The Evolution of Capitalism from Shareholders-Centered to Stakeholders-Centered.

By

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Abstract

Nowadays we are finding a disconnection between business and society. This is mainly produced because shareholders are centered on increasing their financial value in the short-term, and because of the fiduciary responsibility that obligates management teams to defend the interest of shareholders over any other interest. As a product of this problem, decades ago, Corporate Social Responsibility (CSR) was created, but it has been mostly a marketing tool rather than a social commitment.

The evolution of the Internet into the Web 2.0 is creating a new type of consumer, who is much more involved in how businesses are creating value on their purchases. The new type of consumer is also more empowered about their purchasing decisions. This has produced the need in companies to find a new way to evolve and provide their services according with the needs of this new type of consumer.

As a result of the lack of commitment that the old entrepreneur has about social problems and new consumers, a new type of company is appearing as a hybrid between non-governmental organizations (NGO)/non-profit and private/for-profit organizations. These new companies are moving their creation of value from a shareholder-centered model to a stakeholder-centered one.

This dissertation is based on academic works and interviews with key people from Scotland and Chile, who are involved in this area. It will first analyze and explain the evolution that businesses should have from shareholder-centered to stakeholder-centered. This work will then discuss how it could be possible to increase the decision power of consumers to accelerate the change from financial-value to social-value driven companies.

As a result of this work, the relevance of communication tools, certifications, education, and government to the further success of this evolution to a more long-term business culture will be explained.
Own Work Declaration

I declare that this thesis was composed by myself and that the work contained therein is my own, except where explicitly stated otherwise in the text.

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Chapter 1 Introduction

1.1. Problem Statement and Scope

1.1.1. Private Companies and Society
Businesses create financial value without considering the impact of their practices because today’s fiduciary responsibility obligates them to put the interests of their shareholders over any other interest. The effect of this way of working is that an important group of companies do not consider the long-term effect of their actions, moving to one side as an externality the environmental and social impacts of their actions.

Porter and Kramer (2006) say that “they [companies] continue to view value creation narrowly, optimizing short-term financial performance in a bubble while missing the most important customer needs and ignoring the broader influences that determine their long-term success” (p.1).

Nowadays a big group of companies serve society as an effect of their operations and not as a part of their mission; their main objective is still to increase the wealth of their shareholders.

In the last decades a concept called Corporate Social Responsibility (CSR) has appeared, which invites corporations to be responsible with the environment and society. This originally philanthropic idea has transformed to a marketing strategy and an “imperative element of corporate global business strategies” (Isaksson et al., 2014, p.64). Today’s CSR is not aiming towards a better society, but is rather about marketing and sales.

Porter and Kramer (2006), Waddock and McIntosh (2011), Vives de Cumpetere (2012), Coen Gilbert (2010), among many others, defend that it is necessary for businesses to consider not only financial value, but also value for society in consideration with the need of a long-term perspective on planetary sustainability.

1.1.2. A New Consumer

Waddock and McIntosh (2011) explain the transformation of current society in the context of the impact of the Web 2.0 and the collapse of the global economy, and the way that it has opened in the population a necessity for change. This kind of change is described by Schumpeter (1976) as “creative destruction”; that is, a change from inside the system because of new customers that demand an adjustment from the industry to adapt to their new requirements. He says further that “capitalism, then, is by nature a form or method of economic change and not only never is but never can
be stationary”(p. 82). He then explains that “the fundamental impulse that sets and keeps the capitalist engine in motion comes from the new consumers’ goods, the new methods of production or transportation, the new markets, the new forms of industrial organization that capitalist enterprise creates”(p. 83).

Waddock and McIntosh (2011) explain that the Web 2.0 has empower consumers because of the access to information and the capability to build groups with some particular objective with people that they have never met. Constantinides and Fountain (2008) support this idea saying that “Web 2.0 has a substantial effect on consumer behavior and has contributes to an unprecedented customer empowerment” (p. 231). In their paper they explain how the information and the capability of interconnection between consumers has changed their buying behavior, and how it is forcing companies to adapt to this new scenario.

1.1.3. Fourth Sector

The change described is generating a need for businesses to take “into consideration the ecological and social as well as the economic consequences of their business practices” (Waddock and McIntosh, 2011, p. 305). Vives de Cumpetere (2012) says that now companies need to serve society as an objective, not as something accessory, from inside of the company organization. In his TEDx Talk, Jay Coen Gilbert (2010) explains this phenomenon of companies aiming to be more society centered as a change in the definition of capitalism, from Shareholder Capitalism to a Stakeholder Capitalism (min 4:28), in which the value that the companies need to create should be not only economic value, but also social and environmental value. This migration, from the focus of a private company from defending only the interests of the shareholders, to considering the needs of all the stakeholders, creates a blended value proposition that integrates social and financial returns (Emerson 2003). A result of this proposition is a hybrid between private and a non-profit/NGO. The hybrid organization has been called “Fourth Sector, For-Benefit, Values Driven, Mission Driven, Conscious Capitalism, B-Corporations and Social Enterprises” (Khan, 2015, p. 2). This definition fits not only companies that move to a social and environmental mission, but also non-profit/NGOs that build business models to be self-sufficient organizations (Khan, 2015).

In this document, the group of companies that have the characteristic of a blended value proposition, and so are hybrid companies, are going to be denominated as Fourth Sector.
1.2. Research Questions

A. What are the key aspects from the consumers’ perspective that can accelerate or slow down capitalism’s transition from shareholder-centered to stakeholder-centered business models?

Because the Fourth Sector appears as a ‘creative destruction’ promoted by a new kind of consumer, a question exists concerning the impact that customers have in this change. If the change is centered on consumers, then it is possible to use different tools of information – education, social media, publicity, certifications, direct marketing, among others – to increase the commitment of consumers to this change. Among the different channels, which can possibly influence public opinion, the issue is which of these are more effective in this particular case that could accelerate or slow down this change.

B. What are the strategic actions that should be done to accelerate the change from shareholder’s capitalism to stakeholder’s capitalism through actions that involve consumers?

Once the key aspects are determined a logical list will be constructed of consecutive steps that involve communication to consumers, based in question A, through which it would be possible to accelerate the change. The objective is to bring as much information as possible to the public, and so help this natural process to flow with more efficiency.

1.3. Outline of the Work

1.3.1. Chapter 2: Introduction to the Literature Review

This chapter explains how the literature review was conducted and explains the gaps found. In chapters 3 and 4 the most relevant information found during this research is discussed and analysed.

1.3.2. Chapter 3: Triple Bottom Line as a Common Value

Chapter 3 defines how Creative Destruction, Messes, Long-Term Capitalism, and Triple Bottom Line are linked through the concept of the evolution of capitalism from Shareholder-centered to Stakeholder-centered. This evolution modifies the way in which society sees progress, from short-term elitist scopes to long-term democratic scopes, but such an evolution should be based in planned actions. Finally it is explained how the Triple Bottom Line could help in building this new society.
1.3.3. Chapter 4: A Change in Citizens
This chapter examines how new communication tools give to the unpowered side of the society the capability to congregate and fight for their rights, rights that have been centralized into the elites, cliques of which neoliberalism is based on.

1.3.4. Chapter 5: Methodology
It is explained how the methodology is applied, and how the interviews were conducted and how they are helping in the evolution from shareholder-centered to stakeholder-centered capitalism.

1.3.5. Chapter 6: Consumers and The Fourth Sector
This chapter first describes the issues that were discussed with the interviewees and are related to this work. Then it is explained how the experience of these people is in a direct relation with the analysis done in previous chapters.

1.3.6. Chapter 7: Conclusion
This chapter contains a summary of the research, an answer to the research questions, and a purpose for future researches.
Chapter 2 Introduction to the Literature Review

The literature review was focused in three main concepts: (1) the change in consumers, (2) the evolution of capitalism, and (3) the fourth sector. The analysis was based in reviewing books, papers, TEDx Talks and articles from magazines and newspapers. There is an analysis of the most relevant information gathered during this research in Chapter 3 and Chapter 4.

It is important to note that this research considered industrialized and developed countries.

The main aspects that the research addressed were (i) the characteristic of short-termism that the current system has, (ii) the accumulation of resources in some parts of society – economic elites – that produces an uneven system, (iii) the environmental impact that progress has generated, (iv) how communication tools change the way in which consumers behave, (v) the importance of power in consumers, and (vi) the fact that the awareness of citizens is increasing. These six concepts can be separated into the first three (3) that explain why there is a change in consumers, an evolution of the economic model and an appearance of a new fourth sector, and the second three (3) that explain how this change is being driven.

![Figure 1: Matrix of Literature Reviewed](image)

The literature review revealed that the fourth sector was mainly focused on the actions that shareholders should take, but not on the actions that consumers can take to support this change. Furthermore, the literature about the evolution of capitalism does not explain the actions that consumers should take to support such an evolution. It does explain how the educational system should be modified to increase the awareness of citizens, and how this awareness related with consumer
power in general. The literature does not, however, draw a clear link between how an increased awareness on the part of citizens could help in the evolution of capitalism. The literature review showed that the problem of the evolution of capitalism is that the environment – consumers’ power, education and government – need to be involved in this evolution and take an important role. This is because the literature centered all the discussion on shareholders and the impact that nowadays business has on society and the environment (Figure 1), but not in the relevance that other actors have in the change. The literature recognizes the importance of consumers in this change, but did not describe a long-term plan about how to increase the power of buyers and use them as a booster to move from shareholders-capitalism to stakeholders-capitalism.
Chapter 3  Triple bottom line as a common value

During the review of the literature about how the economic model has evolved and how companies have responded to that change several concepts appeared that are important to explain: (i) Creative Destruction, (ii) Messes, (iii) Long Term Capitalism and (iv) Triple Bottom Line.

It is important to explain these concepts because the evolution of capitalism needs to be understood under the scope of how capitalism changes (creative destruction), how to confront that change in a way in which society decides and manage the evolution (messes), then how democracy can be used as a long-term vision (long-term capitalism), and finally a proposal about how this could be accomplished (triple bottom-line).

3.1. Creative Destruction

Creative Destruction is a concept that Schumpeter (1943) explains as a process of destroying an old structure to create a new one. He explains the evolution of the economic structure with this concept by pointing out that “Creative Destruction is the essential fact about capitalism” (p.83). This is because for him, capitalism “is by nature a form or method of economic change and not only never is but never can be stationary” (p.82).

The essential characteristic of change that capitalism has is based in the idea that the components of an economy change. The change is driven by “the new consumers' goods, the new methods of production or transportation, the new markets, the new forms of industrial organization that capitalist enterprise creates.” (p.83)

3.2. Messes

Ackoff (1974) defines a mess as a system of problems, but to understand this concept it is necessary first to explain the definition that the author gives to system: “a system is a set of two or more interrelated elements of a kind" and “it is not an ultimate indivisible element but a whole that can be divided into parts” (p.13). He explains that the elements of a system have three properties:

1. There is an interdependence of the elements in which every element affects the whole.
2. Every element affects at least one other element of the set. “Therefore, no part has an independent effect of the whole and each is affected by at least one other part” (p.13)
1. Inactivism: they have a conservative philosophy of management, they believe that things are good as they are, and they are against actions that could change the status quo. Inactivists are against changes.

2. Reactivism: they not only, as the inactivists, do not like changes, they try to go back to the things as were before in “the good old days”. Ackoff expresses as, “their orientation is remedial, not aspirational” (p.24).

3. Preactivism: they are constantly preparing for the future by being aware about the opportunities and threats that could come, they understand that things can change and they need to be prepared for them, they “are not only concern about doing something wrong … but also about not doing something right”(p.25). For the preactivist the future is uncontrollable but the effects can be managed through proper preparation. “They are reformers, not revolutionaries”(p.26).

4. Interactivism: they are aware of the future and the consequences that could happen, and more than that they think that the future can be shaped hence it is possible to prevent threats and to create opportunities. Interactivists believe they “are capable of controlling a significant part of the future as well as its effects on us” (p.26).

Ackoff believes that interactivists are necessary for the evolution of society because “our society can be much improved and that it is not trending to improvement” this is why “our intervention is therefore required” (p.28).

As a general conclusion, solving messes is not the same as solving a problem. To solve a mess requires planning and, more than that, requires imagining a future and managing the variables to achieve that desired goal. Furthermore, interactivists are
needed to address the fact that “no problem is ever finally put to rest”. They are
driven by the need to work for “continuous maintenance and improvement” (p.33).

3.3. Long-Term Capitalism
Lester Thurow (1996) explains that the economic society in which we are living is in a
state of constant change, or evolution. When a system evolves it is possible to
identify the classic slow evolution in which the changes are not perceivable in a
short-term perspective, and the inflection points which occur when a big change
happens suddenly. He explains this phenomenon using the invention of the steam
engine as an example; it changed the whole system from one day to the next. He
calls these changes punctuated equilibrium.
Thurow explains that nowadays capitalism is at a point in which a major change
should occur because the model has shown that it is not compatible with family,
social awareness, environment, long-term issues and – crucially – democracy.
Democracy promotes “one man, one vote” in which everyone has an opportunity to
express and defend their beliefs and a common goal. On the other hand, capitalism
promotes the “survival of the fittest” and short-term goals. It is a truism to state
“capitalism is perfectly compatible with slavery” (p.242).
The author explains that history has proved that the purest application of “survival of
the fitness” does not work and that it is necessary to make a change to a model in
which a democratic long-term common goal could fit. This long-term common goal is
not a simple thing to accomplish, because “democracy needs a vision of utopia – a
route to a better society – a vision of what it is that transcends narrow sectarian self-
interest” (p.255) and “capitalism postulates only one goal – an individual interest in
maximizing personal consumption”(p.257). The way in which capitalism could work is
when it takes into consideration the “human community’s long-rut self-interest”
(p.308) rather than the “particular individual’s immediate self-interest” (p.308).
Democracy and capitalism, as they are today known, are not necessarily compatible
because of the short-termism that the individualistic perspective of capitalism
encourages, and the long-term solidarity that democracy needs to work.

3.4. Triple Bottom Line
The Triple Bottom Line is a concept addressed by John Elkington (1997) in his book
Cannibals with Forks in which he expresses that “Today we think in terms of a ‘triple
bottom line, focusing on economic prosperity, environmental quality and – the
element which business had preferred to overlook – social justice” (p.70). He
expresses that sustainability should be measured by companies considering the
economic, environmental and social capital, and then he defines each of the three concepts. Elkington explains that the need for this new way of measuring a company is based on the concept that the classic bottom line – economic – does not consider the externalities that are the “environmental and social costs” (p.76) resulting from the operation of a company.

3.4.1. Economic Bottom Line
Financial profit is the classic bottom line that companies use to measure the effectiveness of their operation, the “profit figure used as the earnings figure in the earnings-per-share statement” (p.74). When this concept is analyzed more deeply, as Elkington says, it can be explained that “in traditional economic theory, capital as a factor of production can come in two main forms: physical capital (including machinery and plant) and financial capital” (p.74), and then he expresses that this concept has been evolving through time including the “human capital – a measure of the experience, skills, and other knowledge-based assets of the individuals who make up an organization” (p.74) – and the intellectual capital.

3.4.2. Environmental Bottom Line
The environmental capital considers the impact that a company has on the natural environment. Elkington expresses that it is hard to define, is in a state of evolution and “varies in relation to the number – and behavior – of the economic actors operating within them” (p.80). That means that “these bottom lines will vary over time and space” (p.80).

The natural capital can be separated into two concepts: “critical natural capital” that “embraces natural capital which is essential to the maintenance of life and ecosystem integrity”, and “renewable, replaceable, or substitutable natural capital” (p.79).

Elkington explains that a precise method does not yet exist to measure the environmental bottom line, but that any such method should consider (i) the costs and benefits related to the actions that the company undertakes, and (ii) how they search for alternatives that could decrease the negative impact or increase the positive impact on the environment. He explains that it is necessary to continue searching for better metrics like “the number of public complaints; the life-cycle impacts of products; energy, materials and water usage at production sites; potentially polluting emissions; environmental hazards, and risks; waste generation; consumption of critical natural capital; and performance against best-practice standards set by leading customers and by green and ethical investment founds” (p.81).
3.4.3. Social Bottom Line

Elkington explained social capital as “In part, it comprises human capital, in the form of public health, skills and education” and “it also must embrace wither measures of a society’s health and wealth-creation potential”. Furthermore human capital requires “investment in education, health and nutrition”. Developing and spreading the necessary skills and training, particularly in the emerging economies and developing countries, will require new forms of public-private partnerships” (p.85).

Fukuyama (1995) defines Social Capital as “a capability that arises from the prevalence of trust in a society or in certain parts of it” and states that “it is usually created and transmitted through cultural mechanisms like religion, tradition, or historical habit.” He also adds that “the most effective organizations are based on communities of shared ethical values” (p.26). Then he explains, “social capital cannot be acquired simply by individuals acting on their own. It is based on the prevalence of social, rather than individual virtues. The proclivity for sociability is much harder to acquire than other forms of human capital, but because it is based on ethical habit, it is also harder to modify or destroy” (p.27). It is possible to suggest that a society in which people trust each other with a set of ethical habits is a more effective society, and the individuals are going to tend to work together, following common goals.

The value of social capital is the relation of trust that a company has with their external stakeholders and, as Elkington says, is “a key factor determining their [the company] long-term sustainability” (p.85).

3.4.4. The Triple Bottom Line

The concept behind this is to start to open the black boxes behind the real costs that a company’s operation has, with the goal to understand that the value that they generate should be produced for current and future generations in a sustainable way. This requires a realization of what the full cost of products are, and the generation of a “full cost pricing” that includes “all the costs associated with a product or service” and should be “as a result, reflected in its price” (Elkington 1005, p.93).

3.5. A common value

It is possible to connect the four concepts explained in this chapter – (1) Creative Destruction, (2) Messes, (3) Long-Term Capitalism, and (4) Triple Bottom Line – in a single line of logic. The evolution of capitalism is intrinsic to the model and it should be considered as part of the economic model in which current society is involved. This evolution depends on the creative destruction that creates something new by the destruction of
the old, but that creation needs to be done understanding that there is not a single problem with which it has been dealing, but rather a mess, so the creation needs to be planned in the correct manner. Today's short-term capitalism should ideally evolve to a long-term capitalism that could manage the needs of the current democratic world. These needs are related with the interests of greater equality, environmental concerns, and awareness of the stakeholders' needs more than the shareholders' ones. The Triple Bottom Line is an elegant way of taking all of these into consideration.
Chapter 4  A Change in Citizens

4.1. Organizing as a base of social beings
As it is expressed by Fukuyama (1995) the most basic unit organization is that unit which has been called the base of society, the family, in which there are cultural connections with common values that bring individuals a sense of trust for each other. But also humans tend to generate connections with other people, not only family, and one of those is the connection in work places where the human being searches for recognition by others. Recognition could be considered as “one of the chief motors of the entire human history process” (p.7). It is possible to see it in military history, royalty and today’s economy. That means that without society there is no recognition, so no success; in other words, the drives of people to succeed are related directly to their society. So if you mix both feelings, trust and recognition, you can build a much more successful work environment, and of course, society. Shirky (2008) explains that the need of assembly is so deep inside human beings that the language is really rich to describe different human associations, and because of the complexity of our groups, there is a requirement for complex ways of communication. So then, if the base of society is the human interaction and the human interaction base is communication, then society depends on the networks between human beings. The dependency of communication gives a clear conclusion, using Shirky words, “when we change the way we communicate, we change the society” (p.17).

4.2. Collective actions
Alberto Melucci (1996) explains that when there are commonly believed norms or shared values that are at risk, people tend to mobilize to restore that common belief. If this mobilization generates a crowd and a concept of group, then there is a collective action. Collective actions are defined by Melucci as “a set of practices (i) involving simultaneously a number of individuals or groups, (ii) exhibiting similar morphological characteristics in contiguity of time and space, (iii) implying a social field of relationships and (iv) the capacity of the people involved of making sense of what they are doing” (p.20). First, the definition of time and space is clear but nowadays it is not strictly required, because new communication tools can build a digital space and an asynchronous time-scope to generate the congregation. Melucci explains that collective actors feel that they are part of the group because they have common aims; “the meaning that the action has for the actor”, means “the possibilities and limits of the action”, and the environment is the “field in which the
action takes place” (p.40). The effectiveness and strength of the congregation depends on how well those three concepts are defined and agreed upon by the group.

4.3. New communication tools bring more collaboration

During the last few decades, with Internet, Web 2.0, User Generated Content (UCG) and the Social Media, there has been a huge change in the way in which we communicate with each other and generate networks because “forming groups has gotten a lot easier” (Shirky 2008, p.18). This new capability to generate groups has generated a “remarkable increase in our ability to share, to cooperate with one another, and to take collective actions, all outside the framework of traditional institutions and organizations” (Shirky 2008, p.20).

Now we live in a world of instant, easy and low-cost interaction that is affecting society as a whole. As a way of expressing it, society has always been a “gather, then share” community in which it was necessary to generate the connections before generating communication, now we are living in a “share, then gather” community that facilitates the capability of generating cooperation, collaborative production and collective actions.

Wright (2000) explains that there are two kinds of interaction between people, the “zero-sum” and the “non-zero-sum”. The zero-sum is the one in which “the fortunes of the players are inversely related” (p.5), if one wins the other loses. The non-zero sum is the one in which someone’s gain is not a loss for the other, in highly non-zero-sum the “interests overlap entirely” (p.5). That means that in these cases all are winners or all are losers. Wright also explains that throughout human history “new technologies arise that permit or encourage new, richer forms of non-zero-sum interactions; then” “social structures evolve that realize this rich potential” (p.5).

The new way of non-zero-sum coordination that today’s information technologies provide have a particularity; it does not involve monetary retribution. This is usually seen as a problem because of the lack of motivation that someone could have to do the action, but Shirky (2008) explains that is more a solution than a problem, because the people involved are moved by mainly three reasons, (1) the chance to do something, (2) the vanity of being useful, and (3) to do a good thing. Furthermore, because of the need of fair retribution that human beings have, “relying on non-financial motivations may actually make systems more tolerant of variable participation” (p.134), because the people involved do not think that someone is having more than them, because all that any individual has is in a personal spectrum and, moreover, they are doing it because they care. As Shirky expresses, they are
doing it for love, and “when people care enough, they can come together and accomplish things of a scope and longevity that were previously impossible; they can do big things for love” (p.142).

4.4. New communication tools bring more awareness
The concept of someone caring about something requires having awareness about a particular issue, and the awareness requires information, but today technologies are perfect for the dissemination of information. Today communication tools remove the obstacles from connecting with each other, bringing information about what is happening under the perspective of people that are experiencing the consequences, and doing things about it, and it gives people the capability of being in contact with people with whom they share values, generating a many-to-many support that accelerates cooperation and action, generating shared awareness.¹

4.5. New balance of power
Shared awareness is changing the behavior of people, allowing fast and effective actions from uncoordinated groups. This change in the behavior of people is generating a huge change in the balance of power; now a normal citizen has the power to fight against big organizations using shared awareness and collective actions, “revolution doesn’t happen when society adopts new technologies-it happens when society adopts new behaviors” (Shirky, 2008, p.160). As more communication tools are being invented, the more power people have, and people are every day more conscious of this power. This power has good and bad implications because, of course, it gives opportunity for people to fight for what they define as fair, helping what today’s society defines as terrorism to gather, and so it could be seen as a threat to the stability of today’s society, but Shirky says that “the current changes are good because they increase the freedom of people to say and do as they like" and our current neoliberal system is based in freedom. The question is, then: is neoliberalism really based on freedom?

4.6. Citizens and freedom
Current society is based on a neoliberal economic model. Harvey (2005) explains that it acts as an ethic base which all human action could be based on, and “it holds that the social good will be maximized by maximizing the reach and frequency of market transactions, and it seeks to bring all human action into the domain of the

¹ Shirky defines shared awareness as “the ability of many different people and groups to understand a situation, and to understand who else has the same understanding.” (2008 p.163)
market” (p.3) and it takes the “political ideals of human dignity and individual freedom as fundamental” (p.5). In other words, he says that market freedom ensures an individual freedom.

As a result, a free market produces a concentration of wealth, capital accumulation, and this generates disagreement, producing a debate between “those ranged behind social democracy and central planning” and “the interests of all those concern with liberating corporate business power and re-establishing market freedoms” (p.13). During this process on how countries should be ruled, neoliberalism was more and more powerful and its true face was shown: it restores or creates economic elites. Harvey says, “the evidence strongly suggests that the neoliberal turn is in some way and to some degree associated with the restoration or reconstruction of the power of economic elites” (p.19).

Harvey upholds that the effects of neoliberalism are a concentration of power and resources in big corporations and a small amount of people, which is why the people with power and wealth defend the model so vigorously.

The model of neoliberalism uses the division of labor as a way to divide-and-rule, as it is explained by Funke and Wolfson (2014) and today’s “urban working class is more isolated than the industrial proletariat” (p.353). Harvey (2005) explains how this has increased the power of economic elites, furthermore he says that “the divide-and-rule politics of ruling-class elites must be confronted with alliance politics on the left sympathetic to the recuperation of local power of self-determination” (p.203).

Harvey expresses that today’s society has fallen into a lack of democracy as the product of the corruption of the political system, the bias of institutions and the excess of power of big corporations. The question is, what does freedom do, if it is not fighting for “an open democracy dedicated to the achievement of social equality coupled with economic, political, and cultural justice” (p.206).

4.7. Gathering citizens

During this chapter, the social nature of human beings has been explained, and how the new communication tools have brought more capability to gather and build awareness. Also discussed was how the power of elites is based in the neoliberal model and the division of labor that creates difficulty for the assembly of citizens in common actions. When we put these concepts together, the conclusion is clear; during the last years there has been a concentration of power in economic elites and nowadays the common citizens are more aware of that. Furthermore, citizens realize that they can use today’s technologies to fight against the economic model and the concentration of power. Every day it is clearer that it is possible to balance the power
using the gathering feasibility that social media provides, as it is expressed by Funke
and Wolfson (2014), when they say that the "poor and working sectors are beginning
to constitute themselves as a class" (p.361) and those unifications can bring them
the power that they need to fight for their rights.
Chapter 5  Methodology

Bryman and Bell (2011) explain that to investigate a social issue it is possible to use the same kind of methodology that is used in natural sciences, that means “to test theories and to provide material for development of laws” (p.15). This approach is called positivism. Bryman and Bell (2011) also explain that some authors argue that social sciences have a component of subjectivity that requires a different way of research. This different method was called interpretivism and “it is predicated upon the view that strategy is required that respects the differences between people and the objects of natural sciences and therefore requires the social scientist to grasp the subjective meaning of social action” (p.17).

The methodology of this dissertation is interpretivist because the topic of study is about social actions, points of view, opinions and/or experiences; therefore it is necessary to respect the subjectivity of the analysis in order to be critical. The use of this methodology is based in the idea of letting people to describe their points of view without restrictions, so then the job of interviewer was to help them to go as deep as possible in their ideas. Because of the value driven characteristic that this field has, it was important to understand the motivations that the interviewees had, and how they see the fourth sector, its role in the future, why they think that this is the answer, and what are their perspectives about the relevant actors in this change. To achieve that it was necessary to have long meetings without a strict pre-defined questionnaire, because sometimes they addressed relevant issues that were not necessarily considered in the original questionnaire. This study has been done to understand what is happening for the purpose of discerning what should be done in the future; for the interpretivist approach “the stress is on the understanding of the social world through an examination of the interpretation of that world by its participants” (Bryman and Bell, 2011, p.386).

For all the previous description it was important to have “words rather than numbers” (Bryman and Bell, 2011, p.386).

The questionnaire – Chapter 5 section 2 – was made for the last group of four interviewees to fill some of the gaps that were found during the analysis of the first eleven meetings. From those eleven meetings only seven were finally used for this work, because the other four were too far from the topic, but they all helped to understand the hybrid model and define the scope of this research.

The study is based, then, on secondary research, described in Chapter 2, and on primary research interviewing people involved in this change.
5.1. Primary Research: Interviews

The interviews are first of all to understand what this change is about. The interviewees are from Chile and Scotland. Because the fourth sector is something relatively new, it was important to contact people involved in this change and from different areas. That is why the first meeting was with Michael Yorston from UDD Ventures – the meeting had a length of one hour with twenty-eight minutes (1:28) –, an incubation center that has worked with fourth sector entrepreneurs. It is considered one of the most important incubator centers in Chile, with expertise in entrepreneurship with a financial bottom line. Michael was chosen because at that moment of the research the issue that was being studied was the feasibility of fourth sector entrepreneurs and their strengths and weaknesses as start ups and he is the Executive Director of one of the biggest business accelerators of Chile.

The second meeting was with María Emilia Correa from Sistema B – B Lab in Latin America, with a length of one hour and ten minutes (1:10). María Emilia was interviewed because B Lab is one of the most important global players in fourth sector promotion and providers of the B Corp\(^2\) certification, so it was fundamental to have their perspective about what the strengths and weaknesses are of fourth sector entrepreneurs, which was the research at that point.

After those meetings it was important to understand other players in the fourth sector world, such as the government. Pablo Fernández is the Coordinator of the Innovation Division of the Secretary of State for Economic Affairs in Chile, and was interviewed for fifty-six minutes (0:56). He was involved in the development of a new proposed law that is trying to generate more opportunities for companies in the third and fourth sector and in the creation of the Seed Subsidy for Flexible Assignment for Social entrepreneurs. Another important role is that of the social incubator – Francisca Severino, Startup Director in Socialab\(^3\), length of one hour and twenty-eight minutes (1:28) – and the financial partner – María José Montero, Manager of FIS (Social Investment Fund), length of one hour and fifteen minutes (1:15). Montero created the first Social Investment Fund in Chile and the organization Ciudadano Responzabile (Responsible Citizen) that works for the empowerment of citizens.

These first five meetings were chosen because the work that every single one of the interviewees had done during their professional lives and the institutions that they

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\(^2\) “B Corps are certified by the nonprofit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency” (B Lab, 2015)

\(^3\) “Socialab is an NGO, non profit, that works to generate positive social impact in a global scale through the search and support of disruptive and sustainable entrepreneurship in early stages. We work to boost a new socioeconomic development model, centered in solving the main problems of human kind through this initiatives”(Socialab, 2015)
represent gave to this research the information to appreciate how a social entrepreneurship evolves from an idea to a social company, and to understand what are the most important issues that are involved in the development of the new hybrid sector.

Finally it was necessary to understand how the process has evolved and grown in Chile. For that reason, a Social Innovation Centre was interviewed – Juan Manuel Santa Cruz, Executive Director, Social Innovation Institute FMK-UDD, length of one hour and twenty-five minutes (1:25) – and one of the most important social activists in Chile – Ximena Abogavir, length of one hour and twenty-three minutes (1:23).

Those seven meetings in Chile were the base on which all this research has been done because they helped to define this movement, fourth sector, and to clarify that the problem was not in the strengths and weaknesses of entrepreneurship, it was in the environment in which hybrid companies are trying to grow. Finally it was necessary to interview a couple of experts in the particular subject of this work. For this reason the following individuals were also interviewed: the founder of the oldest B Corp in Scotland (Fran Van Dijk, One Stone, length of two hours and fourteen minutes (2:14)), a lawyer who is involved and working in this movement (Ailsa Grey, length of one hour and two minutes (1:02)), the founder of an ONG that works with triple bottom line entrepreneurs (Adam Purvis, Power of Youth, length of fifty-three minutes (0:53)), and B Lab in Latin America (Ronald Granthon, length of thirty-five minutes (0:35)). These final interviews gave me a different perspective on the evolution of capitalism and the impact on the consumers.

It is important to explain that the meetings with Ximena Abogabir, Juan Manuel Santa Cruz, Michael Yorston, Francisca Severino, Maria Emilia Correa and Adam Purvis were fundamental for the understanding of the fourth sector. Some of those interviews are neither explained nor quoted in this document because the conversations were far from the final topic under discussion, but all this research would not be possible without the information and motivation that those interviews generated.

In Chapter 6, there is an explanation of most of the interviews but some of them were made in a phase of the research in which the topic of investigation was not clearly defined and so the conversation was not entirely relevant to the research. Some of the issues addressed in those interviews are going to be explained as general thoughts.

A draft of all interviewees’ resumes is available in Appendix 1.
5.2. Interview questions.

The interviews, with the exceptions of the last four – as was explained in Chapter 5, Section 1 – were based in a broader view of the fourth sector and is potential impact on society, with the objective of understanding the hybrid sector as wide as possible. The last four interviews had the objective of understanding specific issues, which is why those meetings were structured with interview questions built in 3 groups. The first group is made up of three questions – 1st to 3rd – and has the objective of understand how this new movement – fourth sector – is managing messes and considering the long-term perspective to decide their actions. The second group has five questions – 4th to 8th – and it is oriented to understand the interviewees’ views about the role of consumers and the new communication tools in this change, and their perspectives about the relevance that consumers have nowadays and could have in the future. The final group is created by two questions – 9th and 10th – and is related about their perspectives on the future from a strategic and governmental point of view.

The questions are:

1. What do you think about the CSR? Do you think that it is a long-term solution model?
2. What is, in your perspective, a long-term solution for the social and environmental issues that nowadays’ civilization is going through?
3. Do you think that the fourth sector is more capable than the private sector of building long-term solutions for society?
4. What do you think is the role of consumers in the progress of the fourth sector? Could you explain the answer considering B2B and B2C relations and the impact of Web 2.0 in the population?
5. Do you think that today’s consumers privilege fourth sector over private companies? Please explain your answer.
6. Do you think that, with the correct information, the consumers are going to choose fourth sector over private products?
7. What do you think that the consumers need to make an informed decision about their purchase?
8. What do you think is the impact of formal education in the selection of consumption? Please explain your answer.
9. From your perspective, what is the next strategic step that the fourth sector should take?
10. What do you think is the role of the government in this change?
Chapter 6 Consumers and the Fourth Sector

In Chapter 3 it was explained how Creative Destruction, Messes, Long-Term Capitalism, and Triple Bottom Line are linked through the concept of the evolution of capitalism from Shareholder-centered to Stakeholder-centered. An important issue that should be addressed is that this change modifies the way in which society sees progress, from short-term elitist scopes to long-term democratic scopes, but that any change should be based in planned actions. Nowadays there is a movement that argues that the Triple Bottom Line could build this new society.

In Chapter 4 it was explained how the new communication tools give to the unpowered side of society the capability to congregate and fight for their rights, rights that have been centralized into the elites which neoliberalism produces.

When we put those two ideas together it is possible to establish that if the awareness of citizens is risen and gathered through the new communication tools, it is possible to evolve from the undemocratic, short-term, shareholder-centered economic model to a democratic, long-term, stakeholder-centered economic model, which would force corporations to change their single – financial – bottom line to a triple – financial, social and environmental – bottom line, or, in other words, become part of the fourth sector.

6.1. Analysis of the interviews

6.1.1. Michael Yorston
The first interview was with Michael Yorston (Mike), and he said that the power of consumers could be exerted only if there is a close relation between the effects of the actions that a company has and the consumer. He expresses that it is hard for citizens to be aware of problems that are far from their sight. The meeting was focused on other subjects so it was not a deep opinion about this point, but the important issue is that if someone feels that there is a consequence of some companies’ actions that could affect them, they are going to tend to do something about it, that means that people would take actions over problems that they can see as part of their own reality. The successful social ventures in which UDD Ventures has been involved have the characteristic of relating the social benefit with consumers or service providers.

6.1.2. María Emilia Correa
María Emilia explained that it is necessary to change the way in which society sees success, she said that “we need an economy system that measures success as
wellness and revenues, not only revenues” because nowadays society and companies are being weighed by their short-term revenue, but that does not ensure people wellness or environmental sustainability. Changing what it is necessary to change, the way in which success is being taught, cannot be based only in B Corps because you have other important stakeholders – like consumers and investors – that need to be involved in this process. This process of change involves universities, schools, companies, government, and society as a whole.

During the interview it was addressed how companies manage their responsibility with their environment and she said that CSR is not necessarily bad, but today’s companies are not taking actions to work on the externalities of their businesses. This means that means that companies use CSR to help in many areas, but not necessarily to solve the problems that they generate. The disconnection between the negative effects of their operation and their CSR generates a lack of credibility. This is because they are not being responsible for their actions. She expressed that in several cases, CSR is just a declaration of good intentions and not a real commitment to social and environmental issues.

María Emilia explained that today’s market is different, because the clients have changed, and that is the first source of change. She said, “stakeholders are showing that they have a huge power and that strength is going to be the head of the change”. She also argues that this change should be followed by a change in the laws that assist this new way of making businesses to compete with the classic way.

6.1.3. María José Montero

María José Montero (2015) commented about how CSR is a concept out of time because the concept of charity on one side, and not being responsible of the impacts that the company does on the other, is used and seen for public opinions as a marketing strategy and not an actual social commitment. Furthermore, she explained that the lack of commitment of companies with the donations does not give the continuity and skills transfer that social and environmental institutions need.

She also addressed the concept of responsible consumption that she explains as “the capability that people, as citizens, has to make a buying decision and voting through that purchase”. This means that, “with that acquisition, people agree with all the actions that the company has done”. She explained that the problem was that the consumer did not have enough and correct information to perform responsible consumption. She defends that every citizen has the power and the responsibility to influence companies using market tools. For her, the key was the information that people have, their cultural background and their education, and the way in which this
change should be done through informed purchase that forces the change on to companies. The consumer is not going to be aware of every problem, but every citizen has her or his own priorities and interests and the sum of the collective citizen interests is finally going to change the way in which businesses are conducted and operated.

She thinks that it is necessary to create and support fourth sector companies that can satisfy the needs of this new consumer. For that reason and the fact that she also thinks that investors should be able to choose sustainable ways of investing, María José created a Social Investment Fund (FIS) that raises funds from social investors. This means that the investor is seeking to invest in companies that have double or triple bottom line, and gives financial support to social entrepreneurs that are working to solve a social or environmental issue with auto sustainability – without donations.

Furthermore, María José talked about how education should be involved in this new way of doing business, in teaching how to build society as a group and not in an individualistic way, and the importance of information to make decisions in the purchase and in the way of building businesses. She says that is important to build citizens that “were not only thinking to become rich”.

Finally she talks about how the whole society needs to be more aware of how to build the future in a long-term scope working together as a team, and not trying to achieve individualistic goals.

6.1.4. Pablo Fernández

Pablo explained that there is a new law in progress to generate a better environment for fourth sector companies. The idea is to improve social innovation by trying to generate affirmative actions that could help the development of this new area of businesses, and could foment the social entrepreneurship. He said that it is complicated to do because this topic is new, but he believes that “it is necessary to have ad hoc legislation for these new kinds of companies”.

6.1.5. Juan Manuel Santa Cruz

The meeting with Juan Manuel was based on topics that were not included in this work, but one of the particular issues that he explained was the importance of academia in the development of the fourth sector, and its role in research.

6.1.6. Ximena Abogabir

The meeting with Ximena addressed the concept of how the short-termism of the shareholder-centered economic system that we currently have is creating financial
value, but is not aware of issues of sustainability. She expressed her concerns about social and environmental issues and her hope to change the system to a more long-term stakeholder-centered economy.

6.1.7. Fran Van Dijk
Another interviewee that addressed the power of the consumer was Fran Van Dijk. She was more skeptical about the effectiveness of a consumer’s power because when they decided what item to buy “they will base their decision first on function and price” or the fashionable one, but she agrees that new communication tools can actually change the story. Fran maintains that the issue is not at the product level, but is at the company level, and that clients prefer a brand that they trust. She says that the power of consumers is real and that “every purchase is a political statement”, but that today consumers are not organized enough. She expressed that the difficulty about awareness is because of the closeness with the cause-and-effect consequences that companies’ bad behavior has, which is why she thinks that “consumers are really powerful in single issues” that the consumer feels strongly about.
Fran supports the idea that it is about trust and that is why having a logo like B Corp helps people to understand that a B Corp certified company expresses some particular values in which they can trust. She says that building a community of companies that are building a better world with common values and a clear ethical frame that it is possible to identify by a simple logo is going to make the difference in the moment in which someone is making the decision about a particular purchase. Fran also talks about how education is an important issue in this movement, because young people asks themselves “how can you do good in the world and do well in the world” because they are open to new ways to do things, and the moment to teach them new ways, to teach awareness and open people minds, is the moment to show that there is a way of doing the things in a good way. The problem is that “when they graduate, what they see are people making the most money are people who leave all those values behind”.
Finally Fran mentioned the important role that the government should have in setting the scene. For this movement to grow, she said “governments are important in this because they set the atmosphere in a country”.

6.1.8. Ailsa Gray
Ailsa Gray (2015) thinks that the problem in today’s corporations is the focus only on maximizing shareholder returns sometimes at the expense of the interests of other stakeholders, such as employees, customers and the wider community. She said
that lasting change is only likely to happen if the directors' fiduciary duties are broadened to explicitly include a social and/or environmental mission. This would ensure that a social and/or environmental mission is embedded in the heart of the business model and the corporate strategy. For many companies CSR is a 'tick-box' exercise that does not touch corporate strategy. B Corp certification by a number of well-known and respected mission-led organizations "could make the difference", as this would raise awareness amongst stakeholders that there can be a more compassionate and sustainable form of capitalism that can operate competitively in the market place. She thinks that for that change there are two main things that need to be considered: (1) education on alternative forms of business models such as profits-with-purpose, and (2) development of a regulatory framework to support such an emerging sector.

6.1.9. Adam Purvis
Adam is aware, and works every day to change it, of the lack of real values that companies have and how it impacts workers in terms of their motivation to be part of that organization. He believes that B Corps, and in general the stakeholder-centered companies, give a sense of responsibility to every worker by making them part of the organization and making them understand that they are helping to generate value to society and not only generating wealth for shareholders. Adam believes that having companies involved with a long-term sustainable proposition concerning the progress of human kind and the world in general gives people a sense of being alive, and that can be part of the fuel that the system needs to change. In addition Adam expressed that having a certification like B Corp should increase sales among people that understand the problem described, because it helps them to recognize like-minded companies among the pool of companies available in the market.

6.1.10. Ronald Granthon
Another interviewee who discussed consumers was Ronald Granthon (2015). He thinks that "Web 2.0 generates a closest relation between clients and companies and that closes relationship is generating more requirements, and when those requirements are more social or environmental the companies start turning more Benefit Corporations" that means that companies are going to start thinking more in the triple bottom line, rather than only generating revenue for shareholders. Ronald believes that there are two very important issues that should be done to help this movement to grow. The first one (1) is to increase the amount of information that consumers have, he says that the consumer needs to know what it means to be a
social company, and the quality of the information: not only more information, but correct information. The second one (2) is to have a correct place in the point of sale, that is why the certification is really important, because “when the consumer sees a B they will recognize that as a company that is different and if the product satisfies their needs, they are going to buy it”. Ronald also explained how education is important in the development of a new way of society, and he says that universities should be involved in teaching students how to make business decisions, but more important than that is the congregation of different sectors in this movement, including the academic world, that should work to build the theoretical support for the change, and the government that should change current laws to adapt them to this new society.

6.2. Long-term model

A big group of the interviewees talked about the problems of the short-term view that today’s economy has, every one of them used their own perspective and some of them work every day for changing that –Ximena Abogabir, María Emilia Correa, María José Montero, Fran Van Dijk, Ailsa Gray, Adam Purvis and Ronald Granthon. In particular they emphasized that having the maximization of shareholders’ revenue as the only objective of companies is leading the system to a non-sustainable future – there is a lack of plan to manage messes – and the perspective that it is urgent to take actions to change the current system was universal. Porter and Kramer (2006) agree that the short-termism of companies and the focus only on financial revenues are putting aside society’s needs, and this should be changed, and that “companies must take the lead in bringing business and society back together” (p.1), or using Vives de Cumpetere’s words (2012) “To serve society, from the company, as an objective not as an accessory”.

Some interviewees talked about how CSR is not taking care of the externalities that companies generate with their activities, so companies generate a terrible impact on one side and try to clean their image through CSR by using it as a marketing tool. The solution is in being aware of the externalities first. Interviewees discussed that the long-term solution is to invest in reducing the negative impacts of companies, and increasing the social and environmental value that a company has; in other words to implement a triple bottom-line.

All these ideas expressed during the meetings are aligned with the common values explained in Chapter 3, which explains that long-term capitalism needs to be linked with more democratic stakeholder-centered companies that understand that the impact of their operations affects society and the environment. Using Waddock and
McIntosh’s (2011) concepts, we should go to a conscious capitalism that should have (i) deeper purpose, (ii) a stakeholder model, and (iii) a conscious leadership.

6.3. Consumer’s Movement

During the interviews there were different points of view about consumer's power exertion. Mike and Fran explained that their concern about this issue was that people are only aware of problems that are close to them, and they are going to support actions in which they could see the effects that they are generating. María José added the idea that close is not necessarily defined as a direct effect, and could be something that is really important for that person – like saving the whales or dolphins – so she says that citizens are going to fight following their interests and priorities.

So the main issue that the experience of the interviewees show is that the awareness is generated when someone feels that there is something important for them are being threatened. In Chapter 4, section 2, it is explained that when people feel that their norms or values are being put at risk they tend to mobilize, exactly as these interviewees express.

Sue McGregor (2005) noted that empowered citizens feel that they have the “authority to take actions – an inner perception of power” and she also defines empowerment as “to increasing political, economic and social strength of individuals and groups that have been marginalized, exploited, discriminated or excluded from the main power structure in a society” (p.440), that means that an empowered consumer’s movement is required to evolve from a shareholder’s to a stakeholder’s capitalism.

Funke and Wolfson (2014) explain how it is possible to fight against the atomization of citizen power caused by neoliberal capitalism through communication tools and congregating people as a class. They explained it by saying that multimedia communication “allows diverse groups and alliances to come together, to begin to negotiate their everyday life and to increasingly understand themselves as interrelated and their struggles as linked” (p.354).

Fran, María José and Ronald support the same idea of building citizens more aware and responsible with today society's problems, because when people are more aware of the problems that the whole planet has, and realize that the impact of those problems are going to affect them or their families or descendants, they feel the threat is closer and consequently mobilize.
6.4. Consumer and communication tools

As has been explained, awareness is generated when there is information about what is happening, and the implications of those activities. When people truly know and understand what the problems are and how that generates an impact in their ethics or values, they are able to do something about it. Now the issue is how to inform people about what is happening and what are the actions they can take. This is when new communication tools are involved. Waddock and McIntosh (2006) say that these new communication tools provide a more visible world, forcing companies to shift to a more sustainable enterprise economy (SEE). The Economist (2005) in a special report called Crowned at Last talks about how the consumer uses communication tools to finally take their place as the boss.

Constantinides and Fountain (2007) explain the empowerment effect that Web 2.0 has given to consumers and how that has transformed “people’s individual and group behaviour”, and “power structures in the market place” (p. 232).

Fran, María José and Ronald agreed in that Web 2.0, UGC and Social Media can be the tools to create the information environment. Ronald explained that the information has two main points, (1) the one that makes you aware of a problem and (2) the one that you need to have in the decision-making moment. From the perspective of consumers, the people need to know (1) why they prefer one kind of corporation; brand or product, and (2) they need to be able to identify that in the moment of acquisition.

For the first point, awareness, social media is the key because it can explain and show the consequences of short-term capitalism and the benefits of a triple bottom line company, and can generate trust in some kind of corporations using transparency to show the non-zero-sum interactions that this new way of building business is seeking. In addition, the sense that there are other people with the same values that have the same awareness and the possibility to share experiences and actions with them, generates a sense of group that improves trust and generates recognition, which, as explained in Chapter 4 section 1 and 3, is fundamental for gathering citizens.

The second point (2) is the information in the point of sale. Fran, Adam and Ronald agreed that nowadays it is possible to solve this issue using certification systems, like fair trade or B Lab, that use logos that identify them and link that specific product with a particular value.
6.5. Education

Another of the aspects that was addressed during the interviews is how education should be involved in this change, because, as it was expressed by Fran, when young people graduate they think that the only way of doing business is in the classic way and that the only success is to have money, and more money is more success. Sue McGregor (2005) explains that consumers can be educated in (i) understanding the impact that their purchase has in society rather than in (ii) using their money better from an efficiency perspective. When the first one is implemented you force people to ask themselves “What consequences do I want?” and then they consume understanding the consequences of their choices, this increase of awareness “leads to the creation of authentic consumer power – power that comes from one’s soul and inner self” (p.445).

Wells and Atherton (1998) write about consumers’ education and the importance for people to learn how to interpret and use all the information that society gives them today, which is why they support the idea that consumer education should be part of the school curriculum.

The concept is to teach citizens to use their purchases as a democratic statement to aim towards a long-term capitalism and so potentiate the non financial bottom-lines.

In addition, Juan Manuel and Ronald talked about how the academic world is traditionally in charge of analyzing information, and performing research that generates new ideas, explains problems and offers solutions. The academic world should be key to implement creative destruction and control of messes aiming to a long-term capitalism that would consider the triple bottom-line with an interactivist planning; the academic world needs to show the path to a sustainable future.

Therefore it is important to involve the education system in this movement in a way in which they could teach this new option for businesses and provide information, tools and methodologies that could help this movement to grow.

6.6. Government

Another aspect that was discussed by the interviewees – Fran, María Emilia, Ailsa, Pablo and Ronald – was that the government should be an active actor in this movement, setting the required environment to allow this new way of making business to develop. In other words, they need to set the ideal environment to follow the path that leads society to a sustainable future. One of the issues is that to be a stakeholder-centered company it is necessary to take into consideration a group of aspects that increases the operation cost of the company, and could increase the selling price. Regulation needs to consider that to have a triple bottom line means to
be aware and decrease some impacts in society and environment that other companies do not. Through a change in law, regulations therefore need to generate fair competition by leveling this imbalance with affirmative actions.
Chapter 7  Conclusion

7.1. Summary of the Research
This research explains first why it is necessary to evaluate a change in the economic model in which society is built on. Then it is explained that capitalism is in a constant evolution, and discusses the importance of having a planned interactivist perspective to use creative destruction to solve the messes that exist in today’s society, and how the perspective of long-term capitalism provides the logical conclusion that it is necessary to generate a link between success of businesses and wellness in society that will consider the interests of all stakeholders – including shareholders – over the interests of only shareholders.

To make this change it is necessary to understand that wellness in society means to consider building a real democratic system in which the power should move from economic elites to citizens – including economic elites. Nowadays there is a new model that helps to make that transition, it is called stakeholder-capitalism and considers the triple bottom line as a way of measuring companies not only by the financial profit that they generate, but also by the whole impact that the company has in society. Therefore, the evolution from a financial bottom-line to triple bottom-line is a solution that should be evaluated by companies and governments for their implementation or fostering.

Then it is explained how our nature as social beings forces us to gather into common values and justice, and how neoliberalism is constantly fighting to disaggregate citizens. Next it is addressed that new communication tools and the explosion of social media are bringing citizens back together with a new way of assembly that can fight against the disaggregation that neoliberalism generates, building a sense of community that creates real democracy and allows the possibility of level powers with the economic elites.

Afterwards it is explained that to generate empowered citizens that use their values in the moment of deciding their purchases it is not only necessary to educate people – so they could understand the effects of their buying decisions – but also to generate information easily accessible on the web and at points of sale – to allow buyers to make informed decisions at the point of sale.

Finally it is explained that these issues – consumers’ education and correct information – need to be done together with a change in regulation that could level the imbalance and generate fair competition for these triple bottom-line companies with classic companies.
7.2. Strategic Actions
To accelerate the change from shareholders-centered to stakeholders-centered capitalism the following strategic actions are recommended:

7.2.1. Consumers' Awareness
It is necessary to create transparent and correct information using Web 2.0, UGC and Social Media as a platform to generate awareness in people, helping them to realize that they are not the only ones that are involved in the change. The new communication tools should be used to generate sense of group and then destroy the idea that one person cannot change the status quo. This action is currently happening but could be boosted with the inclusion of trustworthy organizations that generate (i) content about the externalities that companies have and (ii) information about how to decide the correct certification at the selling point.

7.2.2. Information in Selling Points
Consumers could be aware of the importance of exerting their right of deciding what to buy and then make the political statement that is involved in every purchase, but to do this they need to have the correct information at the correct moment. It is not feasible to expect that every single person would know how responsible every single company is in every one of their products, and moreover, they do not necessarily believe in what the company says. This is why it is necessary to have an external entity that could certify that a company is sustainable for society and environment. That certification should consider the whole corporation, suppliers and the productive process of every particular product or service, and, if everything fits with the requirements, there should be a logo in the product that could make possible to consumers to exercise their right of informed decision. So then citizens only need to know what are the logos that are important for them to make the correct political statement.

7.2.3. Change in Education
The education system should include in their programs teaching students how to use their power in every purchase, because using money wisely is not only efficient but also effective, and this means choosing a product not only for its price but also for the costs that that product has for society and environment. The reason why that is important is because society is going to pay that price in one moment so it is important that consumers learn that buying that product is deciding to have those costs.
Also education should evolve the definition of success away from making money and towards making wellness, because nowadays it is taught that to be successful is to have things. Therefore nowadays it is possible to have companies that destroy the planet or abuse people, yet are considered successful just because they generate financial profit.

7.2.4. Equity to the Market
Triple bottom-line companies absorb the cost of not generating negative impact in society and the environment, and financial bottom-line companies do not have those costs. The problem is that those costs are, or are going to be, absorbed by the government and the whole society, hence there is not fair competition because government and society are subsidizing only financial bottom-line companies. Therefore, it is necessary an involvement of the government with the purpose to generate the laws that could bring equity to the market and then boost triple bottom-line initiatives using an interactivist planning approach to consider the messes of today society.

7.3. Answer to research questions

A. What are the key aspects, from the consumers’ perspective, that can accelerate or slow down transition of capitalism from shareholder-centered to stakeholder-centered?

The key aspects from the consumers’ perspective are (i) being aware of the impacts produced by shareholder-centered companies, and (ii) to have information about what alternatives they have in the moment of deciding what to buy, and (iii) to have products that satisfy their needs, with competitive prices and triple bottom line.

B. What are the strategic actions that should be done to accelerate the change from shareholders’ capitalism to stakeholders’ capitalism through actions that involve consumers?

The key actions to accelerate the change under consumers’ perspective are (i) to generate awareness through increasingly available information using Web 2.0, UGC and Social Media, (ii) to have a certification that could relate the stakeholder-centered business with the particular brand and product at the selling point, (iii) to have an education plan that empowers consumers enabling them to understand the information available – changing them from a short-term to a long-term consumer mentality – and the definition of success, and (iv) to involve the government in
adopting regulations to level the imbalance and enable fair price competition between triple bottom line and financial bottom line businesses.

7.4. Recommendations and next steps for the research

7.4.1. What are the certifications that should exist
This research suggests that it is necessary to generate information on the Internet and at the selling point to allow consumers to be responsible in their purchases, but it is not analyzed what are the issues that those certifications should evaluate. As a future research it is necessary to study the subjects that should be measured in companies to generate the correct information and certifications that allows citizens to exert their right to make an informed consumption.

7.4.2. How education should evolve
During this work it was explained the relevant role that education has in the development of empowered consumers, but it is not stated how this should be done. A possible next step for this research is to work in the development of a strategic plan that educational systems should follow to increase the awareness and empowerment of citizens.

7.4.3. Regulatory changes that should be undertaken
During this dissertation the importance of long-term planning for the correct evolution of society was discussed, having in consideration the economic progress, the social development and the environmental impact that society is having, and the importance that the government has in this task was stated. This is why one possible next step of this research is to evaluate the role of the government and generate a group of strategic actions that governments need to do to potentiate the transformation from a shareholders-centered to a stakeholders-centered society.
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Appendix 1  People Interviewed

1.1.- Abogabir Scott, Ximena

- Currently
  - In 1983 was co-founder of Casa de la Paz, in which is currently part of the organization's directory.
  - Social auditor in Conducta Responsable (Responsible Behavior) for:
    - Chemical Industry
    - Field Studies Council
    - Reportes de Sostenibilidad (Sustainable Reports)
    - Among others
  - Member of the External Panel of the Information Access Review of Banco Interamericano de Desarrollo – BID
  - Mirror Comity in the Spot of National Contact about the directions of OCDE for Multinational Companies, part of the global network of Consensus Building Institute.
  - Part of the academic team in post-graduate studies in:
    - Universidad de Chile
    - Pontificia Universidad Católica de Chile
    - Universidad Alberto Hurtado
    - Among others

1.2.- Correa, María Emilia

- Co founder and choreographer of Sistema B
- Currently
  - Directory of Fundación Carulla, Colombia
  - Council to sustainability of Amata Brasil
  - Technical group of Fundecor, Costa Rica
  - Invited lecturer for the Master (MGA) of the Administration Department of Universidad de los Andes, Colombia.
- In the past:
  - Vice-president of Social and Environmental Responsibility of GrupoNueva,
  - Director of Sustainability of Natura Cosméticos Brasil
  - President of the directory of Casa de la Paz de Chile
- Part of the comities that designed the Global Reporting Initiative – GRI and the Sullivan’s values if Corporate Responsibility
• Delegate to World Business Council for Sustainable Development –WBCSD during 10 years.

1.3.- Fernandez, Pablo
• Currently:
  o Coordinator of the Innovation Division - Secretary of State for Economic Affairs, Chile
  o Partner - Participa Lab
• In the Past:
  o Executive Director of Innovation at UDD Business School - Universidad del Desarrollo
  o Teacher in MSc of Advanced Design UC, Universidad Católica de Chile
  o STVP Partnerships project manager - Stanford Technology Venture Program
  o Co-founder and CEO - Motion Capture Company

1.4.- Gray, Ailsa
• In the past:
  o Project Director, Energy Affordability - SSE plc
  o Director of Risk and Insurance - SSE plc
  o Regional Director - SSE plc
  o Deputy Company Secretary - SSE plc
  o Group Company Secretary - SGN plc
  o Company Secretary and Legal Counsel - Neill Clerk Group plc

1.5.- Granthon, Ronald
• Currently:
  o Assessor in project of Good Practices B Corp LATAM (Project Evidence for Incidence) - Sistema B
  o International Coach - Certificated by ICC (International Coaching Community)
  o Executive President - YO SOY PERU
  o Consultant of Marketing and Sells
  o Part Time lecturer - Universidad del Pacifico, Perú
• In the past:
  o Marketing Lecturer - Universidad Peruana de Ciencias Aplicadas
  o Executive Coordinator - Asociación Civil Voluntades
1.6.- **Montero, María José**

- **Currently**
  - Manager of FIS (Social Investment Fund)
    - [http://fondoinversionesocial.cl/](http://fondoinversionesocial.cl/)
  - MSc. In Social Policy, London School of Economics
  - Co-founder of “Fundación Ciudadano Responsable” (Foundation Responsible Citizen), which promotes the responsible production and consumption in Chile.

- **In the past**
  - The directory of “Fundación Casa de la Paz” (Foundation House of Peace).
  - Council of “Sociedad Civil del FOSIS” (Civil society of Solidarity found and social investment).
  - Council of ComunidadMujer (Women Community).
  - 9 years of experience in issues of social development in Chile e Inglaterra.
  - She was consultant in Unated Nations Agency in Food and ans Agriculture Organization (FAO).

1.7.- **Purvis, Adam**

- **Currently**
  - Advisory Board Member - StartUp Europe
  - Director - POWER OF YOUTH | THE METTA NETWORK

- **In the past**
  - Committee Member - Edinburgh Young Professionals
  - Board Member - Ricefield Chinese Arts and Culture Center
  - Head of Business Development - Ignite Your Brand
  - Convener, Scotland - Young Icebreakers
  - UK Delegate - One Young World

1.8.- **Santa Cruz, Juan Manuel**

- **Currently**
  - Executive Director, Social Innovation Institute FMK-UDD

- **In the past**
o Head Innovation Division - Secretary of State for Economic Affairs, Chile
o Responsible for the design of public policies on innovation and managing the Innovation Fund for Competitiveness (~ US$ 250 MM).
o Junior Analyst - Sustainable Development Capital LLP
o Support de creation of the “Environmental Infrastructure Fund” (US$750.000.000) for the HSBC.

1.9.- Severino, Francisca
• Startup Director – Socialab
  o http://socialab.com/
• Co-Founder and CCO of Destinalo.com
  o http://destinalo.com

1.10.- Spröhnle, Janet
• Executive Director and Owner at People & Partners
  o http://www.partners.cl/
• Founder and President of Organization Africa Dream.
  o http://africadream.cl/
• In the past:
  o President of the directory of Acción RSE
  o CEO of DBM Chile
  o CHRO Bank of Concepción
  o Chief Officer of Selection and Development of Citi

1.11.- Yorston, Michael (Mike)
• Currently
  o Executive Director - UDD Ventures
• In the past
  o Co-Founder, CEO and CFO Woodtech
  o Judge and Mentor Startup Chile

1.12.- Van Dijk, Fran
• MA Cantab, MDes RCA, MEM
• 20 years experience in sustainability strategy and communications helping corporates to optimize long term value, and challenging them to:
  o Identify and focus on business critical non-financial risks and opportunities
  o Develop the business case for sustainable innovation
- Align sustainability with core business for lasting value and long term profitability
- Engage actively with stakeholders to earn trust
- Embed transparency and integrity into corporate culture to build reputation

- Partner - One Stone - 2008 – Present (7 years)
- Director - The Dividend - 2000 – Present (15 years)
- Research Manager - ENDS Carbon - March 2009 – July 2010 (1 year 5 months)
- Board Member - Macaulay Land Use Research Institute - 2004 – 2011 (7 years)
- Senior consultant - SustainAbility Ltd - 1995 – 2000 (5 years)