**Responsibility in Business: What Can We Learn from the Quakers?**

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# Introduction

What explains the success and prosperity of many Quakers in business and commerce in the UK throughout the eighteenth to early-twentieth centuries? What lessons can be drawn from the so-called form of ‘Quakernomics’ [(King, 2014)](https://paperpile.com/c/CaLE8m/kPlf) for contemporary responsible business practice? In a publication for the Centre for Enterprise, Markets and Ethics, Richard Turnbull [(2014)](https://paperpile.com/c/CaLE8m/0eRc/?noauthor=1) describes how Quaker culture and identity, more so than their religiosity, lies at the heart of the success of Quaker businesses. In contrast, Wagner-Tsukamoto [(2008)](https://paperpile.com/c/CaLE8m/2LmV/?noauthor=1) describes the Quaker behavioural ethic as only partly successful, and in some respects the behavioural ethic represented a failure as it took precedent over institutional ethics and economics. Kavanagh, Brigham, and Burton (2017) have argued that the demise of the Quaker business coincided with the start of ‘management’ as an academic discipline. This was precisely at the point when many of the Quaker businesses were incorporating, which we see as a decisive political-economic change that ushered in an era of market-based capitalism based on limited liability and the shareholder economy. Much of the scholarly body of work on the role of Quakers in business is situated within the tradition of management and organisation history research (see for example Child, 1964; King, 2014; Raistrick, 1950; Walvin, 1997). Beyond these contributions, how the rise and subsequent decline of Quaker businesses can contribute to, and inform, our contemporary understanding of responsible business has been largely ignored.

Quakers have a long tradition in the world of commerce and business. The history of the Quakers involvement in the chocolate industry has been well-documented [(see for example Cadbury, 2010; George and Owoyemi, 2012; Rowlinson and Hassard, 1993; Vernon, 2013)](https://paperpile.com/c/CaLE8m/C9SL+dZzO+l94d+8duY/?prefix=see%20for%20example,,,). However throughout the eighteenth to early-twentieth centuries Quakers were arguably instrumental in the history of industrial capitalism [(King, 2014)](https://paperpile.com/c/CaLE8m/kPlf). For instance, in banking and finance, contemporary high-street names such as Barclays Bank can be traced back to an operation set up by Quaker John Freame in 1690, and Lloyds Bank began as a partnership between Quaker Samuel Lloyd and John Taylor in Birmingham in 1765. In manufacturing, Joseph Pease was prominent in the development of the Stockton and Darlington Railway Company. Turnbull [(2014)](https://paperpile.com/c/CaLE8m/0eRc/?locator=8&noauthor=1) notes that the Quaker-owned furnaces at Coalbrookdale became no less than “the laboratory for the industrial revolution” (p. 8). The sheer extent of Quaker involvement in early industry and commerce is quite astounding: iron, chocolate, banking, life assurance, biscuits, shoes, pharmacy, soap, chemicals, railways, canals, agricultural equipment, to name but a few. Another major contribution of Quaker businesses was a more ethical approach, grounded in religiosity, to business in general. Early Quaker businesses deemed the wellbeing of their employees and the society in which they operated as essential to the success of the business [(Mendibil, *et al*., 2007)](https://paperpile.com/c/CaLE8m/MbKM). However as we have seen these businesses eventually succumbed to market pressures with social and ethical issues being relegated in favour of profit and growth [(Doane, 2005)](https://paperpile.com/c/CaLE8m/P96j).

The picture we can draw is fascinating but also complex. Not all Quakers established businesses, and not all succeeded. With Quakers representing only a small minority of the UK population (Wrigley and Schofield, 1989, pp. 92-95), there remains something fascinating about the disproportionate presence of Quakers in business during the industrial revolution and Victorian England. However, despite their success over a long-period, the dominance of Quaker businesses waned. The reasons for this are many and varied, both exogenous and endogenously determined. For instance, King (2014) and Walvin (1997) have highlighted the declining membership of the Religious Society of Friends (Quakers) throughout the nineteenth and twentieth centuries, and have hinted at the changing nature of corporate law and declining importance of Quaker networks.

In this chapter, we develop these ideas and examine the decline of Quaker businesses to argue that exogenous shocks associated with corporate law and business model design in the mid-nineteenth century, coupled with the declining importance of Quaker business networks, can be identified as key characteristics that accelerated the decline of the Quaker business. We make the argument, however, that business model design and contemporary networks that share similarities to historic Quaker practice still matter in sustaining a responsible values-led business. The first section of this paper addresses the key characteristics of the rise and success of Quaker businesses. We then turn to the reasons why Quaker businesses began to wane, and focus on the introduction of the shareholder company and the break-up of Quaker networks as key determinants. Next we examine more contemporary and secular models of business that seek to re-introduce similar principles of ethics, responsibility, and sustainability and ask whether parallels can be drawn between the Quaker businesses of the past and current practice. Finally we discuss the lessons that may be learnt from the decline of Quaker businesses for responsible business models of the future.

**The Rise and Fall of the Quaker Business Enterprise**

In this section, we examine the contribution of religiosity and the role of families and the extended Quaker network to the success, or ‘rise,’ of Quaker businesses. We then chart how the decline of many Quaker businesses coincided with the introduction of changes in corporate law that marked the globalising business and commercial landscape in the mid-nineteenth century.

**The Contribution of Religiosity**

Originating with the ministry of George Fox (1624-1691), at the heart of Quaker theology is the idea of the ‘Light within,’ and ‘that of God in everyone.’ As a consequence of their radical belief, early Quakers were heavily persecuted during the seventeenth century and excluded from political life, as well as from universities. Thus many Quakers turned their attention to business and commerce, with perhaps a hardened resolve, in order to make their way in the world. The Quaker community endowed its members with principles of integrity, trust, discipline, and responsibility, which in business and commerce extended to relationships with Friends, employees, and the wider society. Child [(1964)](https://paperpile.com/c/CaLE8m/LXjn/?noauthor=1) described Quaker business ethics as exhibiting the following properties: (1) a dislike of one person profiting at the expense of another; (2) the promotion of the value of hard work; (3) the advocacy of egalitarianism in social behaviour; and, (4) a dislike of conflict. King [(2014)](https://paperpile.com/c/CaLE8m/kPlf/?noauthor=1) highlights a similar observation that Quakers became known for honesty, hard work, equality, and a yeoman spirit. The idea of honesty and trust became central to the success of Quakers in business and commerce, embodied today in the stereotypical imagery of the quintessential Quaker on porridge oats packaging to signify honesty and simplicity.

For Quakers, work was not just about personal wealth creation. It assumed a spiritual, moral, and philanthropic significance, led by God or the Spirit (Walvin, 1997). Raistrick [(1950)](https://paperpile.com/c/CaLE8m/xtR1/?locator=46&noauthor=1) highlights that early Quakers emphasised that “trade and occupations show forth truth to the world, and that traders must be scrupulous to keep all their dealings in the spirit of truth” (p. 46). As far as Quakers were concerned, the business of business had a moral imperative, and hard work would be divinely rewarded. As Tawney [(1926)](https://paperpile.com/c/CaLE8m/3wMm/?locator=105&noauthor=1) notes, trade was intended as “the duty to make the honourable maintenance of the brother in distress a common charge” (p. 105). For the Quaker entrepreneurs of the nineteenth century, Cadbury [(2010)](https://paperpile.com/c/CaLE8m/C9SL/?noauthor=1) notes that the contemporary idea that wealth creation equated to personal gain only would have been highly offensive. Pre-dating contemporary ideas of ‘responsible business’ by a century or more, wealth creation was viewed as a public and collective good for the benefit of workers, communities and wider society, as well as for business owners themselves.

For Quakers, the ‘Light within’ provided the guiding moral principle that permeated both personal and professional lives. Raistrick [(1950)](https://paperpile.com/c/CaLE8m/xtR1/?locator=46&noauthor=1) comments that “their refusal to separate business activities from the principles and disciplines which regulated their religious life, gave them a stability and soundness of practice that was unusual in their day” (p. 46). The nature of business and trade, however, presented a moral hazard for Quakers. Even in the seventeenth century, George Fox had become deeply disturbed by the 'deceitful merchandise and cheating…’ which he saw to be the norm in contemporary trade, and demanded that business people act honestly and justly. In the US, similar concerns about trade were expressed. John Woolman, for example, wrote about the obligations of the rich towards the poor in his essay “A Plea to the Poor”.

The Quaker business ethic certainly meant adherence to the advice and queries outlined in its Book of Discipline. It also meant a highly regulated form of self-governance and oversight by local, monthly, and yearly meetings that provided support and advice, but also sought to avoid bringing the Quaker community into disrepute. Advice—in the form of written ‘advices’—offered to the Quaker business community included matters such as avoiding bankruptcy, not trading beyond their means, keeping their word in all business matters, honesty in advertising, keeping and inspecting clear accounts, minimizing and avoiding debt, and ensuring swift payment to debtors (Tibbals, 2014). In other words, although many of these measures were advised to protect the Society from scandal, the ‘advices’ were an integral part of the Quaker professional as well as personal identity. As Walvin [(1997)](https://paperpile.com/c/CaLE8m/7EvV/?noauthor=1) notes, time and time again, Britain Yearly Meeting issued advice aimed at reconciling business practice with faith and testimony. Turnbull [(2014)](https://paperpile.com/c/CaLE8m/0eRc/?locator=25&noauthor=1), for instance, relates an advice in 1732 where Friends were warned to be ‘careful not to involve themselves in business which they understand not’—a timely warning for some contemporary businesses (p. 25).

Friends’ behaviour in their professional lives was expected to be consistent with the Quaker testimonies. In 1732, Quakers were invited ‘to have a watchful eye over all their members,’ and those heading for commercial trouble should be warned and, if required, helped in their difficulties’ [(Walvin, 1997, p. 34)](https://paperpile.com/c/CaLE8m/7EvV/?locator=34). Friends often turned to the community for business advice—more experienced Friends would help less experienced Friends. As Walvin [(1997)](https://paperpile.com/c/CaLE8m/7EvV/?locator=34&noauthor=1) asserts, “Cooperation, not rivalry, was their commercial watchword” (p. 34). For Quakers, with their heightened sense of responsibility to society, to leave debts owing to others was not only irresponsible but deeply damaging to their reputation. As a consequence, bankruptcy was particularly harshly dealt with by the Friends, and often resulted in expulsion if help and advice was ignored.

However, governance also operated constructively by seeking to help Friends who were in trouble. Quaker meetings then were often galvanised to monitor and help Friends to ensure Quaker principles were upheld. In other words, in a largely unregulated environment of the eighteenth and early nineteenth centuries, Quaker businesses were self-regulated like no other, with oversight and intervention at the local, regional, and national level of the Quaker system of governance. The demands on Quaker businesses were enormous. As Walvin [(1997)](https://paperpile.com/c/CaLE8m/7EvV/?locator=78&noauthor=1) recounts, they “…had to satisfy not only their partners, customers and suppliers, but also their fellow Friends—they were expected to open their ledgers, show their receipts, reveal their bills and correspondence to satisfy their co-religionists” (p. 78). Such governance and oversight, however, served to strengthen the Quaker as a figure of honesty and integrity, standing out to consumers as reliable. Prior and Kirby [(1993)](https://paperpile.com/c/CaLE8m/s4wV/?suffix=p.78&noauthor=1) highlight that

A collective responsibility for honesty and integrity in business led to the internalisation of guidance in good business practice, and improved commercial judgement. Transaction costs were reduced as confidence was increased. Credit flowed more easily. . . expanding business opportunities. Friends could invest with confidence in other Friends, knowing these concerns were overseen by those whose only vested interests were the good name of the Society, and the desire that Friends 'walked in truth' (p. 78).

## Families and Networks

Although Friends were by no means unique as a closely knit community, the degree of internal cohesion and the geographical extent of its network was distinctive, akin to an extended family [(Raistrick, 1950)](https://paperpile.com/c/CaLE8m/xtR1). The strong connections within and among Quaker families within the close-knit structure of meetings allowed Friends to share information in respect of trading, markets, and new opportunities, both nationally and internationally. As members of a cohesive and tight-knit group, they knew each other well, regulated each other through the governance provided by meetings, and did business with each other. The fellowship of the community provided a forum for discussing emotional support, marriage, but also mutual commercial interests [(Walvin, 1997)](https://paperpile.com/c/CaLE8m/7EvV). Isichei, quoted in Turnbull [(2014)](https://paperpile.com/c/CaLE8m/0eRc/?locator=27&noauthor=1), suggests that it was the network of Friends, rather than their religiosity, that accounts for a large slice of their success.

“…the picture of a religious ethic acting directly upon the individual oversimplifies the direct impact of ideas upon events, by ignoring the opportunities and strength given by the fact of community among the faithful…The world of religious cum kinship group provided an environment of mutual trust and confidence within which an ‘invisible hand’ could accommodate the advantages of each member with the benefit of all” (p. 27).

The network of Friends was astonishingly important [(Sahle, 2015)](https://paperpile.com/c/CaLE8m/sMGt). Quakers often travelled as ministers visiting Friends around the country, and across international borders, and so Quaker businesses had a ready-made network of mutual contacts and a national and international network which served to reinforce Quaker principles.

Prior and Kirby [(1993)](https://paperpile.com/c/CaLE8m/s4wV/?noauthor=1) and Turnbull [(2014)](https://paperpile.com/c/CaLE8m/0eRc/?noauthor=1) highlight that the network acted as a capital market to create capital flows and financing for businesses and projects within the Religious Society of Friends. The flow of capital within the community provides an interesting example of the power of the Quaker networks. Turnbull [(2014)](https://paperpile.com/c/CaLE8m/0eRc/?noauthor=1) highlights the role of the Quaker network in providing access to capital to underpin many infrastructure projects of the era such as the Stockton and Darlington Railway. In the early nineteenth century, Quaker banking families facilitated the development of a number of significant infrastructure projects—canals, bridges and railways. In other words, while the sources of success of early Quaker firms is multifaceted, the Quaker networks underwrote risk-based projects and facilitated capital flows in the form of a personalised chain of credit to members of the Quaker community. The importance of the mutual relationships among Quakers in furthering business interests paints the picture of the Quaker meeting house as an internalised source of commercial support and advice, governed by high-levels of trust and integrity and the close surveillance of business practices [(Prior and Kirby, 1993)](https://paperpile.com/c/CaLE8m/s4wV).

Exclusion and persecution also led the Quaker community to turn inwards to develop the intellectual infrastructure to support the sustained involvement of Quakers in business and commerce. For example, exclusion from universities hastened Quakers to establish Quaker schools—still thriving today—that taught Quaker faith, practice, and discipline to a younger generation. Quaker firms developed and offered substantial numbers of apprenticeships in a wide range of professions, including medicine, financed largely through Quaker legacies. Apprenticeships in retail and commerce allowed young Quakers to gain experience in the trades and professions. Moreover, the tight-knit family links within the Quaker community were crucial in identifying Quaker partners for sons and daughters who could also be trained in the business. Marrying within the Quaker faith was vitally important to Quakers, such that ‘marrying out of unity’ led to exclusion, a form of excommunication from the Society[[1]](#footnote-1). Together, Quaker education and the availability of apprenticeships provided a steady flow of labour, imbued with the Quaker values and an entrepreneurial spirit. Unsurprisingly, the early Quaker businesses were family enterprises, although many later became quite substantial in size.

As an extended family, Quaker business regarded its employees as part of the organisational family. For instance, Joseph Rowntree developed a Works Magazine in 1902 to personally communicate with employees and a Works Library, and Richard Cadbury ensured all female employees were escorted to and from the local train station, and developed a sick club to care for, and provide wages to, staff who were ill and unable to work. Some Quaker employers introduced company councils for consulting with employees and profit sharing schemes for rewarding them [(Ackers, *et al*., 2006)](https://paperpile.com/c/CaLE8m/VoKs). Quaker firms, it is often remarked, also paid higher wages than other firms, and often provided half-days and bank holidays to staff, unusual at the time. Perhaps most notable, the Rowntree and Cadbury families provided a pension scheme just after the turn of the twentieth century [(Walvin, 1997)](https://paperpile.com/c/CaLE8m/7EvV), predating the state pension by decades. Quaker firms had a real vision for how business, family, workplace, and wider society interconnected. The Quaker model villages at Bourneville, Birmingham, and New Earswick, York, were an expression of this vision.

## Corporate Law and Decline

The problems faced by family businesses of the eighteenth and nineteenth centuries were not that different from today—for instance, how to ensure effective succession and issues around the raising of capital in order to finance growth and expansion. While internal drivers such as falling numbers of Quakers may have undermined the strength of the Quaker networks, and rising prosperity weakened Quakers religious attachment to the Religious Society of Friends, we can, however, point to the exogenous ‘shock’ of Joint-Stock Act 1844 and Limited Liability Act 1856 that accelerated the decline of Quaker businesses in the late-nineteenth and twentieth centuries. The introduction of joint-stock companies and limited liability, as well as Quakers seduction by the forces of capitalism represent factors that are worthy of consideration. It suggests that corporate law and thus business model design matter in the sustainability of deeply-held values-led business practice.

Until the mid-nineteenth century, the vast majority of firms in the UK had been partnerships rather than companies (Sleapwood, 2017). The partnership corporate form blurred the distinction between personal and corporate behaviour and ethics—the partnership was an extension of an individual’s personality and symbolically often the proprietors of the business lived in his place of work. Taylor (2006) suggests that

[T]he individual’s business was an outgrowth of his personality; the same rules regulated the individual’s activity in the market as regulated his behaviour at home. And the business and the home were not so rigorously separated either conceptually or physically as they came to be. The businessman often lived in his place of work; business and domestic accounts were kept together (p. 24).

The partnership corporate form put the individual at the forefront of the business and the Quaker virtues of trust, integrity, and honesty could be brought to the fore as a form of competitive advantage in business dealings.

Until the mid-nineteenth century, only certain organisations that could demonstrate a public benefit had been allowed to become incorporated. By contrast, the 1844 Joint Stock Act enabled a much broader process of incorporation and enabled the separation of the roles of managers and shareholders. The 1856 Limited Liability Act also ‘limited’ the liability of individual shareholders to the value of their shares. Prior to the twentieth-century, very few businesses, including Quaker businesses, were organised as joint-stock companies (Sleapwood, 2017)—it was only after the beginning of the twentieth century had begun that they came to be ubiquitous and dominant (Taylor, 2006, p. 6), weakening the spiritual hold of the Quaker families over the businesses they had founded. Turnbull [(2014)](https://paperpile.com/c/CaLE8m/0eRc/?noauthor=1) notes that as early as the end of the eighteenth century, unlimited liability—and the risk of personal debt—was a matter of concern for Quakers who risked being excommunicated from the Society. The 1844 Joint Stock Act and 1856 Limited Liability Act was a mixed blessing. On the one hand, a joint stock company with limited liability reduced the risk of unlimited debt and hence excommunication, and it also provided access to external capital flows via shareholders, perhaps much needed as competitive selection forces pushed against the partnership corporation form in an era of exponential industrial growth. On the other hand, the joint stock company corporate form undermined the very essence of the Quakers’ competitive advantage: the importance of the values and ethics of the Quaker business weakened and the unique access to capital flows via the Quaker networks became more widely available to other non-Quaker companies via external shareholders with limited liability.

Despite being widely adopted as the more efficient corporate form, the joint-stock company with limited liability was not without critics worried about the possibly lasting effects on corporate responsibility. Quoted in Turnbull [(2014)](https://paperpile.com/c/CaLE8m/0eRc/?noauthor=1), Cottrell highlights that “the possible inability of a limited company to meet its debts fully was regarded as immoral” (p. 41). Taylor (2006) suggests also that “An array of contemporaries believed that whereas the partnership system of commerce was predicated on notions of character, trust and credit, companies marginalised these qualities and encouraged their members to behave immorally” (p. 22). Furthermore, Taylor (2006) goes on to suggest that the separation of owner and manager had a much wider ramification—the separation between religion and business[[2]](#footnote-2) (p. 145). Wagner-Tsukamoto [(2008)](https://paperpile.com/c/CaLE8m/2LmV/?locator=843&noauthor=1) adopts a more critical position on why Quaker businesses failed to survive— “…institutional structures and mechanisms of the market economy were ignored” (843). In his view, despite lower transaction costs (via trustworthiness), Quaker businesses were ultimately faced with additional costs forced upon them by their religious beliefs that overwhelmed the organisational system. Ultimately, strong market selection forces squeezed the Quaker firms, which eventually led to the need for Quaker firms to compromise and subordinate their ethical precepts to economic objectives. For example, within 50 years most Quaker firms still remaining had adopted the joint stock company model, e.g. Reckitt’s in 1888, Crosfield’s in 1896, Rowntree’s in 1897, and Cadbury in 1899 (Sleapwood, 2017; Turnbull, 2014).

There are a number of reasons why the Quaker businesses (and other family partnerships of the time) chose to incorporate. Kavanagh, Brigham, and Burton (2017) suggest that growing the business required significant levels of capital, attractive to Quakers since debt was anathema to them. Second, distributing company ownership—especially to the next generation and also to some non-family senior managers—was more easily effected through a shareholding rather than a partnership structure. Third, the willingness of the Quaker companies to embrace the new corporate form was consistent with their enthusiasm for innovations. Incorporation seemed to have the desired effect as the Quaker companies did succeed in growing, and many were able to retain Quaker ownership of the companies, at least initially, through complex capital structures that brought in capital without losing ownership. That said, the large scale of the new enterprises created a requirement for an authority structure and division of labour that was at odds with the Quakers’ anti-authoritarian and egalitarian philosophy. Ultimately, the limited liability form of ownership, combined with the joint stock company allowed the expansion of the company’s capital base beyond family resources, but eventually, beyond family control. Limited liability also meant that companies had little social, political let alone theological requirement to serve the public interest unless it related to economic outcomes.

The Quaker approach to responsible business is unlikely to be copied exactly today, with markedly different social, political, and economic contexts. Sir Adrian Cadbury suggests that the publicly-quoted, shareholder-owned company model makes a return to the Quaker brand of responsible business impossible [(King, 2014)](https://paperpile.com/c/CaLE8m/kPlf). However, while it is easy to dismiss Quaker enterprises as a historical peculiarity, the community was staggeringly successful; as Cadbury [(2010)](https://paperpile.com/c/CaLE8m/C9SL/?locator=3&noauthor=1) notes, they “…generated a staggering amount of worldly wealth. In the early nineteenth century, around 6000 Quaker families in Britain ran seventy-four banks, and over two hundred companies” (p. 3).

With this in mind it is important to investigate Quaker business practices in context with contemporary responsible business practice. Our discussion foregrounds the fundamental role of corporate law, corporate governance, and the role of ‘movements’ and networks in determining the sustainability of values-led businesses. While other authors have commented on the importance of the role of corporate governance (Velayutham,2013), and the role of Quaker networks (Walvin, 1997), remarkably, the role of changing legal foundations in setting the ‘rules of the game’ are often ignored in the bulk of scholarly debate about management theory and practice (Kavanagh, Brigham, and Burton 2017).

**Lessons for Contemporary Business Practice**

Scholars in the responsible business domain understand the need for many aspects of contemporary business to change. In the management literature, ideas of re-examining business and social progress have begun to reach high-impact journals. For example, in an article in the Harvard Business Review, Porter and Kramer, (2011) highlight “…the principle of shared value…[as]…creating economic value in a way that also creates value for society by addressing its needs and challenges. Businesses must reconnect company success with social progress” (p. 64). However, an exact return to the Quaker habits of the eighteenth and nineteenth century also seems untenable and unlikely. Despite this, the business practices of Quaker organisations deserve further scrutiny in relation to contemporary practice, and this chapter aims to forward that discussion. What lies at the heart of returning to a more responsible business practice, even if not embedded in Quaker theology or testimony, is entrepreneurs considering alternative approaches to corporate governance, consideration of the power of networks and movements in providing strength and legitimacy in developing more responsible business practices and the role of alternative sustainable and responsible business models.

## Corporate Governance

Generally, the term ‘governance’ refers to the “processes and institutions, both formal and informal, that guide and restrain the collective activities of a group” [(Keohane and Nye, 2002, p. 12)](https://paperpile.com/c/CaLE8m/hedm/?locator=12). In business, corporate governance is the system of rules, practices and processes by which a company is directed and controlled. This is predominantly carried out by individuals as part of a board of directors who balance the interests of the company's stakeholders and provide the framework for attaining a company's objectives. Directors are usually tasked with making critical organisational decisions such as the appointment of corporate officers, executive compensation, and financial policy. However often board obligations can stretch beyond financial optimisation and incorporate social and environmental issues as well. Corporate governance is important then in not only contributing to corporate prosperity, but also in ensuring accountability and responsibility. Aras and Crowther [(2008)](https://paperpile.com/c/CaLE8m/3rIq/?noauthor=1) recognise four principles of good corporate governance: (1) transparency; (2) accountability; (3) responsibility, and (4) fairness.

The importance of corporate governance in relation to environmental and social issues is well known. Good governance suggests that management must give regard to the wishes of all company stakeholders, and be answerable to all. Therefore, there is a clear overlap between good corporate governance and the principles of corporate social responsibility that envisage business as a complex interaction between interrelated stakeholders that sustain and add value to the firm [(Edward Freeman, 2010; Helfaya and Moussa, 2017)](https://paperpile.com/c/CaLE8m/GHss+UPPa). In addressing the interests of a wide range of stakeholders, corporate governance is ultimately concerned with honesty and transparency, an issue which is increasingly expected of organisations by both the public and investors [(Jamali, Safieddine, and Rabbath, 2008)](https://paperpile.com/c/CaLE8m/HK0r). In addition to this transparency and disclosure of information between managers and employees, it is essential to earn employee trust and commitment. Therefore, good corporate governance can bring financial benefits for an organisation as well as social and economic benefits for society. On the other hand, “bad” corporate governance can cast doubt on a company’s reliability, integrity, or obligation to shareholders as well as stakeholders in the broader term.

In recent years the effectiveness of corporate governance in many organisations has been sharply criticised. Support or tolerance of illegal, ethically suspect, or irresponsible activities can result in scandals such as that over Volkswagen’s 2015 emissions activities.[[3]](#footnote-3) The issue of excessive compensation packages for senior executives is another that regularly makes the news [(Soltani, 2014)](https://paperpile.com/c/CaLE8m/6f6v). Corporate governance is one of the mechanisms that is supposed to ensure that business leaders act appropriately, ethically, and responsibly. However it has been noted that boards of directors do not usually have the power or authority to take strong actions contrary to management, as they are usually subordinate to management in the company structure [(Starbuck, 2014)](https://paperpile.com/c/CaLE8m/n2KZ). In the majority of organisations, the norm has been for senior executives to nominate candidates for board membership with directors receiving both monetary and social incentives to endorse management proposals resulting in the potential for conflict of interest.

In these respects, modern day corporate governance may be able to take some cues from the Quaker approach to corporate governance. One of the characteristics of contemporary Board-based corporate governance models is the principle of one share one vote, and therefore representation is dependent on number of shares owned. Velayutham (2013) adds that “The right to participate in the decision-making process of a company is the level of investment... It is also assumed that profit maximisation is the principal objective of a company, and therefore the powers and structure of the board are designed for the delivery of maximum profits” (p. 225). Resolving agency and conflicts of interest between the shareholders and management is minimised through a hierarchal governance structure consisting of the Board and a number of possible sub-committees, and roles such as executive directors, non-executive directors, and a wide range of reporting controls (Cadbury Report, 1992).

In contrast, the Religious Society of Friends has a non-hierarchal system of corporate governance. The Meeting structure enables decisions to be raised by a member of a Local or Area Meeting. Should the Local Meeting discern that the concern should be taken forward, it will be tabled at an Area Meeting for further deliberation and discernment. Furthermore, should the concern have a national focus, it may be further deliberated by Quakers at the relevant Yearly Meeting. In other words, individual concerns are subject to a rigorous corporate ‘testing’ by a greater number of members as they pass from local, area and yearly meeting (Burton, 2017). This system of governance appears to be in sharp contrast to the way decisions are tested and decided upon in many contemporary forms of corporate governance where decisions are made by fewer and fewer as they escalate up the organisational hierarchy.

The roles of ‘office’ in the Quaker community are also in sharp contrast to the contemporary form. Within the community, no-one holds any kind of special ‘leadership’ role. Rather, meetings have a Clerk who ‘chairs’ the meetings, takes the minutes and follows up on decisions that need to be implemented. The Clerk is not there to ‘lead’ the Meeting in the traditional sense, present motions, or oversee votes. They are a servant of the meeting and responsible for facilitating the Quaker Business Method process (Burton, 2017). In one sense, the Clerk’s role is one of stewardship, rather than leadership as “leadership is seen as provided by the Spirit, by God; and this leadership comes throughthe clerk…” (Reis-Louis, 1994, p. 48). Velayutham (2013) highlights that two other important positions at Quaker Meetings are the Elders and Overseers. The Elders look after the spiritual life of the meeting and Overseers have a pastoral role. The appointment to one of these offices does not mean that the individual concerned is elevated to a higher position, but continues to be a ‘servant’ to the meeting and its decision-making processes (p. 229).

The Quaker form of corporate governance has a theological consistency with its beliefs and practices. The non-hierarchal form resonates with the belief of Friends in a testimony to equality and there is that of God in everyone. The governance structure provides every member with an equal voice in the governing of the Society. Velayutham (2013) notes that

The lack of office bearers also leads to the practice of collective accountability rather than personal accountability. All members are collectively responsible for the strategic direction and the operating activities of the Society since no individual office bearers can be held responsible for organisational outcomes and financial results. The absence of individually responsible positions within the Society requires all members to be accountable to each other as well as to be collectively accountable to outsiders. This not only requires the development of trust among members, but also the maintenance of constant vigilance (p. 230).

In summary, the Quakers developed a system of corporate governance that embeds a collective responsibility that may still offer lessons to many contemporary business contexts. Currently efforts are being made to encourage a more long-term market orientation which would see companies focus on sustained value creation rather than short term profit. The Quakers often saw their business dealings as long-term projects which would remain in family networks for several generations necessitating more careful sustained stewardship than modern day shareholder-focussed organisations. Modern day companies interested in responsible business are also experimenting with alternative organisational structures such as flat or hybrid models which seek to distribute responsibility throughout the company thus increasing accountability. Again, parallels may be drawn with Quaker society’s lack of office bearers. It is interesting to note that such developments have arisen as a response to irresponsible business practices and not through a conscious effort to mimic past organisational practices such as those of the Quakers, yet this is exactly what seems to be happening.

## New networks and movements

One of the key enablers to the success of Quaker businesses was the power of the Quaker network, a close knit community that allowed businesses to share information about trading conditions, markets, new opportunities, and ways of working. Whilst Quaker networks were formed around shared religious beliefs and were akin to an extended family, such cohesive business networks are rarer in today's globalised highly competitive world. It has been suggested that when shifting business focus from competitiveness to sustainability, there is a need to engage with a broader and more diverse network of actors [(van Kleef and Roome, 2007)](https://paperpile.com/c/CaLE8m/HUHw). Collaboration of businesses through networks, alliances of firms, governments, and NGOs contributes to the practical realisation of ethical, responsible, and sustainable goals [(Sharma and Starik, 2002)](https://paperpile.com/c/CaLE8m/J1u8).

The largest corporate sustainability initiative is arguably the United Nations Global Compact (UNGC), an initiative which aims to assist companies in aligning their strategies and operations with universal principles on human rights, labour, environment, and anti-corruption [(United Nations, 2017a)](https://paperpile.com/c/CaLE8m/U1eJ). Launched in July 2000 the compact now boasts a membership of some 9,269 companies from 164 companies resulting in over 43,000 public reports from companies on their ethical, responsible, and sustainable actions [(United Nations, 2017b)](https://paperpile.com/c/CaLE8m/8xQp). With so many participants, arguably the UNGC has been successful in engaging organisations [(Kell, 2013)](https://paperpile.com/c/CaLE8m/b8Mv) and provided a common cause through which businesses can work and learn together. One key dimension of the Global Compact is that it enables the development of local networks made up of large, medium, and small businesses alongside civil society organisations, professional bodies, and universities. In the UK alone there are 338 participants in the Global Compact network who offer support and advice to one another [(Global Compact UK, 2017)](https://paperpile.com/c/CaLE8m/YU0h). The United Nations talks about the Global Compact as a ‘movement’ in a clear attempt to mobilise organisations towards developing common responses to sustainability challenges [(UN Global Compact, 2017)](https://paperpile.com/c/CaLE8m/Iqih).

In the UK, one of the most prominent networks of sustainability focussed organisations is facilitated by Business in the Community (BITC) a business-led charity presided over by HRH the Prince of Wales [(BITC, 2012)](https://paperpile.com/c/CaLE8m/tBFb). Membership of the core network stands at over 800 companies who engage with thousands more organisations to work collaboratively on economic, social, and environmental issues [(BITC, 2016)](https://paperpile.com/c/CaLE8m/CSOQ). One of the key initiatives of BITC is the business champion scheme currently running in the UK whereby a range of employees from member organisations with a variety of business experience give their time and support to other businesses in the area of CSR among others [(Jenkins, 2006)](https://paperpile.com/c/CaLE8m/7vXV). In addition to business to business mentoring, the BITC Business Connectors initiative sees individuals seconded from business and the Civil Service placed in local communities of greatest need [(BITC, 2014)](https://paperpile.com/c/CaLE8m/edsD). For the businesses and communities involved, engagement with responsible business networks offers opportunities for shared learning, development of best practice and ultimately improvements in economic, social, and environmental outcomes.

Some networks go even further and aim to certify organizations that engage in ethical, responsible, and sustainable activities. B Corporations (the B stands for “benefit”) are part of a movement to use business innovation as a means to make not only profit, but also help alleviate poverty, build stronger communities, improve the environment, and create jobs with purpose [(Honeyman, 2014)](https://paperpile.com/c/CaLE8m/jzBU). The movement is somewhat legitimised by B Corp certification, a private certification scheme that is administered by B Lab, a global non-profit organisation headquartered in the U.S. but operating worldwide [(B Lab, 2017a)](https://paperpile.com/c/CaLE8m/AEtk). The main aim of B Lab is to build a global community of certified B Corporations who meet high standards of verifiable social and environmental performance, public transparency, and legal accountability [(B Lab, 2017a)](https://paperpile.com/c/CaLE8m/AEtk). Alongside this, the NGO seeks to assist businesses in achieving these aims through a facilitated network of peer organisations and to gather best practice using data compiled from member businesses. At the time of writing there are more than 1,600 certified B Corps from 42 countries and over 120 industries [(B Lab, 2017b)](https://paperpile.com/c/CaLE8m/O8rW).

It is clear then that a key strength of the Quaker movement was the opportunity to learn from one another's practices and the mutual support mechanisms provided through the Religious Society of Friends. The learning opportunities and support available to members of the Society were similar in many respects to the kind of support available through other ‘movements’ such as to members of the Co-operative movement [(Novkovic, 2008)](https://paperpile.com/c/CaLE8m/R83m). In contemporary business, the role and importance of ‘movements’ in developing responses to sustainability is well established [(Hess, 2009; Utting, 2005)](https://paperpile.com/c/CaLE8m/a5Sb+jNVC). Networks facilitate organisational learning which plays a critical role in an organisation’s response to the natural environment and other sustainability orientated actions [(Petts, 1998; Winn and Angell, 2000)](https://paperpile.com/c/CaLE8m/CbYW+LHA3). Again, it appears that clear parallels can be drawn between historical business networks and the rise of responsible and sustainable business networks. When there are issues that arise for one organisation, it often follows that others will also experience similar problems. Networks facilitate the sharing of solutions as well as opportunities and as a result it is perhaps unsurprising that we are seeking an increase in responsible and sustainable business networks.

# Responsible Business Models

One of the major challenges facing contemporary business is how to align business practices with ethical, responsible, and sustainable activities such as those demonstrated by many of the Quaker firms of the past. One way in which this may be achieved is through the application of sustainable business models, which differ from more traditional profit focussed approaches to business. As a term, ‘business model’ is used rather loosely and there still is no commonly agreed definition of the concept in the academic literature. However they can be understood as structured management tools that are essential for an organisation’s success [(Magretta, 2002)](https://paperpile.com/c/CaLE8m/oXxQz). In its simplest form, the business model defines the way in which a company generates value and its route to market. The overall objective of the business model is to exploit a business opportunity enabling an organisation to meet its customers’ needs while generating a profit for the organisation and its shareholders [(Amit and Zott, 2001)](https://paperpile.com/c/CaLE8m/JNIr0). However over the last two decades, understanding of the role of the business model has developed into a more integrated picture of an organisation's overall strategy and operations such that the business model can increasingly be seen as a representation of a company in general [(Amit and Zott, 2001; Eriksson and Penker, 2000)](https://paperpile.com/c/CaLE8m/JNIr0+ymXEy).

Business models then are important in defining the way in which an organisation develops strategy and goes about its day-to-day operations. As a result many organisations view the business model not as a fixed entity, but rather as a dynamic strategic tool through which firms can seek to innovate and exploit new opportunities. As many organisations seek to respond to some of the sustainability challenges of today, business model redesign has emerged as a key tool through which to improve the performance of organisations and create greater environmental and social value while delivering economic sustainability [(Porter and Kramer, 2011)](https://paperpile.com/c/CaLE8m/KDmRg). Whilst traditionally business models have sought to define an organization's approach to creating value through profit, those businesses utilising sustainable and responsible business models differ somewhat in that they seek to deliver value more generally to all stakeholders both now and in the future. They attempt to do so by minimising any impact on the environment, improving social outcomes in the communities through which the business operates, and providing economic value both to shareholders and wider stakeholder groups, much like the Quaker businesses before them. There are a number of business models which seek to integrate the principles of sustainability and responsibility and in some way mirror Quaker values.

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## Cooperatives and Mutual Structures

Cooperative and mutuality business models share some commonalities with the Quaker businesses of the past. In fact the founder of the Co-operative movement, the Welsh social reformer Robert Owen credited Quaker John Bellers’ (1654-1725) 1695 work ‘Colleges of Industry’ as one of his major influences. Cooperative business models are based on a structure where the owners are also employees and/or customers. The premise is that instead of focussing primarily on producing profits for shareholders or a narrow group of executives, cooperatives can offer improved services, differentiated product assortments, and a unique position as the outlet of choice for a particular product or service [(Mikami, 2003; Sorescu, *et al*., 2011)](https://paperpile.com/c/CaLE8m/gqZPV+nFRIW). As a result of the opportunity for the businesses customers to contribute to the governance of the organisation, cooperative companies can champion an ethical approach to business underpinned by internationally agreed principles and values [(McDonnell, Macknight, and Donnelly, 2012)](https://paperpile.com/c/CaLE8m/71hyX). Such principles include voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; and concern for community. It is obvious to see here that cooperative values are as close to Quaker values as any modern business model.

Figure 1: The cooperative business model [(McDonnell, Macknight, and Donnolley, 2012)](https://paperpile.com/c/CaLE8m/71hyX)

Far from being a niche business model, cooperatives range from small community-based enterprises to multi-billion dollar businesses in sectors as diverse as healthcare to housing, renewable energy to retail, and sports to social care in countries all around the world. It is estimated that a few years ago there were some 900,000 cooperatives with around 500 million members in over 100 countries [(Birchall and Ketilson, 2009)](https://paperpile.com/c/CaLE8m/brPna). Following the 2008 global financial crisis, evidence has emerged that suggests that cooperative business models provide stability and security in tough economic times, tending to last longer than other businesses in the private sector [(Birchall and Ketilson, 2009)](https://paperpile.com/c/CaLE8m/brPna).

One of the key difficulties faced by businesses seeking to incorporate responsible and sustainability principles into their business model and operational strategy is the tension between value as profit and social value. Birkin, *et al*. [(2009)](https://paperpile.com/c/CaLE8m/JZz7j/?locator_label=book&noauthor=1) suggest that it is very likely that new sustainable business models will have to address issues that appear to be counter to business interest. For this reason responsible business model innovation requires the inclusion of stakeholders’ values in the process of design in the same way that a responsible technical innovation does [(Taebi, *et al*., 2014)](https://paperpile.com/c/CaLE8m/FoBoA). As Hope and Moehler (2015) suggest, sustainable and responsible business model innovations must address the following challenges:

* Incorporation of the principles of sustainable development, social responsibility and ethics into the business model;
* Reconciliation of the often conflicting interests of profit and social value;
* Flexibility to incorporate local needs and markets;
* Scalability across a wide range of business sizes;
* Replicable both within and across a range of business sectors;
* Inclusion of all relevant stakeholders in the design of new responsible business models;
* Operationalizable in practice.

Whilst there are many companies who employ these responsible business models, they are often perceived as a minority and tend to be established to meet a specific need such as to provide a service in absence of a state or market actor, or in the case of cooperatives to share profits amongst a wide range of stakeholders, thus providing a mix of self-help and mutual aid. Innovating more sustainable business models requires the development of new and revised business models that go beyond a profit oriented economic focus to one which can integrate environmental, social, and economic value throughout the strategy and operations of an organisation [(Bocken, *et al*., 2013; Willard, 2012)](https://paperpile.com/c/CaLE8m/Di9wQ+aWrpp). Sustainable business models must be economically sustainable as a prerequisite. The overall objective in sustainable business modelling is to identify solutions that allow firms to capture economic value whilst also generating environmental and social value [(Schaltegger and Wagner, 2011)](https://paperpile.com/c/CaLE8m/E5q8E). However it is also important to recognise that each individual, community, firm, or organisation has different values, preferences, and interests that arise out of specific cultural and social situations [(Birkin *et al*., 2009; Opoku, 2004)](https://paperpile.com/c/CaLE8m/zj5vs+JZz7j). As such, responsible business models must be flexible enough to incorporate local needs and operate in local markets.

# Conclusion

Our discussion has foregrounded the importance of the role of corporate governance, networks, movements, and business model design in Quaker businesses. We have addressed some of the similarities between contemporary practice and the historic practice of Quaker business. We have argued that these features of the Quaker business ‘ethic’ continue to remain vitally important in today’s competitive and often global markets.

Given the largely secular nature of contemporary business, we highlight that while Quaker business turned to their faith for ethical direction, it is less clear where modern entrepreneurs find their ethical inspiration. Today, while many of the challenges for business are the same —and the importance of good corporate governance and business model design, and strong personal and professional networks remain as vital as ever —the emphasis of contemporary responsible business is often more global, secular, dispersed, and less grounded in a Quaker-style of testimony. Considering the relationship between contemporary ethics and Quakers, Scully (2009) identifies the Quaker ‘ethic’ as a form of virtue ethics, grounded in Quaker testimonies, with a ‘deontological tether.’ This appears to be an important foundation for evaluating the degree of ‘responsibility’ of contemporary business practice.

While contemporary Quaker business practitioners have formed interest groups in the UK (such as Quakers and Business[[4]](#footnote-4)) and management academic communities such as the Academy of Management has formed groups such as the Management, Spirituality and Religion[[5]](#footnote-5) that seek to foreground the role of spirituality and religion in business, the responsible business literature often has ‘secular’ concerns, and the ‘stakeholder’ view of the corporation often remains tethered to a utilitarian ethical perspective. Despite these different ethical perspectives that separate Quaker business of the past from contemporary businesses, parallels can be drawn between recent interest in the role of an ‘enlightened’ CEO and the rise of ‘responsible’ business groups and networks such as the Global Compact or Business in the Community in the UK.

Our chapter has made a first step in suggesting that academics, practitioners, and policy-makers in responsible business may have much to learn by examining the practice of movements from the past. The faith-based and testimony-led approach of the Quakers is one example. But, there are other movements such as the cooperative movement and the mutuality movement that have much to bring to the debate. The exploration of the themes outlined in this chapter by scholars across these various traditions may be able to shed new and surprising insights into the broader management literature.

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1. Tibbals (2014) notes that “In the mid-19th century, as Quakers were no longer disowned for marrying out of the Society…[…]…the hedge against the outside world had begun to come down. In 1871, English universities revoked their religious test, so Quakers were now able to attend mainstream colleges and to enter professions that had been closed to them…[…]…In 1832, Quakers became eligible to become Members of Parliament, and the first Quaker (Joseph Pease) was elected that year…[…]…In these changes, Quakers were moving away from being an alternative society, a separate sect, to becoming part of general society. Following, these tumultuous changes occurred at roughly the same time as changes to corporate law and can be interpreted as further factors that influenced membership of the Society and hence the decline of Quakers in business” (pp. 96-97). [↑](#footnote-ref-1)
2. We are grateful for discussions with Nicola Sleapwood and her Ph.D. research in Quaker Business History. [↑](#footnote-ref-2)
3. For example, see <http://www.bbc.co.uk/news/business-34324772> and Oldenkamp, R., van Zelm, R., and Huijbregts, M. (2016). [↑](#footnote-ref-3)
4. Quakers and Business can be found at qandb.org [↑](#footnote-ref-4)
5. Details can be found at <http://aom.org/Divisions-and-Interest-Groups/Management-Spirituality-and-Religion/Management-Spirituality-and-Religion.aspx> [↑](#footnote-ref-5)