

‘Conscious Capitalism’: Evolution of the Modern Workplace

In today’s volatile, uncertain, complex and ambiguous (VUCA) world, employees are looking for organizations that honor people, planet and profits, and leaders are looking for organizational frameworks that increase engagement, productivity and performance. The place where these groups intersect is evolving as a new landscape for how businesses of the future may operate and succeed. In this conversation, Michelle Maldonado reveals the fundamental principles of “Conscious Capitalism.” She is a former corporate attorney with 20 years of leadership experience in strategic planning, operations and partnership development across the Internet/technology, e-learning and online media

industries. She now serves as associate vice president of Corporate and Strategic Relationships for American Public University System (APUS). The creator and managing editor of The Inspire Leadership Series is also co-founder and chairperson of the Northern Virginia Conscious Business Alliance.

Q. WHAT IS CONSCIOUS CAPITALISM?

Maldonado: John Mackey, co-founder and co-CEO of Whole Foods Market, nicely captures the essence and framework of Conscious Capitalism by describing it as “a more complex form of capitalism that reflects and leverages the interdependent nature of life and all of the stakeholders in a business.”

Q. WHAT ARE THE FOUR PRINCIPLES OF CONSCIOUS CAPITALISM, AND HOW ARE SOME HIGH-PERFORMING ORGANIZATIONS PUTTING THEM INTO PRACTICE?

Maldonado: The four key principles of Conscious Capitalism present a guiding framework for operating a healthy and sustainably successful organization. Today, numerous organizations are embracing Conscious Capitalism in some form – many of which we are familiar with. I’ll share some of these with each of the principles below.

1) Higher Purpose - ensures that your business reason goes beyond the singular purpose of profit. Ed Freeman, University of Virginia professor and originator of the Stakeholder Management Theory, offers this helpful analogy: “We need red blood cells to live (the same way a business needs profits to live), but the purpose of life is more than to make red blood cells (the same way the purpose of business is more than simply to generate profits).” So, within the context of Conscious Capitalism, conscious businesses operate both for purpose and for profit.

For examples of organizations that do this well, we can look to several industries, such as retail, high-tech, Internet, and biotech, including companies like Google and Genentech. There are also companies

in traditional blue-collar sectors, like manufacturing, that successfully embody this first principle, including Barry-Wehmiller (a global supplier of manufacturing technology) and Pantheon Enterprises (a green manufacturer of industrial chemicals) whose mission is to transform the industrial chemical industry by removing toxic chemicals from the environment. Pantheon Enterprises is known for its tagline “Conscious Chemistry.”

2) Stakeholder Orientation - In contrast to organizations that operate solely to maximize a return on investment for their shareholders, conscious businesses focus on their whole business ecosystem. They create value for all of their stakeholders, understanding that engaged stakeholders lead to a sustainable business.

To help understand the interconnectedness of an organization’s stakeholder community, Rajendra Sisodia, co-author of the books “Conscious Capitalism: Liberating the Heroic Spirit of Business” and “Firms of Endearment: How World-Class Companies Profit from Passion and Purpose (Second Edition),” explains its composition of stakeholders using the acronym, S.P.I.C.E., which stands for:

- S**ociety,
- P**artners,
- I**nvestors,
- C**ustomers,
- E**mployees.



Businesses that align the interests of all stakeholder communities recognize that, without employees, customers, suppliers, investors, communities and a life-sustaining ecosystem, there is no business. This framework offers a “win-win-win” proposition where the natural outcome is a healthy return to shareholders.

Organizations that are known for stellar stakeholder alignment include The Container Store, Costco and Whole Foods Market.

3) Conscious Leadership - Conscious Capitalism, Inc. describes Conscious Leaders as people who “understand that their role is to serve the purpose of the organization, to support the people within the organization, and to create value for the all of the organization’s stakeholders. They recognize the integral role of culture and purposefully cultivate a Conscious Culture of trust and care.”

Conscious Leaders are inspired within and are also able to motivate and influence others in a way that creates value and, ultimately, profit. In a recent whitepaper titled *The Future of Leadership for Conscious Capitalism*, Dr. Barrett Brown keenly observes that “there are already leaders who have achieved a level of development beyond the glass ceiling. Approximately five percent of leaders in the West operate with the mental and emotional capacity needed to manage complex, systemic change and reliably generate organizational transformation. They are at the leading edge of human development and represent the future of leadership....”

Brown further acknowledges that Conscious Leaders understand that today’s leadership development depends upon a combination of vertical and horizontal learning.

Vertical learning includes mindsets based on deep connection, courageous action, vision, outlook and self-transformation. In contrast, horizontal learning is based on developing competencies and functional expertise. Both are necessary.

Several modern-day examples of Conscious Leaders are Meg Whitman (CEO of Hewlett-Packard), Tom Gardner (CEO of The Motley Fool), Tip Kindell (CEO of The Container Store), Anne-Marie Slaughter (CEO, New America Foundation) and Jeff Weiner (CEO of LinkedIn).

4) Conscious Culture - To reference Rajendra Sisodia’s work once again, we are provided another helpful acronym to describe the fourth principle: Conscious Cultures. These are organizational cultures that possess the following T.A.C.T.I.L.L.E. characteristics:

Trust,
Authenticity,
Caring,
Transparency,
Integrity,
Learning,
Empowerment.

Conscious Capitalism, Inc. describes this kind of culture as one that “fosters love and care and builds trust between a company’s team members and its stakeholders.” When done correctly, the culture becomes the force that unifies the leaders’ and stakeholders’ communities as the living representation of the

organization’s higher purpose. Sample organizations include Zappos, Southwest Airlines, Luck Companies and Trader Joe’s.

Q. CAN YOU EXPLAIN HOW THE PRINCIPLES OF CONSCIOUS CAPITALISM BUILD UPON ONE ANOTHER?

Maldonado: Yes, we must first start with a Higher Purpose so that everyone is aligned with the same “why.” This helps inform how organizations will move forward with everything from strategy development and execution, hiring, training and development of its people, and treatment of stakeholders— which, ultimately, create the elements of a strong culture foundation.

Next, leaders need to set the tone, model the behavior, and “walk-the-talk” for how the organization not only competes, but thrives, in dynamic workplaces. It is in this way that Conscious Leaders further the “why” or Higher Purpose. After all, organizations are nothing more than communities of people striving toward a common goal or purpose. These leaders also hold the key to Stakeholder Orientation and set the bar high as to how their stakeholders will be viewed, treated, integrated and valued as part of the business.

Once Higher Purpose, Conscious Leadership and Stakeholder Orientation principles are embraced and woven into the fabric of people performance, behavior and organizational operations, the natural outcome is the fourth and final principle, a Conscious Culture.

Q. DOES CONSCIOUS CAPITALISM REALLY MAKE A DIFFERENCE TO A COMPANY’S BOTTOM-LINE?


Maldonado: In the book “Firms of Endearment,” several publicly traded companies were studied that embody these qualities. When the companies were compared over a 15-year period, a majority of them outperformed the S&P 500 Index, in terms of annual and cumulative returns (earnings per share), by a factor of 10.5. So, I would say that, yes, it has a positive impact on the bottom line.

Q. WHAT RESOURCES DO YOU RECOMMEND TO OUR READERS TO LEARN MORE ABOUT CONSCIOUS CAPITALISM?

Maldonado: Here are a few:

Organization: Conscious Capitalism, Inc. www.consciouscapitalism.org

Whitepaper: *The Future of Leadership for Conscious Capitalism* by Barrett C. Brown, Ph.D., Metaintegral Associates.

Books: “Conscious Capitalism: Liberating the Heroic Spirit of Business” by John Mackey and Rajendra Sisodia; “Firms of Endearment: How World-Class Companies Profit from Purpose and Passion” by Rajendra Sisodia, John Wolfe and Jagdeeth Seth; “Uncontainable: How Passion, Commitment and Conscious Capitalism Built a Business Where Everyone Thrives” by Tip Kindell and Casey Shilling; “Working For Good: Making a Difference While Making a Living” by Jeff Klein. 

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