

A New Capitalist Manifesto? Re-Imagining Business in the 21st Century

A JOURNAL OF STRATEGY & BUSINESS TRANSFORMATION

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J. Jeffrey Spahn has over 20 years of experience as an entrepreneur, educator, speaker, researcher, author, executive coach, and storyteller. His latest project is designing a unique and powerful communication technology for his Leaders Leading Leaders® program for executives.

The current crisis in business creates an opportunity for Corporate America to define a more integral and profitable reason for existence. By doing so, business leaders can avoid being defensive, fend off more government intervention, move to restore public trust and take significant steps towards enduring profitability.

Clarifying business' role in the world lays the foundation for sustained economic renewal. David Packard of Hewlett-Packard exemplifies this vision with these words to his executives in 1960. *I want to discuss why a company exists in the first place. In other words, why are we here? I think many people assume, wrongly, that a company exists simple to make money. While this is an important result of a company's existence, we have to go deeper and find the real reasons for our being.... a group of people come together... to accomplish something collectively that they could not accomplish separately-----they make a contribution to society, a phrase which sounds trite but is fundamental.*

Without a clear business purpose guiding them, executives are more prone to make the type of decisions that we see at Enron, WorldCom, Tyco etc. In addition research suggests that the key to changing behavior, whether individual or institutional, lies in an awareness and reexamination of why we do what we do. Also, one of the surprising key characteristics of a corporation that experiences exceptional long term profitability is a compelling reason for being beyond maximizing shareholder wealth.

Further research suggests that hot groups or business teams experiencing unusual short term success find their work meaningful and firmly believe they are making a difference. Catalyzing long term business renewal or highly productive short term business projects often requires reimagining our motives. For these reasons and others it becomes imperative for Corporate America to search its soul and clarify its role.

A New Capitalism?

An emerging Capitalism understands that self interest and the common good, purpose and profits, ethics and economics need not be mutually exclusive, but rather can be mutually enhancing. Yet, my research indicates that many CEOs and executive teams do not share common beliefs on the interrelationship of purpose, profits and priorities. There now exists a window of opportunity for Corporate America to clarify its differences, deal with the paradox of money and meaning and forge a common voice about its role in the world.

Restoring trust in Corporate America requires a renewal of business purpose. Purpose in this context needs to be differentiated from mission, vision or strategy. Mission names what an organization does. Vision speaks to where it wants to go. Strategy draws a map for getting there. Purpose expresses the motive or reason for doing all of the above. Purpose is a more intangible dimension than the others and perhaps for that reason is often over looked or lumped into mission or vision. The key to changing behavior, whether individual or corporate, often lies in an awareness and reexamination of why we do what we do, i.e define the purpose.

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A key to optimal performance and sustained excellence is possessing, or rather being possessed by a purpose. Being a part of a cause that is bigger than the self grabs the heart and excites the mind. It extracts a profound commitment. This esprit de corps prevails in social movements, militaries, religious causes and athletics. Why not business? In fact, research at Harvard and Stanford indicate that this occurs in corporations experiencing exceptional long term financial success

During an interview one highly regarded executive echoed the sentiment of others when he said, *I don't feel as though I should be complaining, but I'm really not happy in my work. Just saying that makes me feel guilty because I make so much money and others would love to do what I do and make the money I do. I feel trapped.* After informing the CEO that he would be leaving the company to teach, coach and write poetry, a cynical smile spread across the chief executive's face then, after looking out the window to the expanding sea, he said *I have often thought of doing something similar, but in 5 years my 20 million loan will be paid up, talk about golden handcuffs?* In sharp contrast, another executive exclaimed – *"My role in business fits me. It expresses who I am and helps me make a difference. I am passionate about my work and what this company does for people.*

Can you imagine an entire company with this outlook? What impact would a critical mass of such companies have on the economy?

A Reciprocal Economy?

The title of the Bible of Capitalism is not the Wealth of an Individual...of the CEO.... of Shareholders....of a Corporation.... or of a Nation, but **The Wealth of Nations**. Certainly the title is not poverty of the CEO, shareholder or nations. The issue is not just wealth, but spreading the wealth. Rajat Gupta, CEO, McKinsey & Co. exemplifies this motivation by saying, "Business is a force for good. It's a noble cause. To increase the performance of our clients helps create wealth and raises the standard of living around the world."

Adam Smith, the author of **The Wealth of Nations**, was not an economist... an accountant an executive.....or a business professor. Adam Smith was a philosopher and not just any philosopher, but a moral philosopher! The book he wrote before **The Wealth of Nations** wasn't **The Theory of Economics**, but **A Theory of Moral Sentiments**. What business does a philosopher and particularly a moral philosopher have writing a blue print for the economy? The assumption at work here is that thinking and acting, philosophy and business, economics and ethics, meaning and money, purpose and profits are not mutually exclusive, but mutually enhancing notions. Adam Smith was an ethicist and an economist, and understood that both of these, business and ethics, are two sides of the same business coin.

The tumbling of the Berlin Wall in 1989, among other things, marked the fall of communism as an economic system. Capitalism emerged the apparent winner. Today that victory appears to be threatened, not so much

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by enemies without, but from within. Our current form of capitalism generally focuses on the needs of the self. Communism, at least in theory, focuses upon the common interest.

What needs to emerge, and in some circles is emerging, is what I call a mutual, or reciprocal, economy that focuses on the needs of both the individual and the collective. This economic model assumes that self interest and the pursuit of the common good, or the wealth of all nations, can be mutually enhancing. In this way it integrates communism's emphasis on the collective and capitalism's emphasis on the individual.

George Soros, a financier and one of the wealthiest people in the world, warned six years ago that laissez-faire capitalism holds that the common good is best served by the uninhibited pursuit of self interest. Unless it is tempered by the recognition of a common interest and not just individual interests, he warned that our present system is likely to break down.

R. Kaku, the chairman of Canon summed it well when he said that the only entity whose effort to create stability matched its self interest was a corporation acting globally. The logic behind this is that as the developing countries become more peaceful and prosperous they provide new markets for Canon's products and services. Addressing the wider conflicts in the world, investing in developing countries and transferring technology helps these countries become stronger economic entities. The government leaders of a particular country tend to serve only the interest of its citizens. Global corporations' customers are not confined to national boundaries. They can only do business in a peaceful world. Therefore it has become in the self interest of global corporations to seek the well being and wealth of nations.

Far from being a naive unrealistic pipe dream, reciprocal economies do exist. In fact they thrive. Break-through research at Stanford indicates that corporations experiencing exceptional long term financial success are mutual economies. These global enterprises have figured out a way to maximize profits and serve the common good. Common good does not mean specific social projects such as various welfare programs. Instead it refers to creating an economy that is large, growing steadily and reliably and leaves out the fewest participants. Profits are a vital means to accomplishing other purposes whether serving customers, supporting a cause, developing people or building a better world. These enterprises such as Canon, Johnson & Johnson, Marriott and Sony have embraced the challenge of enhancing the well being of human life through business.

Why Why?

Executives may hesitate to take the time to examine purpose in the context of a crisis, wondering whether it is prudent when there are so many other issues pressing. The founding fathers of one of the most remarkable organizations in history didn't think so. While being invaded the founders of the United States gathered for two days to adopt a purpose, The Declaration of Independence. They justified philosophizing in the midst

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of a crisis because they realized the power of rallying the hearts and minds, as well as the arms, of the colonists around a common cause. This esprit de corps prevails in social movements, militaries, religious causes, arts and athletics. Why not business?

Although Ford has not always been exemplary in the area of labor relations and product quality, in 1983 they did something unusual. In the early 1980s, you may recall the American car industry was reeling from Japanese competition. What did the leadership at Ford do? They went into emergency mode to do what they had to do to stop the bleeding and keep the company breathing. But they didn't stop there. They examined their core reason for being. Doing so prompted Don Petersen, former CEO of Ford, to reflect, "Putting profits after people and products was magical at Ford."

Divergent Purpose

According to Webster's dictionary an organization by definition is a group of people gathered together around a common purpose. Yet research indicates that business as an institution and many corporations are at cross purposes. What makes this even more of a crisis, particularly within an executive team, is that these cross purposes remain hidden under the table yielding suspicion or in fighting. These implicit cross purposes cause misunderstandings and distrust which in turn close down communication within boards or executive teams; just the opposite effect of the open and honest communication called for by most reform efforts.

During my research I would ask executives which of the following statements do they find themselves agreeing with.

There is one and only one social responsibility of business - to use its resources and engage in activities designed to increase its profit so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud....Social responsibility [is] a fundamentally subversive doctrine. Milton Friedman, "The Social Responsibility of Business is to Increase Its Profits," **New York Times Sunday Magazine**, September 13, 1970.

- or -

My business school in America was wrong, I am now convinced. The principle purpose of a company is not to make a profit, full stop. To say that profit is a means to another ends and not an end in it self is not a semantic quibbles, it is a serious moral point. Charles Handy, professor at the London Business School, from **The Age Of Paradox**, 1994.

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From these conversations with numerous CEOs I observed that

- About half of the executives believe the purpose of business is to maximize shareholder wealth and the other half believe it is something else
- These difference exist among CEOs and within executive teams
- These positions are strongly held and emotion laden
- Many executive teams experience implicit cross purposes
- Executives are often unclear about the interrelationship of priorities, profits and purpose.

Other research by Alfons Trompenaars reflects my findings that about half of the executives in the United States believe that the purpose of business is to maximize shareholder wealth. The other half see the purpose of business as contributing to the well being of society either through meeting customer needs, developing people, promoting a cause or making the world a better place through its philosophy and action.

Positions on either side were strongly held, sometimes with emotional fervor. For instance a professor from a renowned business school relayed how angry he would be if a company he owned stock in decided that their purpose was something other than making a profit by pounding vigorously on the table. Finally he said, "If people want to do good, let them go to other organizations like a church, but let's not mix the two." Another interviewee with mirroring intensity exclaimed, "If we keep thinking the business of business is just business eventually the entire planet will be out of business!"

Priorities, Profits and Purpose

Furthermore, interviews reveal that many very bright executives are confused about the interrelationship of purpose, priorities and profits. The necessary priority of profits often gets translated into the purpose of business without giving much consideration to a possible distinction between the two. This is significant because independent research from Harvard and Stanford suggests that corporations experiencing exceptional long term financial success espouse the absolute necessity of profits and a purpose beyond maximizing shareholder wealth.

When a man who has nothing to eat prioritizes getting food on the family table he acts in a legitimate, necessary and honorable manner. However, if after securing plenty of food, he then lives to eat, it starts to work against him. His legitimate priority has become a deteriorating purpose. So it is with the business person who legitimately prioritizes making a profit and then lives to make a profit. If the legitimate, necessary and hon-

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orable priority of making a profit is not accompanied with a broader purpose, then it ironically can begin to eat away at profit.

Confusing priorities and purpose can jeopardize profitability for at least two reasons. First, without the compass of a clear business purpose beyond maximizing profits executives are more prone to make the type of decisions that we see at Enron, WorldCom, Tyco etc. Secondly, as already suggested, one of the surprising key characteristics of a corporation that experiences exceptional long term success is possessing a compelling purpose beyond maximizing shareholder wealth.

The emergence of a mutual economy is a manifestation of a wider human phenomenon called consilience. Consilience literally means "jumping together". It describes the occurrence of two seemingly mutually exclusive ideas or categories becoming not only compatible, but mutually enhancing. For example, the cover of a recent Newsweek edition reads, "Science Finds God". In the case of the emerging economy self interest and the common good, philosophy and business, economics and ethics, meaning and money, purpose and profits, competition and cooperation are jumping together. From a broader perspective this occurrence can be understood as an expression of western society's healing of the pervasive cultural rift of body and spirit, and the individual and collective.

For an individual (person or corporation) to maximize its economic value it must participate in the whole system (economy, socio-political culture). Only for short periods can individual results be increased at the expense of the system. Just as is happening in Corporate America, the system always strikes back. As demonstrated in quantum physics and reflected in ancient wisdom literature: everything in our world connects and interacts. Regardless of surface appearances to the contrary, nothing functions in isolation.

New rules and regulations, more ethical corporate behavior are all necessary, but not sufficient to meet the challenge of corporate renewal. Deep lasting change requires a new vision of the purpose of business.

Sustained business renewal requires that business leaders open a debate that welcomes the expression of divergent business purposes and holds the tension of opposing points of view, instead of dismissing them. This dialogue resembles putting together a puzzle; gathering all the different pieces, making connections and looking for a picture greater than the sum of the parts to appear. If we endure the inevitable frustration of such an inquiry a picture of a vibrant business purpose in the 21st century awaits.

Corporate America has an economic puzzle that needs solving soon. Now is the time for Corporate America, CEO roundtables, corporate boards and executive teams, to forge a common voice about business' role in the world. Our freedom, our future depends on it.

"A great society is a society in which its men (and women) of business think greatly of their function." Alfred North Whitehead

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