

Dame Barbara Stocking asks three women: HOW HAVE YOU CHANGED CAPITALISM FOR THE BETTER?

Dame Pauline Green

Green has spent much of her career promoting the co-operative model of doing business, which she believes presents a template for a more inclusive form of capitalism.

Describing the worldwide movement as “a huge industry, made up mostly of very small groups”, Green firmly believes that the underlying purpose of co-operatives hasn’t changed since they were first founded:

“Constitutionally, co-ops are created to serve the needs of their members, which means that co-ops put people at the heart of their decision-making.”

She adds: “Of course they need to make profits - or surpluses - but not to the detriment of members’ needs. For me this is a crucial factor in wanting to work in this movement.”

Green outlines the motivation behind the movement which began in 1844. It started against a backdrop of the Industrial Revolution in northwest England where a group of mill workers in Rochdale started to meet on a regular basis to discuss how they could deal with the health and social issues facing their families.

Some co-operatives had sprung up earlier, but they didn’t last. The Rochdale pioneers, however, led by the social campaigner Robert Owen, established a framework that has endured.

“They met to discuss not how they could take their families out of misery, but to think about a model of enterprise that would change life for their people,” says Green. The discussions led to the publication of what the Rochdale group called *The Law First* which set out the values and principles they wanted to introduce, followed by the opening of their first co-operative shop.

“That was the genesis of an entire movement across the globe,” says Green, and the idea spread rapidly. She cites a “gem of a letter” from Robert Owen’s archives. Dated 1849, it is written by a miner in South Africa asking for information about the co-op model to guide the miners’ efforts to take control of their workplace.

So, the Rochdale pioneers weren’t the first, but, as Green says: “They codified what has become the statement of co-op identity, which is now stewarded for the entire global movement by the ICA; the global body that all co-ops around the world aspire to be a member of.”

Of course, the movement is not immune from the vagaries of human nature, as the recent collapse of the Co-op Bank shows. However, Green believes that co-ops offer a system which enable ordinary people to be part of the global economy. It’s a view shared by Pope Francis, who was actively involved in supporting co-ops in Argentina before he became Pope.

“Co-ops contribute directly to improving the standard of living of half the world’s population,” says Green. “From my own experience, in some parts of the developing world, 60% of the real economy will be in the hands of informal and formal cooperatives, so it has a huge impact.”

Today, the movement is owned by one billion citizens worldwide. It is represented in all sectors and provides employment or livelihood support for 250 million people. In 2016, the largest 300 co-ops had a combined turnover of US\$ 2.5 trillion, the equivalent of the 6th largest economy in the world.

A legacy of Dame Pauline’s ICA presidency was the launch of a global co-op mark, raising awareness and building bridges between the inherently local nature of most co-operatives and the global movement. “It’s about changing the world,” she says.

Natasha Landell-Mills

As Head of Stewardship for the London-based asset management company Sarasin and Partners, Landell-Mills has been at the heart of a drive to change practice, placing “considerable emphasis on doing our bit to make capitalism work better for society.”

She identifies three main areas of activity:

- Taking account of the longer term impacts (including environmental, social and governance) of companies, when investing clients’ assets.
- Emphasising ownership by engaging with the boards of companies in which clients have invested.
- Identifying opportunities to influence policy and catalyse positive change.

Addressing policy is the most relevant in the context of improving capitalism, says Landell-Mills: “As managers on behalf of our clients assets we are not just interested in outperforming a benchmark which has dominated the industry for many years, we are also interested in raising all boats.

“So where we see a problem with the marketplace, or the economy more broadly, we are actually thinking about how it could be fixed, and moreover how we might catalyse positive change.”

Yet, challenging the status quo is not easy. Before moving to Sarasins, Landell-Mills worked for the pension scheme, USS. During the financial crisis, USS - and other institutional investors - were under pressure for failing to prevent risky behaviour in the banks.

“It was a legitimate question,” says Landell-Mills. “You’ve heard the phrase ‘ownerless corporations’; where were the owners, and who was holding the banks to account? Asset managers were rightly being asked to step up to the plate and answer this difficult question.”

Looking into it at the time, she says, revealed that as asset managers we were not thinking long term, nor about the risks that banks were taking; the focus was all about short term quarterly performance.

However, in scrutinising their own behaviour, Landell-Mills says they identified a broader, market-wide policy issue: “The information being provided to investors through the accounts we felt was faulty; that it was misleading.”

On the back of this finding, USS launched two policy initiatives:

to improve accounting standards

so that investors would had the right information so that they could hold executives to account.

to improve audit

to make sure it was objective and independent and there was proper challenge going on.

At the same time discussions on audit market reform were going on in Brussels, but Landell-Mills points out: “It was interesting to me - perhaps because I was one of the very few women involved in these discussions - to see the lack of challenge within investment community around this issue.”

The answer was to form a coalition of like-minded investors (which included USS, and Sarasin and Partners) that would go to Brussels to call for change and support the initiative for reform.

The idea met with considerable opposition. “We faced a huge amount of lobbying from all sorts of different interests against what we were arguing for, but in the end the reforms were successful,” she says. “It was not just about us, but together we did build a coalition of over two trillion in Euro assets.

“Even if you are small, if you have the power of the argument and if you are willing to challenge, it is possible to generate change.”

Possible, but rare. “The difficulty” says Landell-Mills “is that far too seldom do people think it is their responsibility to do that. I think that comes down to accountability and transparency, but there are flaws in the system that actually prevent different actors coming forward and pushing for change.

“I would go as far as saying that having more diversity - and women are part of that - coming into the city could help; people who think more holistically about the role of the city and of finance could make the system work better.”

Julia Rebholz

Experience in business has shaped Julia Rebholz’s perspective, leading her to change some of her views along the way.

In her first role with the energy giant, Centrica, she worked on a number of acquisitions in Europe. In line with standard practice then, Rebholz explains: “All of these acquisitions were assessed; they had a value attributed to them and they met the hurdle rate, and then my job was to implement their integration.”

She describes the company’s approach as focussing “very much around the processes, the systems, the tools the structures.”

“The newly acquired companies would deliver accretive earnings in the first couple of years and then we would fold them into their mother businesses,” she says. “We wouldn’t be able to uncover whether they delivered long term benefits or not, but they delivered in the short term.”

Rebholz felt increasingly uncomfortable with this approach. At the end of a phase of acquisitions in the UK, she asked to go the US, where the company had made 12 recent acquisitions, none of which had yet been integrated.

“There was a huge opportunity,” she says.

“I took a deep breath and asked my boss: ‘can I take a different approach?’ He said as long as you deliver what I have committed to shareholders, yes, that’s fine.”

Rebholz set about “engaging all of our people in our purpose; in what they thought the plan should be and then taking a more collaborative approach.”

The result was a US\$100 million capital reduction through business efficiencies, including the closure of seven call centres, all of which had performed at a higher level than they had done in the seven years previously.

“It demonstrated the power of involving people; you could still deliver the results, but you could deliver them in a much more human-centred way,” she says.

Rebholz went on to become Head of Strategy, asking new questions that led to interesting findings. “We found that people spend six minutes a year thinking about energy; they spend 13 hours a year ‘on hold’,” she says.

Another surprise was that 80% of people who made decisions about whether to purchase the company's product were women. "No man had ever asked that question," says Rebholz.

This led her to start thinking about restructuring the business, focussing on retention and how to deliver services and products that would encourage the women consumer decision makers to stay loyal.

Back in the UK, Centrica asked her to set up an investment fund investing in energy entrepreneurs that were also creating social change; a chance for Rebholz to view the world as an investor: "How would I create relationships with potential entrepreneurs that didn't like our company; thought we were untrustworthy, going to steal their IP and take their ideas?"

Again, she saw a challenge that called for a different way of thinking. Drawing on skills learned through her time in M&A, she found that it was taking a more human approach that made the difference.

To build a new team to look at risks and build relationships, she sought "the best people for the job"; they happened to be four women. "Having only ever worked in all male teams, this was a very strange experience for me," says Rebholz. The fund attracted attention at the World Economic Forum, and Centrica's Chief Executive asked Rebholz to think about this for the broader organisation.

Her first reaction was, "What do I know about this?", but then a mentor asked her to think about what she was really good at. "A small voice emerged from within which said, 'Helping 55-65 year-old white men to see the world in a different way.' So I guess that's my purpose," she says.

WHAT DO WOMEN DO DIFFERENTLY?

Dame Pauline Green

"I have seen how prominent women within the co-op movement are able to achieve more through a more inclusive and discursive approach to decision making," says Green. She admits that this is the way the co-op movement operates anyway, but suggests it's a more natural approach for women.

"My own sense is that it is much easier for women to say they were wrong for a start, and to actually *want* to pull in a wider view before they make a decision, and so I think they have made a significant difference."

Within the coop movement, women are better represented at senior levels than they are in corporate business, "albeit still not well enough". So, does Green think it is difficult being a woman in professional life? "Absolutely! I'm of that generation that grew up believing that in order to succeed and to move forward I had to be better than any of the male competitors around me," she says.

She is disappointed by the pace of progress for younger women. "I was hoping that by the time my daughters or granddaughters came through that that would change. I don't think it's changing fast enough.

"In one sense I have had quite a charmed life; I have been at the right place at the right time, and lots of things have worked for me. I have not been held back. My children would say that I have become a workaholic because of that, and it is right - I've never had the right life-work balance, and I think that is something that women suffer from if they want to go on."

Natasha Landell-Mills

"I always struggle with this question about being a woman. I am me," says Landell-Mills. Of course, being a woman is *part* of how she defines herself, but she finds it hard to isolate that factor.

However, Landell-Mills acknowledges that "there is Venus and Mars going on all the time." Reflecting on personal experience, she offers an alternative perspective on why women may see things differently:

"With my policy work it has struck me that, in a way, it's about being an outsider; coming in from outside." She suggests that even among women, this sense of being an outsider varies with individual experience.

"Even where women have had a maternity break, I would say that gives them a broader perspective on the world, on life and on their working lives, so when they come back they are enriched by that," she says.

Coming back from her own long maternity leave, Landell-Mills says: "I approached things in a fresh way, but whether that is because I'm a woman? Yes, that maternity break gave me a perspective that men wouldn't have necessarily, although some do take that break."

Notwithstanding the arguments for parental leave, Landell-Mills is frustrated that there even needs to be a conversation about how women contribute. "Women are 50% of the population; of course they do!" she says.

"Economically and politically, through nurture or nature, we add diversity. We complement men and to have women *not* represented at every level, whether in business or in family, where-ever it is, means that you're less resilient and less rich for that."

Julia Reboltz

What really opened my eyes to the power that women have in capitalism and in the system now is really from 3 perspectives:

Women as consumers

The point that women are making 80% of the decisions about what to buy interests me. I met Jackie Vanderbrug, an investment strategist at US Trust (part of the Bank of America) - who did a study on the impact of women in the economy. In her report, *The Rise of Womenomics*, she claims that nearly \$15 trillion dollars of global consumer spending every year is by women. So business not wising up to this fact is a big issue.

Women as executives

When I was an investor I learnt that if you look at the 14,500 companies that have 3 or more women on the board, they actually provide 84% better return on sales, 60% better return on capital and 46% better return on equity than their counterparts who have no women on the board. That's a big differentiator.

Women as investors in society

Research shows that women invest 80% back into health education for every pound they are given; whereas men invest 40%. So if we are thinking about creating a better society about meeting the needs of society, there is something to be said for this 'womenomics'.

Questions

What is the advantage for women in trying to change capitalism, rather than trying to refuse or even boycott it, or in an ideal world, even overthrow it?

NL-M

“Well, if not capitalism, then what? What would you replace Capitalism with? The problems that I understand there to be with capitalism have to do with a lack of transparency and accountability, If you were to replace capitalism with another system, you would still have those problems.

“There isn’t just one form of capitalism; you can always make it better. I wouldn’t throw it out; I would be more incremental in trying to improve it and I think making sure that people are held to account all along the chain is a big part of that.”

PG

I believe there is a lot to be said for businesses being owned and controlled by ordinary folk out there, not by investors living somewhere where the actual product is irrelevant to them. So in one sense, yes, what co-ops do it is an attempt to change capitalism.

Do women feel differently to men about the march of the machines? How would the panelists approach the difficult conundrum between balancing what is right for the wider interests of society against the danger and detriment to people?

JR

“I asked a Swiss chemical/pharmaceutical company what is happening to the people in your factories and warehouses, where you have robotics, and they said, ‘we are training them to do other more important jobs.’ I think this is the mindset shift that is required.”

“When decisions are made *to* people, they reject them; when they are made *with and alongside* them, they can be part of them, they can contribute and collaborate. This is the shift that is required in business, away from command and control decision-making to a more collective venture.”

PG

“When you deal with robots, its going to happen; we all know it is. So what you’ve got to do is look at how can communities come together to create a life above and beyond that. Coops provide a bridge between the well-being, safety and security in a community and the global economy and I think it is crucial that we have that bridge.”

Are quotas for women on boards a good way to get better decisions in the traditional capitalist system?

JR

“If we want better decision making, we shouldn’t just focus on the gender difference on boards, but more on cognitive difference. When I was Director of Sustainability, we would think that we had a diverse group of people, but in fact they all *thought* the same way.

We recruit in the image of ourselves, not just from a background perspective, but also we have a bias for cognitive similarity - for people that sound like us and think like us.

So I think getting more sophisticated in how we understand cognitive difference is going to be really important in going forward.”

NL-M

"I don't like these sorts of rules but I do think having more women at the top of businesses, determining what kind of risk is taken, is going to be important to get us onto a new path."

PG

Green points out that the argument for quotas is different in different countries. She remembers a time, about 15 years ago, when she was working with the then newly elected Swedish prime minister. "He was having trouble finding enough men to fill 50% of his cabinet. We wouldn't need quotas if we had got that far!"

To over-simplify insurance, some people place bets on whether a boat will come back or not; others club together in case a villager's cow dies or the rains don't come. Is there too much of the wrong kind of risk-taking in insurance?

NL-M

The short term investment mentality which sees investment as a game - a bet - has been associated with a rather male-dominated world. In the post-crisis world, people do now understand that this is no longer a game. Investors in companies have a responsibility to help steward that capital and to challenge executives to make sure they are protecting it.

"I do think it's interesting that in the world of stewardship, there are more female voices at the table when we are talking in this way."

PG

Green's experience agrees there is a change in mindset. "We have been seeing a growth in mutuality - almost like a return to the mutual model - and in the co-op, other mutually owned businesses and in insurance it has grown strongly."

JR

I think it's fascinating how insurance and investment come together. People believe they are bound by rules to seek the highest return for shareholders and pension holders, but if that means taking risks which create a society that no-one can thrive in in 30 years' time, then who is it really good for? "There are beliefs that drive behaviours that we need to challenge."