The New Story of Business: Responsible Capitalism

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The Current Situation

- There is a debate and a struggle about the ethics of capitalism
- Old Story is deeply rooted in culture around the world
- “Business Ethics” is seen as a contradiction and sometimes as a joke.
The Old Story of the 20th Century

1. Business is primarily about making money and profits.
2. The only constituency that really matters are shareholders.
3. We live in a world of limitless physical resources, so we don’t need to pay attention to our impact on the environment.
4. Capitalism works because people are completely self-interested, and will only act for others if they have the proper incentives.
5. Given the opportunity, business people will cheat or cut corners.
6. Business works because people are competitive and greedy, and as if by an invisible hand: the greatest good emerges.

Read the papers, listen to the news, talk to your children’s teachers and friends. You’ll hear this story.
The Old Story: Built on Hierarchy and Power

Diagram:
- Government
  - Shareholders
  - Corporate Board
  - Management
  - Employees
- Activists
- Media
- Community
- Customers
Some Good News

- A New Story is Emerging

- It is going to be “The New Normal”

- A conscious and responsible business are “table stakes” for the 21st Century
Some Good News

- A New Story is Emerging
- It is going to be “The New Normal”
- CSR will wither away as the new story takes hold.
## Many “Movements”

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1. Any business creates (or sometimes destroys) value for shareholders, as well as customers, employees, suppliers, and communities. Building and leading a business involve getting these interests going in the same direction. *(Unit of Analysis Principle)*
Typical Stakeholder Map

- Government
- Communities
- Customers
- Competitors
- Financiers
- Employees
- Suppliers
- Special-interest groups
- Consumer advocate groups
- Primary stakeholders
- Secondary stakeholders
A New Story for a New Century

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2. Business is primarily about purpose...money and profits follow. (Purpose Principle)
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3. Stakeholders have a joint interest. They are interdependent. \textit{(Stakeholder Interdependence Principle)}
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4. Capitalism works because we are complex creatures with many needs and wants, and we can cooperate to create value for each other. Sometimes we act for selfish reasons and sometimes for “other-regarding” interests. Incentives are important, but so are values. (Human Complexity Principle)
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5. Most people tell the truth and keep their promises, and act responsibly most of the time. And, we need to expect that behavior. (Values and Ethics Principle)
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6. Business exists in the physical world. *(Embodiment Principle)*
A Different View of Capitalism and Business

- Business and capitalism are the greatest system of social cooperation and value creation, ever invented. Competition is important in a free society, since it ensures options. But, the engine of capitalism is value creation.
Putting Purpose, Stakeholder, Values and Ethics Together

Stakeholders at Novo Nordisk
Some Examples of the New Story

- Whole Foods Market
- The Container Store
Whole Foods Market

- Purpose
- Values
- Practices
WFM Purpose

“Our deepest purpose as an organization is helping support the health, well-being, and healing of both people — customers, Team Members, and business organizations in general — and the planet.”

Whole People, Whole Foods, Whole Planet
WFM Values

- “We sell the highest quality natural and organic products available
- We satisfy, delight and nourish our customers
- We support team member excellence and happiness
- We create wealth through profit and growth
- We serve and support our local and global communities
- We practice and advance environmental stewardship
- We create ongoing win-win partnerships with our suppliers
- We promote the health of our stakeholders through healthy eating education”
Whole Foods Business Model

Core Values

Community & Environmental Responsiveness
Giving Back
Responsible Citizenship
Motivated Donors

Societal Mission

Innovation & Customer Service
Partnerships with Vendors/Suppliers
High Quality Services
Good Value
Satisfied & Delighted Customers
WFM Practices

- Stakeholder Interdependence
- Win-Win-Win-Win-Win
- Employee Empowerment
- Community Involvement
The Container Store
Uncontainable
How Passion, Commitment, and Conscious Capitalism Built a Business Where Everyone Thrives
Kip Tindell
Chairman and CEO
The Container Store
With Paul Keegan and Casey Shilling
The Container Store

- Seven Foundation Principles (no policy manual)
- Practices
What TCS Stands For

- An organization with heart
- Employees first organization
- We organize your life and save you time
- Fulfill the needs of all our stakeholders simultaneously
Seven Foundation Principles

1. 1 Great Person = 3 Good People
2. Communication is Leadership
3. Fill the other guy’s basket to the brim. Making making money then becomes an easy proposition
4. The best selection, service and price
5. Intuition does not come to unprepared minds
6. Man in the desert selling
7. Air of Excitement
Putting Employees First

- 1 Great Person = 3 Good People
- Pay is 2 times the industry average in retail
- 263 hours of training per year (industry average in retail is 8)
- Employees First fund
- 16 Years on 100 Best Companies to Work for (*Fortune*)
Fill The Other Guy’s Basket To The Brim And Making Money Becomes Easy.

- True for all stakeholder relationships
- Strive to be suppliers’ favorite customer
- “We compete on relationships not volume” Kip Tindell
Company X

- On the surface everything looks good.
- There is plenty of ethics stuff: Hot lines, ethics manuals and training, executive speeches, etc. However the main focus is on compliance.
- There is a purpose and values statement, but many employees are skeptical, and the statements are not unique to company X.
- There are very few informal channels for pushback and disagreement.
- For the most part people do what they are told to do.
Some Traps to Avoid

- The “Just Walk the Talk” Mistake
- The “Better Not to Get into It” Mistake
- The “Top Management Sets the Values” Mistake
- The “Values are Soft and Fluffy” Mistake
- The “Values Conflict” Mistake
- The “Separation of Business and Ethics” Mistake
The Power of Integrating Purpose, Stakeholders, and Realistic Assumptions about People

- It empowers and engages employees
- It activates and energizes business strategy
- It is the foundation for value creation
- It leads to discipline, innovation, and efficiency
Encouraging Good Practice

- Bring to life a conversation about ethics and values

- Some starting points:
  - Values statement or purpose statement
  - History
  - Stakeholders
  - Aspirations

- Some techniques
  - Create a vignette
  - The Ethics/Purpose moment in meetings
  - Appreciations.
So What?
So What?

- Warren Haynes Rule
- Ben, Emma and Molly Rule