Acrobat Reader File Edit View Window Help U.S. 45% Thu 2:09 PM

BA 361 Ch 1.pdf

Home Tools BA 361 Ch 1.pdf × Sign In

What is conscious capitalism?

First, you have to understand the basic principles that help capitalism flourish. One is property rights. You need the ability to trade your property, and to trade it to pretty much whomever you want. Another is the rule of law—laws and regulations that are well understood so that you can factor them into your business decisions. The rule of law has to be applied equally to everyone. . . . You also need to have conscious businesses—that is,

businesses that become conscious of their higher purpose, which is not just about maximizing profits and shareholder value.

Second, you have to recognize the stakeholder model: Customers, employees, investors, suppliers, larger communities, and the environment are all interdependent. You operate the business in such a way that it's not a zero-sum game.

Third, you need what we call conscious leadership. You could also call it servant leadership. Leaders identify their own flourishing with the flourishing of the organization. They're trying to serve the organization and its purpose.

Fourth, you have to create a conscious culture—a culture that allows the organization to fulfill its higher purpose, implements the stakeholder model, and enables conscious leadership to flourish.

So, what are the core principles of Whole Foods, and where do they come from?

I think business enterprises are like any other communities. They can aspire to the highest values that have inspired humans throughout time. You can use different value models, but I like Plato's the good, the true, and the beautiful. Add the heroic to that—meaning changing and improving the world and standing up for what you believe is true and right and good. I think Whole Foods' highest purpose is a heroic one: to try to change and improve our world. That is what animates me personally. That is what animates the company. I resisted that purpose for a long time, by the way. I actually thought we were in some variant of service—that it was really about fulfilling the good. The team members consistently told me I was wrong, that we had a different purpose. It was this more heroic purpose.

In terms of the age-old debate about whether companies exist for the shareholders or for something else, is there one group? Is it ...

That gets back to the second principle of conscious capitalism—the stakeholder model. I think it's kind of deep in human nature to think in terms of the zero sum. If one stakeholder is winning, someone else must be losing. It comes from sports, where there is one winner and lots of losers, and this idea of a fixed pie, where if someone is getting a bigger piece, someone else has to be getting a smaller piece, and what's needed for social justice is to make sure people get equal pieces. But a conscious business recognizes that you can have an expanding pie, and potentially everyone can get a larger piece.

I'll give you a simple example: Management's job at Whole Foods is to make sure that we hire good people, that they are well trained, and that they flourish in the workplace, because we found that when people are really happy in their jobs, they provide much higher degrees of service to the customers. Happy team members result in happy customers. Happy customers do more business with you. They become advocates for your enterprise, which results in happy investors. That is a win, win, win, win strategy. You can expand it to include your suppliers and the communities where you do business, which are tied in to this prosperity circle. A metaphor I like is the spiral, which tends to move upward but doesn't move in a straight line.

Questions for Discussion

1. What role, if any, does McGregor's Theory Y play at Whole Foods? Explain.
2. How does Whole Foods build human and social capital?
3. How does this case bring the profile of the 21st-century manager (Table 1–3) to life? Explain.
4. Where would you locate Whole Foods on Carroll's global corporate social responsibility pyramid in Figure 1–3? Explain.
5. Which of the seven moral principles in Table 1–4 appear to be in force at Whole Foods? ...