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Opinion: Why we're pushing for a new model for business - Conscious Capitalism

Oct 18, 2018, 6:00am EDT

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Over the last few decades, there has been a growing disenchantment with capitalism.

This sentiment is particularly strong among millennials. A Harvard University survey released in 2016 concluded that 51 percent of adult respondents under the age of 30 did not support capitalism.

This attitude might be expected during a financial crisis, but a decade after the Great Recession, amidst a robust economy, it is alarming.

This negative outlook has been influenced somewhat by reality, though greatly amplified by perception. While there are clearly bad actors, individuals like Bernie Madoff or institutions like Enron are a minority.

Rather, the business community has done a poor job marketing itself as a social good. To say it another way, capitalism has a PR problem. This issue is particularly unusual given the successful track record it has had over the last couple centuries. Where there is capitalism, you will find increased life expectancy, lower rates of poverty, and a more educated population.

The shortcomings of capitalism, whether real or perceived, have stemmed in part by how we define the role of a business. Since the early 1980s, the dominant view has held that the purpose of a business is to generate profit for its owners. This narrow view has led to a short-sighted, transactional, and at times socially hazardous approach. At the very least, it has perpetuated the notion that companies are self-interested entities.



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At the same time, there has never been a greater need for companies to lead. Many traditional institutions such as government, church, and nonprofits have been slow to adapt to the demands of a changing society. In the vacuum of leadership, many are now looking to businesses to fill the void.

Take the relationship between employee and employer. Employees now expect work that is fulfilling, philanthropic, and career-enhancing. They are not content to just collect a paycheck. Even among investors, attitudes are changing. Larry Fink, the CEO of the largest hedge fund, BlackRock, penned an open letter to CEOs stating that "public expectations of your company have never been greater. Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society."

In this new environment, a small but growing number of businesses have found a guiding strategy in the philosophy of Conscious Capitalism.

This is the idea that a business must have a purpose beyond profit. Because a business is a social institution, its reason for existing should be to make society better in some way. Profit is simply a way to sustain that social benefit.

An illustrative way to contrast the traditional model with Conscious Capitalism is in how value creation is defined. The traditional model measures value in shareholder return. Conscious Capitalism measures value more generally, taking into account all stakeholders – employees, customers, trading partners, the local community, the environment, etc.

Another defining feature is a focus on creating a positive culture run by servant leaders. Culture and leadership are prerequisites to delivering on purpose. It is counterproductive to create long-term value with selfish leaders or a toxic culture. Tying it all together, a company is considered a conscious business when it coordinates culture, leadership, and stakeholders in order to fulfill a purpose.

Capitalism must be reformed in order to survive. The traditional model of a business will not be adequate to meet the expectations of the upcoming generation. They are demanding that companies take on more responsibility.

If business leaders rise to the occasion, they will transform their organizations to solve pressing needs. This will not only benefit companies but society as a whole.

Josh Harrison is a board member of Conscious Capitalism of Columbus.

