based Christian fair-trading organization, Traidcraft9. and the Bolivian

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3 books.google.nl/books/about/Value_based_Organisation.html?id=urbeMgEACAAJ&redir_esc=y [accessed 28 February 2024].
4 www.researchgate.net/publication/257926329_The_Seven_Cultures_of_Capitalism_Value_Systems_for_Creating_Wealth_in_the_United_States_Britain_Japan_Germany_France_Sweden_and_the_Netherlands [accessed 28 February 2024].
5 https://neweconomics.org/ [accessed 28 February 2024].
8 https://books.google.ch/books?id=nDQj6h9kIz0C&printsec=copyright&redir_esc=y#v=onepage&q&f=false [accessed 28 February 2024].
9 https://www.traidcraft.org/ [accessed 28 February 2024].
network of non-profits underpinned by a Catholic liberation theology, UNITAS\textsuperscript{10}. In addition, we worked with the international non-profit organization, Ashoka\textsuperscript{11}, through its South African franchise, in exploring the ways in which social entrepreneurs envisaged the early-stage organizational translation of their visions and theories of change. In each case, we spent many months working with their leaders, teams, members and constituents in mapping the evolution of their organizational rules, in most cases over many years, set against their stated vision and values and often evolving activities.

Along the way, we developed a series of tools intended to help others adopt and benefit from similar reflective processes. Foremost amongst these was an approach to stakeholder-based social auditing that we applied in the first instance in the case of Traidcraft\textsuperscript{12}. This tool\textsuperscript{13} was subsequently picked up by other iconic social businesses of the time, including Ben and Jerry’s and The Body Shop, which subsequently produced the first ever externally audited sustainability report, The Values Report\textsuperscript{14}. The practice then cascaded into mainstream business, with early movers including British Telecom, Shell and South Africa’s Land Bank. Many moons later, this approach remains the foundation of current efforts such as the International Sustainability Standards Board (ISSB)\textsuperscript{15}. These were exciting times at these early stages of the modern, sustainable enterprise and sustainability movement, with a summary of developments in ethical and social accounting and auditing laid out in a book co-edited with my mentor, Professor Peter Pruzan, and my partner-in-arms, Richard Evans, entitled Building Corporate Accountability Emerging Practice in Social and Ethical Accounting and Auditing\textsuperscript{16}.

It was an amazing and quite revelational experience for all concerned. Our participatory, action research highlighted the twists and turns of organizational histories, formative influences and ultimately impacts on living values and their translation into actions and impacts. The work taught me above all else that it

\footnotesize{10} https://redunitas.org/ [accessed 28 February 2024].
\footnotesize{12} https://www.jstor.org/stable/4226845 [accessed 28 February 2024].
\footnotesize{15} https://www.ifrs.org/groups/international-sustainability-standards-board/ [accessed 28 February 2024].
is the living fabric of organizational rules and processes that most profoundly shapes, as well as reflects and expresses, the closest we can get to understanding an organization’s ‘values’. At times this might be aligned to stated values and most often are formed during the organization’s formative stages. More often than not, however, there would be gaps between stated and rule-based values, and such gaps would tend to increase over time, especially with higher degrees of financialization and professionalization.

Cultures of Capitalism
Looking back, Turner and Trompenaars’s bestseller seems rather parochial, not least because their choice of ‘cultures of capitalism’ was confined to the United States, Japan, Germany, France, Britain, Sweden, and the Netherlands. Yet the essence of their argument is as relevant today as it was then, namely, how best to understand, through a cultural lens, the diverse manifestations of capitalism and their consequences.

Sweden’s model represented, in many ways, what we now see as the broader, Scandinavian, social democratic model characterized by low levels of hierarchy, greater levels of equality, high levels of education and indeed re-education, and so on. Following closely alongside this was the Dutch ‘Polder’ model\(^\text{17}\), offering many similar features, with a stronger emphasis on cooperation and consensus building born out of the Dutch history of collective action in recovering land. The Dutch approach bridged nicely into the German ‘co-determination’ model that placed more emphasis on high-level, tripartite governance by business, labour and the government, also reflected in their widely used and at that time applauded tripartite corporate supervisory boards.

The UK and the USA were depicted as more freewheeling forms of market capitalism, with higher levels of confrontation and a stronger, legally enforced, privileging of financial capital in corporate governance and more broadly in steering their respective political economies. France was characterized as offering yet another dimension compared to both the Anglo and Scandinavian and Dutch experiences, with a central role for the state in economic and

\(^{17}\) https://en.wikipedia.org/wiki/Polder_model [accessed 28 February 2024].
industrial planning and interventions into labour markets and a greater role for
state-owned enterprises, unfashionable at the time but a forerunner of the
successful Chinese state planning to come. Japan was the Asian outlier at the
time, with perhaps the most caricatured, somewhat orientalist, depiction of a
highly disciplined, homogenous society expressed economically in an efficient,
managerialist, imitative corporate community.

The characterisation of the seven cultures of capitalism was over-simplified.
Notably, in their assertion of differences across the selected countries, they
made insufficient effort to highlight the remarkably similar features of
capitalism across cultures with such different histories and arising institutional
arrangements. It might have worked just as well, for example, to point out how
similar in many ways were the actual technologies deployed and the
production systems of their respective companies, such as automobile
manufacturers including Toyota, Ford, Volkswagen, Austin and Citroën, despite
their different cultural contexts.

Nevertheless, the Turner and Trompenaars's views were presented rather
effectively as befitting an intelligent, popular, business (rather than academic-
targeted) book. Indeed, despite its many limitations, Turner and Trompenaars's
comparative lens has proved to be remarkably resilient. Despite tectonic shifts
in the global economy over the subsequent three decades, many of their
culture-specific observations remain broadly right or at least useful, and the
approach of intriguing value. Perhaps of greater substance is that the exercise
has not since been repeated in accessible form, a long overdue and much-
needed endeavour.

Social Markets Revisited
The micro lens of my efforts around value-based organization, and the macro lens
of cultural determinants of enterprise and economy offered up by Turner and
Trompenaars, has informed my thinking, reflected in this article. Building on the
tenets of the Bellagio debate, and frankly many similar arguments, it seems self-
evident that we need to consider the evolution of social enterprise, and more
broadly an alternative vision of economy, in the context of the broader political
economy. Moreover, in embracing the potential of comparative analysis, we
should and could usefully build on Turner and Trompenaars' underlying approach
in considering the features and the merits of a cross-cultural, or at least cross-
country, taxonomy of social enterprise and economy.

Conventional wisdom is that any analytic approach would need to be
underpinned from the outset with a keystone definition of social enterprise.
There are certainly many of these around to choose from, and this article is not
intended to provide a comparative analysis or taxonomy of definitional options.
Sufficient for my purposes is to suggest that we need to take a broad view in
considering social enterprise as concerning the translation of societal values into
enterprise aims, activities and more broadly configurations, and social markets
concerning how such practices are embedded into markets and economies.¹

Reflecting on the Bellagio debate, this framing has the advantage of
including both purposeful enterprise leadership and private capital, and a host
of other ways in which societal values are embedded in enterprise formation
and practice. Moreover, reflecting on the micro view offered through the cited
work on value-based organization, the framing insists on the need to examine
the configuration of organization without being distracted by the features of
specific people or weighing too heavily on differences in stated commitments
and statements, or indeed their absence.

Comparative Dilemmas

Conventional wisdom holds that wealthier societies take greater account of
broader social and environmental issues, an intellectual spin-off, if you like, of
Maslow’s Hierarchy of Needs.¹⁸ AccountAbility produced the first Responsible
Competitiveness Index of countries in 2007.¹⁹ Subsequently, the World
Economic Forum’s (WEF) Sustainable Competitiveness Index²⁰ offered for
several years the highest profile measure of countries’ successes in integrating
social and environmental considerations into vibrant, globally competitive
economies, notwithstanding comparable efforts by the Swiss-based business
school, IMD.²¹

In WEF’s most recent iteration in 2019, it identifies the top five most ‘sustainably competitive’ as being amongst the richest, Singapore, the United States, Hong Kong SAR, the Netherlands and Switzerland. SolAbility’s most recent publication, in 2023, is more weighted towards European success, with 19 of the top countries being European, the exception being Japan in twelfth place.

If such integration is indeed a measure of the degree of social markets and associated enterprises, then both indexes tend to affirm the conventional wisdom of a high correlation to wealth and income per capita. Needless to say, there are fraught problems in any simple analysis of the degree of integration of societal impacts into markets, economies and countries. Both Singapore and Switzerland, for example, have large scale ecological deficits, according to the Global Footprint Network. The US suffers from growing poverty and inequality, collapsing infrastructure, and is the world’s most carbon intensive society per person. The Netherlands, as part of the Europe’s much-vaunted social economy, is of course built on the capital of others, through slavery, colonization, and the economic wealth accruing from unpaid-for natural capital, mainly from developing countries. China, on the other hand, scores low in both indexes, although in SolAbility’s index just pipping the US in coming in two places above them at 30, although it has done more to reduce global poverty in just over a quarter of a century than any other country, anytime, anywhere.

An alternative approach to assessing the type and state of development of social enterprises and markets across differing cultures and political economies is to drop down to the meso level, that is, at the level of the aggregate enterprise. The European Commission, for example, has estimated the numbers and size of social enterprises across Europe, pointing to a high of almost 100,000 in France employing 1.2 million people, to just over 30,000 in

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23 https://solability.com/the-global-sustainable-competitiveness-index/the-index [accessed 28 February 2024].
24 https://www.footprintnetwork.org/ [accessed 28 February 2024].
the United Kingdom, and just 121 in Estonia. Likewise, the Thomson Reuters Foundation offers a second order analysis by ranking by country according to their attractiveness for social entrepreneurs, covering 43 countries in their last survey in 2019. Reinforcing some conventional wisdoms, the survey’s top five countries were Canada, Australia, France, Belgium, and Singapore, with three of the remaining top ten being European.

Such approaches could be helpful were they not blighted by the problem of restrictive and so distorting definitions. Both the European Commission and the Thomson Reuters Foundation’s analysis is framed by the equivalence to the ‘Boston’ definition alluded to earlier, great people trying to do great things through the use of market vehicles, more often than not defined by legal categorization, often for the purposes of tax coding. They do not take account, for example, of the political importance of the cooperative movements in Italy and the UK, the relevance of Germany’s tripartite supervisory bodies across major parts of its corporate landscape, and the importance of state directed enterprises in France.

Angle-Saxon Capitalism – Fêted or Fated?
Several years ago I found myself in a feisty” discussion about the merits of the US investment environment with participants in a meeting of the advisory board of a well-known sustainability-focused asset manager. The argument erupted when the company’s Chief Investment Officer responded to a question as to why the company’s portfolio was heavily weighted towards US companies and US-listed companies. His response, in a nutshell, was that US capital markets were the world’s most effective in extracting economic value.

Surely, the response came from astonished advisory board members, the reason US capital markets are so successful is because there are so many more opportunities to make a profit whilst externalizing (i.e. not paying for) negative social and environmental costs? To be sure, came the company’s sturdy response. But in our portfolio, it explained, we only include companies that do not do that – the new generation of corporations that benefit from US-style

financial markets whilst leaning towards tomorrow’s sustainability-aligned markets for goods and services.

Anglo-Saxon capitalism,30 characterized by its endemic privileging of financial capital, has long dominated major parts of the global political economy. Until recently, it appeared to fit into Fukuyama’s ‘end of history’ thesis asserting itself as the pinnacle of excellence in advancing corporate, economic and broader societal success.31 Over many decades, it swept away, ideologically and through political and market dynamics, its Cold War competitors and the many would-be competing approaches, from traditional cooperatives through to European-style, socialized state ownership and visions of a distinct African Renaissance.

Conventional notions of social enterprise are paradoxically both a counter to and an expression of Anglo-Saxon capitalism. Such notions reject the privileging of narrow financial interests in favour of broader, purposeful enterprise. At the same time, they reject the very core of the challenge to Anglo-Saxon capitalism, the plurality of ways in which the socialisation of enterprises and markets can occur.

Back to WEF, perhaps the most visible expression of the conviction that solutions lie in the socialization of the Anglo-Saxon-dominated business status quo. As it passes its fiftieth anniversary and seeks to advance its brand in China, it remained true that it has never, and I stress never, organized a convening let alone progressed a piece of work, about the merits of state-owned enterprises. And from the other end of the enterprise universe, one African correspondent with me in preparing this article pointed to the fact that informal urban fruit and vegetable (and many other) markets are not deemed social enterprises but nevertheless deliver social benefits.

The future of Anglo-Saxon capitalism32 is more in doubt today than at any point since the early stage of the British Empire. Most obviously, the rise of China has underpinned a resurgence of state capitalism, broadly characterized by combinations of policy-directed markets and state ownership of enterprises.

Whereas yesterday's political and business leaders made their way to the US for guidance and patronage, today's similarly packed airplanes tend more to head east to Beijing.33

China is far from the only driver of the uncertain fate of Anglo-Saxon capitalism. The very success in externalising social and environmental costs has created its own, powerful feedback loops. Most apparent are the challenges of climate change and the collapse of natural ecosystems34, alongside growing economic inequality and the fears associated with the sheer uncertainties associated with increasingly dynamic, profit-seeking markets. The ravages of these effects are most apparent in the heartland of Anglo-Saxon capitalism, the US, with growing impacts in Europe and elsewhere across the globe. These in turn have catalyzed opposition to the very political narrative, that of liberal democracy, that has legitimized the extraction and concentration of economic value increasingly apparent across Anglo-Saxon capitalism.35

Such a critique, far too shortly stated, is not intended as a route to evangelizing a specific alternative, such as state capitalism. Rather, it is intended to help us understand the roots and possible futures of the emerging social enterprise narrative. Today's notion of social enterprise could as its advocates hope be a sign of an evolving next benevolent stage of Anglo-Saxon capitalism. Also possible, however, as the most famous purveyor of the notion of the ‘paradigm shifts’, Thomas Kuhn, would suggest, is that it is a sign of the efforts being made to extend the lifespan of a paradigm that no longer adequately explains what is happening or delivers what is needed.36

**Which Social Enterprise Vision?**

Understanding the ‘social’ in the notions of ‘social enterprise’ is most helpfully done as a counterpoint to those ideological constructs that seek to negate the

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34 https://www.nature.com/articles/s41893-023-01157-x [accessed 28 February 2024].
responsibility of all enterprises to actively address their social and environmental impacts as a core to their strategies and goals. Until recently, in a world dominated by Anglo-Saxon views of the nature of business, the dominant view has been one that emphasizes the privileging of financial capital and associated returns.

It would be ‘pollyannaish’ to argue that this privileging has passed into history. However, it could be reasonably argued that today’s conditions offer more possibilities than at any other time in recent history to broaden the scope and basis on which the ‘social’ of enterprises is understood and practised. This is partly for bad reasons. Possibilities are opening up because of the existential threats of climate change and the evidence that we have moved beyond six of the nine planetary boundaries\(^\text{37}\), as well as the dramatic increases in economically and politically disruptive social conflict linked to growing inequities of both outcomes and opportunities. It is partly for geopolitical reasons that the Anglo-Saxon voice in global affairs is diminishing, with a surge in state owned or directed economic and business anchored in China but spreading across many parts of both the Global South and wealthy, developed countries.\(^\text{38}\)

Notably, and sadly absent from these historic shifts is a grass-roots vision of, and a movement that advances, forms of social enterprise that can seriously scale in today’s complex world, notwithstanding many efforts from fair trade to advance new forms of common ownership and alternative corporate governance frameworks. The most recent high-visibility attempt at mainstreaming a social enterprise approach at the core of the tech economy was OpenAI’s ‘societal governance’ framework, which collapsed under the pressure of profit-seeking investors’ pressure.\(^\text{39}\)

Tomorrow’s history of the social enterprise has yet to be written, indeed created. Will policy-directed enterprises and economies dominate the next phase of global development? Will the interests of financial capital prosper


under new management, despite the decline of its Anglo-Saxon heritage? And most of all, will the mosaic of approaches to grass roots, people-centred enterprises and markets live and die in the margins of these seismic developments, or be successful in shaping their trajectory?