

EARP Fellowship Case Study

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“The Conscious Capitalism Movement and its Integration into EuRA”

The conscious capitalism movement has gained extraordinary momentum over the past five years and is transforming the landscape of commerce. For too long companies large and small have focussed solely on shareholder profit and relegated the issue of the importance of business to wider society, to the balance sheet. The philosophy of conscious capitalism seeks to change this and bring business and its vital wealth creating abilities to the centre of societal values. Forbes magazine recently ran an article titled, “Only Conscious Capitalists Will Survive”, strong words indeed from the publishing bible of high capitalism. Author Jeff King, CEO of advertising agency Barkley writes; “Is conscious capitalism profitable? In a simple answer, yes. We have seen it happen more often over the past several decades—the success of companies that truly commit to the greater good. Yet, we would say that not only can conscious capitalism be profitable, it will be one of the defining mechanisms of profit in the future.” (King 2013).

In my role as the C.E.O. of EuRA, the European Relocation Association, I work with companies and corporations from across the world in every sector of commerce. It’s part of my role to promote the importance of global mobility and talent management to the wider corporate community. But the larger aspect of my work, is supporting the needs of our members, providers of mobility services who work

locally, regionally, nationally and internationally. Providers in the mobility industry are broadly divided into two types; destination service providers (DSP's) and relocation management companies (RMC's). DSP's are locally or regionally based and provide support, information and practical services to local companies who are moving their staff, managers and teams into or out of the area where the DSP operates and also to RMC's as local suppliers to the RMC's corporate clients. RMC's are national or international providers who work directly with corporate clients to structure and deliver global mobility programmes. RMC's employ DSP's to provide on-the-ground services to the staff and families of their corporate clients. At EuRA we represent and promote the work of both sectors through education programmes, networking and knowledge sharing events, forums for communication between the stakeholders as well as direct provision of member services such as support, quality assurance and individual certification. My key role is to coordinate the work of the EuRA teams so that we can deliver services to members and the wider corporate community in the following key areas;

- Quality assurance via the EuRA Global Quality Seal, an independently audited process management certification system for EuRA Members delivering relocation and mobility services
- Individual training and educational certification programmes
- Working with other organisations around the world involved in the support of mobile populations
- Providing opportunities for members to meet and network
- Knowledge sharing with the global mobility industry and the wider corporate community

In this case study I will outline the four main principles of conscious capitalism and its theoretical framework. I will also look at how these principles differ from traditional corporate social responsibility, how at EuRA we are becoming a conscious business and how we hope to promote this philosophy out to our wider industry.

I first came across the concept of conscious capitalism where it began, in the USA.

As part of our commitment to keeping costs low in order to maximise the development of member services under our existing Corporate Social Responsibility policy, myself and colleagues had rented an apartment in Seattle while attending a conference as opposed to staying in a hotel which was a much more expensive option. Next door to the building was a Whole Foods Market, a supermarket with a huge range of organic foods. The concept of the store was intriguing and it was far a better supermarket than any I had used in many years of travelling in the USA. I went online to learn more about the Whole Foods Market which is where I discovered that the concept had taken off across the US and it was not just a one off store in Seattle. I also learned that the founder, John Mackey, had written a book, "Conscious Capitalism", which I bought and read. At the same point in time, EuRA was increasing the requirements for certification under the Global Quality Seal and we had just added a requirement for a Corporate Social Responsibility policy. Since this time, I have been researching the processes involved in how businesses become conscious entities and hope to show during this case study, what we have done to implement the philosophy into EuRA and how we hope to bring this concept to our industry. I hope to show in this case study how conscious capitalism can transform

the world by integrating profit, good governance in businesses and wider societal values by demonstrating the positive impact it has had on my organisation.

Conscious capitalism is based on the notion that free enterprise capitalism is the most successful system for innovation and social cooperation that has ever been devised. It has led to incalculable benefits for mankind including:

- Reducing the population of the world living in extreme poverty (less than \$1 per day) from 85% in 1815 to 16% in 2015 (Bourguignon & Morrison 2002)
- Average life expectancy across the globe has risen from 30 to 68 years since 1800 (United Nations 2011)
- The percentage of undernourished people has dropped from 26% to 13% since 1970 (Population Reference Bureau 2010)

Capitalism has come under sustained attack as a philosophy and it seems to many that corporations have come to dominate and control societies, leading to an erosion of individual rights and effective government control over big business.

There is no doubt that this has happened and the balance needs to be redressed. As the world is (hopefully) coming out of an eight year recession, it is not surprising that we have seen grass roots organisations such as the 'Occupy Wall Street' movement getting headlines across the globe. Capitalism is seen as a threat, not a solution, largely because it's perceived as "exploiting workers, cheating consumers and creating inequality" (Mackey 2012) as the rich get richer and the poor get poorer.

This is because people in control have allowed the entrenched and historical ethical basis of business to be diluted by economists who have developed a self-serving and ultimately perverse version of capitalism which is far removed from its ethical roots.

Adam Smith, in his seminal book *The Wealth of Nations* put forward the case that capitalism is built on two ideas;

- Businesses are built to create wealth and for individuals to pursue their self interest and wealth while at the same time
- Human nature dictates a need in us to desire and care for others and business reflects ideals that transcend purely selfish motivations

This second tenet of Smith's philosophy of capitalism was largely ignored and capitalism developed in a more stunted and self-interested way that increased societal divisions and led to the development of communism as a perceived fairer system for wealth distribution (Smith 1776).

According to John Mackey, two significant barriers to our capitalist systems being fairer, more ethical, and more efficient are 'the myth of profit maximisation' and 'crony capitalism'.

The myth of profit maximisation is, that the ultimate purpose of business is to maximise profits for investors. Successful businesses are always profitable but the myth that this is the sole purpose of business, has done huge damage to the reputation of capitalism. The true purpose of business should be to improve our lives and create value for all stakeholders.

Crony capitalism does away with the founding principle that true free enterprise capitalism imposes strict accountability and international discipline on businesses.

Crony capitalists operate in such a way as to maximise self-interest and use the

awesome power of governments to secure advantages available only to them. The Enron scandal was a classic case in point.

“While free-enterprise capitalism is inherently virtuous and vitally necessary for democracy and prosperity, crony capitalism is intrinsically unethical and poses a grave threat to our freedom and well being.” (Mackey 2012)

So, we need to re write the philosophy of capitalism to get back to the founding principles which have been such a power for good in the world, and using the principles of conscious capitalism are one way to achieve just that. The philosophy is built on four primary ideas:

1. Higher Purpose
2. Stakeholder Integration
3. Conscious Leadership
4. Conscious Culture and Management

Higher Purpose

In the context of conscious capitalism, higher purpose refers to the difference that the company is trying to make to the world (Mackey 2012). Higher purpose asks four questions:

- What will the world look like when we have achieved our higher purpose?

- What are the principles we will hold onto regardless of changes in the marketplace?
- What is the reason for the organisations' existence beyond making a profit?
- How do we convey our value and purpose to external stakeholders and create loyalty?

A great example of a higher purpose definition within a conscious company is

Disneys'; "To use our imaginations to bring happiness to millions."

Within EuRA as an organisation, we are in the process of assessing these elements and creating a higher purpose vision. Our primary higher purpose is to create a world where the value of the services provided by EuRA Members is understood such that individuals and families in transition are professionally assisted so they can start maximising the experiences that living in a new place can bring. Our core value is to provide services to the members that are relevant, professionally and personally enhancing and cost effective. A good example is our annual conference. Our core value for this conference is to deliver an event that enhances our guests enjoyment of being part of the relocation industry and we do this by being truly welcoming, providing an atmosphere that people enjoy being part of and holding events that make every guest feel included and part of the "EuRA Family". This family feeling is part of our external positioning and marks EuRA out amongst other bodies working in the mobility industry. It is vital to our core purpose and our external positioning that we continue to uphold the importance of inclusivity to members of the association, making them aware of how important they are as stakeholders. So, a definition of higher purpose for EuRA could be;

“By enabling our members to be the best at what they do, we make the experience of relocation a life enhancing one.”

Stakeholder Integration

The big difference between stakeholder integration in a conscious company and within a CSR policy is that no stakeholder is perceived as more important than any other. In a non-conscious company, even where it has a robust CSR, the shareholder will often take precedence over other stakeholders. Customers, employees, suppliers and investors all take an equal place in the integration of the conscious company. But the wider community is also “one of the core constituents of the conscious business” (Sisodia 2012). All business should benefit the wider community and this is where CSR policies have really begun to integrate businesses into society.

With EuRA as an organisation, stakeholder integration has been key from the start. Our customers are our members and our members are all have a share of the organisation. When we work with suppliers we always work direct, for example not working with an events coordinator for our conference, as this way we build long-term relationships with the events teams at our venues. In negotiations with suppliers we understand they too need to make a profit and by negotiating direct, we are not embroiled in commissions and paybacks. Our employees are all equal parts of our small team. We have a flat structure in the organisation rather than a hierarchy. As a not for profit, we have no investors. One of the most common criticisms levelled at RMC’s as part of the supply chain is that they have little respect for their DSP suppliers, paying late, demanding price cuts and using bonus malice

clauses in contracts to guarantee price drops. Becoming conscious businesses, is the best way for the RMC's to re-examine their supply chains and integrate all stakeholders in the industry.

Conscious Leadership

“Conscious leaders focus on ‘we’ rather than ‘me’. They inspire, foster transformation, and bring out the best in those around them.” (Mackey 2012). The role of the conscious leader is to serve the higher purpose of the organisation and create value for all stakeholders. The philosophy of the conscious leader was first adopted into management theory in the early 1970's by Robert Greenleaf, who recognised that organisations as well as individuals could be servant leaders. These ideas form a core part of the conscious leadership tenet of conscious capitalism.

“Good leaders must first become good servants... A servant-leader focuses primarily on the growth and well-being of people and the communities to which they belong. While traditional leadership generally involves the accumulation and exercise of power by one at the “top of the pyramid,” servant leadership is different. The servant-leader shares power, puts the needs of others first and helps people develop and perform as highly as possible.” (Greenleaf 1970.)

Within EuRA, we are working towards this concept of servant leadership both within the team structure but also in the way we perceive our members. We are here to serve them and that in turn feeds into the concept and vision of the EuRA family.

Conscious Culture and Management

“Conscious businesses have distinctive cultures that help them adhere to their higher purpose and maintain a harmony of interests across stakeholders.” (Mackey 2012). Corporate culture has long been an essential defining characteristic of businesses, but in the context of a conscious business, it is not something simply observable about the company, but something built into the fabric of every part of the operation. “Culture can account for up to half the difference in operating profit between two organisations in the same business “(Heskett 2012). Conscious cultures have seven key characteristics summed up by the mnemonic TACTILE:

- Trust – Internally between management and teams, externally between suppliers and customers
- Accountability – between team members, to customers and to and from suppliers
- Caring – genuine heartfelt care towards all stakeholders by being thoughtful, authentic, considerate and compassionate
- Transparency – in finance and strategic planning
- Integrity – telling the truth and operating with fairness and fair play
- Loyalty – to all stakeholders, staff, customers, suppliers
- Egalitarianism – all stakeholders are treated with respect and dignity, small salary differentials between the top and lowest earners within the organisation

Within my organisation, we are working to implement all seven of these key characteristics and so far, we’ve been successful at doing so, but it takes a top down re-organisation and this is where corporate culture and the culture of a conscious

business differs. In the latter, it is not just something to be observed and absorbed, it is a way of operating that defines the business itself.

We are working on implementing all four tenets into the association over the next six months, and launching an information campaign about conscious capitalism at our annual conference, taking place in Malta in April 2016. The conference theme is dedicated to conscious capitalism with the title “Social Values | Better Business” and a series of breakout, plenary and discussion panels will look at how to implement the tenets of conscious capitalism across our industry. What has been so interesting and important for me during this steep learning curve, has been just how important this approach is going to be for the future of business, capitalism and the Earth itself. Generation Y is already demanding a change to the way we do business. Trust in global corporations is at an all time low, yet we have no better system for the distribution of wealth and raising of happiness globally than capitalism. Change will come and conscious capitalism is the common force of good in that change.

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