

Internal Transformation of Corporations

The road to conscious capitalism

BY MICHAEL THOMAS AND BILL VELTROP

I“It’s simple really. In today’s global economy, there’s only one market and only one constituency. That market is the planet, and its citizens are all stakeholders of the 21st century corporation. Companies with this understanding are already outperforming their competitors, and those whose vision includes conscious capitalism will set the standard for the next generation of business leaders. We’re being called to serve as generative leaders—to be stewards for the well being of all life affected by our corporations. We owe it to our shareholders, we owe it to our fellow citizens, and we owe it to our children and their future.”

— Juniper Networks
Chairman and CEO Scott
Kriens

We believe that pervasive global issues are a result of the design limitations of organizations.

Public opinion has reached a tipping point in terms of recognizing the major environmental challenges we are facing throughout our planet. We may also be approaching that point with respect to pervasive social and economic issues. Collectively, we are becoming conscious of

the stark reality that the well-being of life on our planet is at risk. We are, however, much farther away from having a shared understanding of what it will take to reverse these ominous global trends.

This paper focuses on what we believe to be the root cause of our widespread environmental, economic and social issues,

which is organizational design. It has been said that every organization (and system of organizations) is perfectly designed—to get the results it gets. We believe that our pervasive global issues are primarily a result of the design limitations of our organizations. These complex and highly interdependent social forms (corporations, governments, institutions, etc.) have, for the most part, evolved from simpler forms based on simplistic and often mechanistic organization design principles. Few of our complex organizations have been designed to be, or are managed as, learning organizations; much less as conscious, empathetic, self-evolving social systems.

This design deficiency is at the heart of our global problems. If it seems as though our corporations are unconscious of their true net impact on the environment and on society, it is because they weren’t designed to be conscious.

This article focuses on corporations and what will best support the metamorphosis of those organizations from their caterpillar-like tendencies (e.g., narrow field of vision, huge appetite for natural resources, self-centered nature) to their inherent but generally underdeveloped butterfly possibilities (e.g., wide-ranging field of vision, minimal use of the earth’s resources, and contributions to the well-being of other life forms).

It is important to differentiate between *internal* metamorphosis-like transformation and *externally* sourced initiatives that are intended to create or support such transformative shifts. The authors conclude that corporate metamorphosis:

- Needs to be an inside job,
- Will be initiated by corporate leaders because it is a superior business model and better serves the needs of all stakeholders,
- Can be catalyzed and supported by well-designed external initiatives, and
- Can be confounded by poorly designed external initiatives.

This just-in-time evolutionary shift will be driven in the same way the Industrial Age and the Information Age were driven—by entrepreneurs and “intrapreneurs”—or leaders who are beginning to see the exciting new

opportunities to do well by doing good. These leaders will see that they can strengthen their organization's financial sustainability by addressing rather than avoiding the major social, economic, and environmental challenges of the 21st century. These global crises are now providing a sense of urgency that will accelerate the shift to what has been called "conscious capitalism," where corporations function *for* the world.

Part I: Moving Toward Conscious Capitalism

As Patricia Aburdene writes in *Megatrends 2010: The Rise of Conscious Capitalism*:

We've now become conscious of the uncalculated social, economic, and environmental costs of "unconscious" capitalism. And many are beginning to practice a form of "conscious capitalism," which involves integrity and higher standards, and in which companies are responsible not just to shareholders, but also to employees, consumers, suppliers, and communities. Some call it "stakeholder capitalism."ⁱⁱ

By conscious capitalism we mean a mature, responsible, accountable capitalism—an evolved form of capitalism that has outgrown the self-centered, toddler stage of development where it unconsciously creates messes for others to clean up. By conscious capitalism, we are referring to business organizations that are becoming conscious of the consequences of their choices, and that are making decisions that contribute to the true well-being of *all* affected, including future generations whose voice is not represented in the corporate board room. In contrast to the short-term perspective that afflicts companies and capital markets, they are organizations that understand and are committed to long-term creation of wealth that is fairly distributed among those responsible for its creation.

Conscious capitalism transcends the myopic vision of Milton Friedman, who advanced the view that the only legitimate social responsibility of capitalism was to increase shareholder profit. Conscious capitalism recognizes that the health and sustainability of

business organizations is interdependent with the health and sustainability of its ecosystem, which is the larger society and the natural environment. The purpose of business, in the era of conscious capitalism, will be to make a net positive contribution to societal well-being.ⁱⁱ

What is it about the design of our corporations that is producing the "uncalculated social, economic, and environmental costs of 'unconscious' capitalism"ⁱⁱⁱ described by Aburdene?

There are at least three fundamental design flaws that contribute to organizational unconsciousness present in most corporations.

Design Flaw #1 — Narrow and Limited Definition of Success

This is the most insidious of the three design flaws. A narrow focus on financial results, combined with a myopic fixation on near-term results has guaranteed chronic corporate unconsciousness.

In his Nobel Peace Prize acceptance speech in 2006, Muhamed Yunus of Grameen Bank noted:

I am very unhappy about the conceptual restrictions imposed on the players in the marketplace. This originates from the assumption that entrepreneurs are one-dimensional human beings, who are dedicated to one mission in their business lives—to maximize profits. This interpretation of capitalism insulates the entrepreneurs from all political, emotional, social, spiritual and environmental dimensions of their lives. This... stripped away the essentials of human life. Humans are a wonderful creation embodied with limitless human qualities and capabilities. Our theoretical constructs should make room for the blossoming of those qualities, not assume them away.

Yunus challenges us to rise above one-dimensional definitions of who we are and who we can be. He is challenging us to design our businesses for wholeness and balance, in ways that support and enhance the full blossoming of all dimensions of life.

The most insidious design flaw of corporations is their narrow definition of success.

Design Flaw #2 — Mechanistic, Control-Over-People Organizational Cultures

We have inherited a tradition of control-over-people organizational systems and cultures. Though sometimes, quite subtly, the “carrot-and-stick” philosophy is still alive, well, and pervasive. This control-over-people philosophy virtually ensures that hierarchy will live in a bubble that insulates executives from what they don’t want to see or hear. A control-over-people culture is effectively a commitment to constrain consciousness.

Organizations designed, developed, and led in ways that equip all members to control their piece of the business have invariably demonstrated extraordinary levels of performance and contribution. We have only begun to tap the unlimited potential of empowering individuals within the business enterprise. As we learn to develop and unleash this potential we can experience a renaissance of unparalleled social, environmental and technological innovation.

Design Flaw #3 — No provision for On-going Generative Design

We are still at a *very* early stage in the development of our potential as designers of corporate organizations. Much of our language of organizations keeps us trapped in a mechanistic, dominator worldview (e.g., “span-of-control,” “chain-of-command,” “superiors/subordinates”). This, coupled with a general lack of capacity of organizational redesign and renewal and a complete lack of time for reflection and learning, keeps us stuck in the same level of thinking that created those problems in the first place.

Designing, developing and evolving our organizations should be inspired by the same efficiency, effectiveness, elegance and beauty as has evolved over billions of years in our

natural environment. Developing this capacity for self-reinvention within corporations can become *the* business strategy for the 21st century. It is the starting point for a virtuous circle: consciously evolving organizations growing a consciously evolving society growing consciously evolving organizations. It promises a future where we understand that economics, ecology and community well-being are all embedded in one another, where production is designed in a way that sustains rather than consumes our natural resources—that appreciates rather than depletes human resources.

The above three flaws have made many of our business organizations rigid and self-absorbed—a millstone around the neck of global well-being. Our corporations are ripe for metamorphosis. The business case for corporations that touch the earth lightly, that are natural sources of cross-fertilization, and that fully tap human potential, has never been stronger. The core task before us as leaders and social architects is to learn how to create the conditions that support and accelerate such transformation.

Part II: Transformation From Within

It has been said that metamorphosis is an inside job. Transcending the above design flaws is central to creating a world that brings prosperity to all. This task calls for a metamorphosis of how we think about organizations—a transformation as significant as that from the caterpillar to the butterfly.

The shift *from* mechanistic, dominator-based organizations *to* vibrant and dynamic organizations that are equivalent to living organisms begins from within. External encouragement, guidance, and support can be helpful and, in some cases, essential. However, in the final analysis, transformation begins with the DNA of the firm. The cells that make up the caterpillar are somehow supported in taking on vital new roles, clumping and clustering in new ways with wondrous new results.

You’ve probably heard the story of the boy who saw the butterfly struggling to emerge from the chrysalis and tried to help by cutting

The traditional legislative approach does not motivate transformative innovation among business leaders.

open the cocoon. The butterfly died. Initiatives such as the Sarbanes-Oxley Act (SOX) may or may not improve the ethics of the caterpillar. What's more certain is that SOX will tend to reinforce bureaucratic behaviors and may undermine the trust which is the lifeblood of any successful organization.

Consider the possibility of corporations changing from within, shifting their very premise for existence from a singular focus on the shareholder to serving the highest needs of all their key stakeholders; from moving from a focus on short-term earnings to applying their capacity for innovation to the task of transforming daunting social challenges into business opportunities.

The call for this quantum change is of such magnitude that it would seem to require a Herculean effort. While opinions vary as to the best strategy for achieving this objective, it is clear that the scope and the severity of the issues both demand an internal response.

The traditional mechanistic, top-down, legislative approach neither motivates nor supports those positioned within organizations to lead transformative innovation and change. In fact, it flies in the face of the first rule of organization change: obtain, at the beginning, the involvement and support of those needing to change. After all, it is not change that people are so resistant to, but rather "being changed."

What is needed is nothing less than a massive shift within corporations that involves their employees in the generative process of reinventing themselves as a company. This begins with a compelling purpose that energizes and inspires the workforce: one that satisfies the need for social, economic and environmental reforms while generating enormous opportunities for profits. What will make this seemingly impossible task more feasible is the acceleration of connectivity and consciousness that is moving us toward a new worldview.

Consider the following two cases. The first story hasn't been publicized. The second is

widely known. Both are stories of successful internal work by corporations that helped blaze the trail toward a more conscious capitalism:

Story #1—Procter and Gamble's Albany, Ga. paper plant was started in 1973. The company approached the design of this 1000-person organization using principles drawn from living systems and socio-technical design theory. The design they produced represented a radical departure from traditional thinking at that time:

- Their semi-autonomous technician team model was unprecedented in the level of control each team had over its production operations, safety, employee learning and development, planning, coordination, boundary management and more.
- Their workforce, drawn from the surrounding community (mostly rural), consisted of 40 percent African-Americans and 20 percent women, at a time and in a place when both race and gender were explosive issues.
- They wisely invested in using highly generative approaches to training and developing not only the technician team system, but also the support and managing systems, in ways that stacked the deck for success.
- They designed learning and change capacity into both the teams and the organization as a whole, in a way that helped ensure not only the ability to deal gracefully with inevitable change, but also to prevent a calcifying of obsolete structures.

Not only did the Albany plant demonstrate dramatically superior business results immediately upon starting up, they have sustained this collaborative advantage for the last 33 years. A few of the many side-benefits from their innovative philosophy/design include: 1) sowing the seeds and reaping the rewards from embracing diversity throughout P&G as a rich source of the energy of innovation; and 2) its contribution to the surrounding communities from the highly developed leadership capacities of these employees.

What is needed is a massive shift within corporations that involves their employees in the process of reinventing themselves as a company.

Story #2—Interface, a commercial carpet company, whose employees in the 1980s and 90s were empowered by their President, Ray Anderson, to recast almost everything in their company. By re-thinking every process with an eye towards creating *zero waste*, the company was able to eliminate millions of dollars in cost, find new markets, create an entirely novel economic model for leasing rather than selling their carpets, and achieve

their closed-loop and recycling goals. The workforce was inspired and energized in the process, which significantly increased employee retention and productivity. By addressing the major environmental impacts created by their business, the company has grown and prospered rather than hurt their financial bottom line.

These pioneering corporate innovations, as radical as they were at the time, serve as exemplars of what is both possible and essential. It is important to notice that: 1) neither of these breakthroughs was a consequence of external

pressure and 2) both produced sustainable financial as well as social and/or environmental benefits.

Attempts to force corporations to change through mandates, regulation and litigation can generate a resistance of such magnitude that, at best, it will significantly slow the transformational process and, at worst, it will ensure that the initiative arrives with no chance of succeeding. Without the active participation of those within the organizations in the creation of the “Corporation of the Future,” the possibility of a timely system transformation is decreased dramatically. We have learned through great pain that the best chance for any change initiative to succeed is if the impetus comes from within.

The question then becomes, what are the drivers that will catalyze this rebirthing process within corporations? After decades of focusing primarily on strategies for increasing earnings, what will cause corporations to want

to realign their purpose and reallocate their resources in a way that brings new energy and leadership to the resolution of long-term issues such as global warming, poverty, hunger, disease and terrorism?

Part III: A New Corporate Worldview Is Emerging

A new worldview is emerging within Corporate America and the global marketplace. As reported in the April 2007 issue of *FORTUNE* Magazine:

The days of mandate, regulate and litigate are almost over...Now we are at the threshold of a different era, one in which companies are trying to figure out how to profit by solving the world's big environmental problems. Transitioning to a low-carbon economy will require new ways to generate power, run our cars, grow our food, and design, build, heat and cool our homes and offices. Only business is capable of innovation at that scale.

Entrepreneur John Mackey, co-founder and CEO of Whole Foods, writes:

Business is fundamentally a community of people working together to create value for not only themselves, but for other people including their customers, employees, investors, and the greater society. All the other professions put an emphasis on the public good and purpose beyond self-interest. Business owners and entrepreneurs should also emphasize this and need to view their business as a complex and evolving interdependent system, and manage their business more consciously for the well-being of all their major stakeholders while fulfilling their highest business purpose.

The increasing emphasis on Corporate Social Responsibility (CSR) and Environmental Management Systems (EMS) is an important indication that corporations are beginning to acknowledge that their responsibilities extend beyond the basic need to generate sustainable profits.

One particularly useful way to observe the emergence of a conscious capitalism is through the lens of a “Full Stakeholder Model.” Mackey’s comments above, as well as

the increasing emphasis on CSR and EMS, all point to a growing realization within corporations that their success and sustainability is ultimately dependent on their value-adding contribution to the well-being of *all* their stakeholders.

We could see it coming years ago if we had been looking for it. For instance, in John P. Kotter and James L. Heskett’s *Corporate Culture and Performance*, their research showed stunning differences between corporations with adaptive cultures that focused on all major stakeholder groups and those with non-adaptive cultures that focused on only one or two stakeholder groups. The table below reflects the economics and social costs of non-adaptive, narrowly focused corporate cultures for the 1977-1988 period:

Table 1

	Adaptive Cultures (%)	Non-Adaptive Cultures (%)
Revenue Growth	682	166
Employment Growth	282	36
Stock Price Growth	901	74
Net Income Growth	756	1

A more recent study regarding the success of stakeholder-centered businesses clearly underscores the power of this new, conscious business model. The study, *Firms of Endearment: The Pursuit of Purpose and Profit*,^{iv} identifies and tracks the results for 27 companies that are managed to optimize total stakeholder value, rather than focusing strictly on profits.

These firms started with human performance and worked forward rather than starting with financials and working backwards. As a result these firms were admired by all the stakeholders including the employees, customers, suppliers, environmentalists, the community and the governments. These “Firms of Endearment” have been rewarded for their efforts with a 1025 percent return to

investors over the past 10 years versus 122 percent for the S&P 500 and 316 percent for the companies profiled in *Good to Great*.^v Mackey suggests that this is no accident; rather, it is the result of all these firms creating a superior business model, the business model he believes will become the dominant business model in the coming century.

In an era of ever-accelerating connectivity and consciousness of stakeholder groups and their advocates, those businesses that are continually improving the quality of their relationships and agreements with all stakeholders will survive and thrive. Those that don’t, won’t. Those businesses that persist in exploiting any stakeholder group (consciously or unconsciously) are living on borrowed time. The sustainable “collaborative advantage” will go to those businesses that are helping to grow stakeholder connectivity and consciousness. This is the essence of the emerging new corporate worldview. This is the essence of a movement toward conscious capitalism.

As ironic as it may seem, the prevalent belief in the business community for the past three decades—that the only legitimate responsibility of business was to maximize profits—was not only dead wrong, but ultimately self-destructive. It now appears that being socially and environmentally accountable, rather than being dismissed as naïve or altruistic, simply makes good business sense. It lays the foundation for both a healthy and sustainable economy, while focusing the innovative power of corporations on becoming better students of, and stewards for, the natural and social environments in which they operate.

The Next Big Thing Isn’t a Thing

The corporations that will survive and thrive in the coming decades are those that have mastered the art and science of creatively adapting to the true needs, aspirations, and potential of their various stakeholders. Owing in large measure to technological advancements, the rate at which these stakeholders are becoming connected and conscious is accelerating—on an exponential trajectory. This is an irreversible trend. Corporations can either become highly

adaptive and surf on this wave of consciousness, or they can choose to be rigidly defiant and wiped out by it.

The next big thing is the conscious corporation, where leadership realizes that the most enduring strategy for generating sustainable profits for their shareholders is to develop: 1) the highest quality relationships and agreements with all of their stakeholder groups; and 2) the capacity to adapt quickly and gracefully to the true needs, aspirations,

and potential of these stakeholders. The conscious corporation is an organization that has evolved true partnerships with each of its stakeholder families. The conscious corporation knows that its sustainable strength lies in its distributed capacity to contribute to the well-being of the whole corporate organism, including all members of its immediate and extended stakeholder families. Just as a healthy growing human family is aware and responsive to the

opportunities, needs, aspirations, and the potential of each of its members, so it is true for corporations.

Granite Construction Company, a heavy civil contractor with 10,000 employees, headquartered in Watsonville, Calif., is a prime example of an organization that has dramatically increased its shareholder value while shifting its orientation to better serve the needs of its employees and the communities, and better manage its environmental impacts.

Granite was able to more than triple its share value over the past few years by focusing on building stronger relationships with all of its key stakeholders. The catalyst for its strong stakeholder stewardship has been a powerful set of core values originating in the 1930s from company founder Walter Wilkinson. He urged Granite employees to “boldly contend for that which is right, and firmly reject that which is wrong” and to “never participate in any deal that is not fair to all parties involved.” This simple concept was clearly a forerunner to today’s stakeholder model, honoring the

building of not only highways and bridges, but long-term relationships and agreements with all stakeholders.

A rapidly growing awareness is taking shape within corporations of their relationships with diverse stakeholders, and their dependence on these groups and the natural environment for their long-term survival. During the past decade, companies have discovered that redesigning themselves around a more conscious, full stakeholder model creates unparalleled opportunities for their businesses, including better cost control, new products, new markets and new ways to profitably employ their core competencies. They also have learned that an organization that values and contributes to the well-being of all its stakeholders is a magnet for top talent, and a powerful enabler that inspires the workforce to achieve their highest levels of performance and involvement. The growing awareness of the linkage between business purpose and a strategy that serves the needs and expectations of all stakeholders has shifted the notion of social *responsibility* to that of social *opportunity*, stirring the business development juices of entrepreneurs everywhere.

James C. Carse, *Finite and Infinite Games*, observes:

There are at least two kinds of games. One could be called finite, the other infinite. The finite game is played for the purpose of winning, an infinite game for the purpose of continuing the play. Finite players play within boundaries; infinite players play with boundaries.^{vi}

The game of business can and must shift from being a finite game to becoming an infinite game—so that we not only get to continue to play, but that our grandchildren’s grandchildren inherit a game that is truly worth playing.

Part IV: The Meta-design Challenge

What will accelerate our movement toward conscious capitalism? This is our meta-design challenge.

One critical need is for new creative metrics and other motivators. As Amory Lovins has written, “Economics as we know it is going to

Companies have discovered that redesigning themselves around a full stakeholder model creates unparalleled opportunities.

change in ways we can't imagine. We will have new ways of accounting, new ways of keeping score." Not everything that counts can be counted. Financial results, in addition to not telling the whole story, tend to be lagging indicators, describing *what was* rather than *what will be*. The evolutionary movement from our current finite game of business to a more conscious capitalism will include yet transcend financial metrics.

The evolutionary movement from our current finite game of business to a more conscious capitalism will transcend financial metrics.

Many businesses are learning that the best way to create a healthy financial bottom line is to focus attention on tracking and influencing the leading indicators, which are indicative of where a company is going in the future versus where it has been. These leading indicators include metrics tracking a company's performance in support of all the key stakeholders, including employees, customers, suppliers and sub-contractors, communities and the environment. Increasingly, these metrics are being built into performance goals as well as the management's

compensation formulas to ensure that the shift to a more conscious capitalism is reinforced through the company's performance and reward systems.

A good current example of using creative stakeholder metrics is TIC, a mid-sized industrial construction company headquartered in Steamboat Springs, Colo. In 2006 TIC redesigned its executive incentive system around a new set of "Built-to-Last" stakeholder metrics to create infrastructure for a more sustainable, stakeholder-based business model. With a core theme of "Powered by People," TIC's implementation of stakeholder-based incentives places it solidly on the track toward conscious capitalism. This is in marked contrast to other companies that have espoused strong stakeholder values, but have continued to compensate their executives based only on maximizing profits.

Various industry and cross-industry research and consulting groups have become critical

sources of support for internal transformation processes. These we refer to as "General External Motivators," or GEMS.

The Great Place to Work Institute (GPTW)

Headquartered in San Francisco, this institute's primary focus has been on the treatment of employees within corporations. Through extensive research it has identified key elements in the policies, programs, and behaviors of organizations which contribute to a more satisfied, energized workforce. Interestingly, the questions used in its employee surveys capture a company's commitment to, and effectiveness in, supporting other stakeholder groups as well, including the broader community and, indirectly, the natural environment. Its survey instruments have become de facto metrics that help corporations measure the immeasurable.

Amy Lyman, co-founder and chair of GPTW, indicates that the research of the institute shows that the most important ingredient leading to employee satisfaction is trust. The treatment of all employees with respect and dignity, caring for them as individuals, and encouraging them to grow and do what they do best every day—this is what is essential to a highly effective and motivated workforce.

Many senior executives are highly motivated to have their companies nationally recognized as one of *FORTUNE Magazine's* "100 Best Companies to Work For." This draws them to focus on the quality research of the Great Place to Work Institute which, in turn, provides internal Human Resource practitioners with the additional legitimization and support they need to create initiatives capable of growing healthy, effective, internal cultures.

The rewards for corporations that excel in this area are substantial. A 2005 study of public firms on *FORTUNE's* list of "100 Best Companies to Work For" revealed that they returned 176 percent to the shareholders between 1998 and 2004, compared to 39 percent for the Standard & Poor's 500.

U.S. Green Building Council

Established by a collection of socially and environmentally responsible individuals from

the construction industry in 2000, the Green Building Council is one of the best industry group examples of enabling the internal transformation of corporations. Its influence on both the construction industry and many other businesses has grown exponentially through the design and implementation of a green certification process. The Leadership in Energy and Environmental Design (LEED) *Green Building Rating System* rates commercial and residential buildings (platinum, gold, and silver) for excellence in environmental design. This system has provided a blueprint for consciously designing structures in ways that will significantly reduce their environmental footprint while creating opportunities for long-term savings.

The message is increasingly clear: corporations that effectively serve the needs of their stakeholders will outperform their peers.

The LEED certification is a classic example of a Generative External Motivator—a real GEM with multiplying benefits for most stakeholder groups. Not only are they reducing the environmental footprint of the building industry (which accounts for 39 percent of our country's total energy use, 12 percent of the water, and 38 percent of carbon dioxide emissions), but they also are producing irreversible shifts in the

consciousness of organizations involved in new building construction.

In turn, going green generates new business opportunities by building new expertise and capacities needed for new markets and products. In addition, these companies are finding that their employees are more highly motivated because they are proud to be part of a company that is ethical and that demonstrates strong character through its support of communities and the environment.

Global Reporting Initiative

This historic, international, multi-stakeholder initiative has established standards for measuring and reporting on sustainability efforts at the level of the firm. The GRI process took steps toward standardized environmental and social reporting, so results

can be compared across companies and industries.

Increasing numbers of other enabling programs also have sprung up in recent years to support the work of internal transformation through higher standards and recognition programs. *Business Ethics* magazine's "100 Best Corporate Citizens," *FORTUNE*'s "Most Admired Companies," and *Forbes*' "Most Admired and Most Trusted Companies" are all examples of generative initiatives that contribute to a paradigm shift in the way corporations view their roles in the world. The accelerating expansion of socially responsible investment from \$12 billion in 1995 to \$178 billion in 2005 also is an important factor shifting how we see the game of business.

The message is increasingly clear: corporations that effectively serve the needs of all their key stakeholders will outperform their peers. Companies that focus on creating great workplaces that encourage innovation and creativity amongst their employees will thrive in the long run.

To this point, today's most commonly used metrics have been geared toward a 20th century manufacturing paradigm that no longer reflects the realities of the marketplace. These old metrics were designed in an age when capital was scarce, labor was abundant, and natural resources were unlimited.

Today, with the help of organizations such as Great Place to Work Institute, the U.S. Green Building Council, and the Global Reporting Initiative, there is a growing appreciation that the real drivers for creating stakeholder wealth in all its forms are the intangibles. Knowledge, know-how, commitment, innovation, relationships, character, and reputation are examples of what needs to be measured more precisely and strategically. Shifting from today's over-emphasis on lagging indicators of performance (financial results) to the leading indicators of future performance will enable the internal transformation of corporations to a more conscious form of capitalism.

The Pathway Forward

Corporations have evolved to a point where they can become planetary leaders for the benefit of all. The modern business

corporation is probably the most adaptive institution humankind has ever devised. Successful businesses make it their business to adapt to changes in their environment, or else they perish. In addition, global corporations are positioned to become the first true planetary citizens—if they choose to play that role. They have worldwide responsibility and capability. Corporations work across traditional boundaries with much more ease and effectiveness than do political institutions, and businesses are much more flexible and adaptive than the slow moving, bureaucratic structures of our governments.

Why will they choose to play this role? We are moving into a new economic era, which can be termed conscious capitalism. This era of accelerating stakeholder consciousness and connectivity will make it an imperative for corporate leaders to master the art of organizational metamorphosis—of transforming their organizations from near-sighted, shareholder-centric systems to organizations designed to serve *all* of their stakeholders *all* the time. Those organizations that learn to make that shift will survive and thrive. Those that don't, won't.

What will best encourage and support this transformational shift? The question is no longer “Can the transformation happen internally?” but rather, “What kinds of external interventions will best accelerate the metamorphosis that is already underway in our corporations?”

We see a movement away from “Mechanistic External Drivers” (MEDs), toward GEMs.” MEDs are designed to control and constrain. GEMs take on a life of their own because they are inherently value adding, and give life to the natural energy and genius of the people. Our collective challenge is to learn to get off the MEDs and create more GEMs. As we become successful in addressing this high-level design challenge, corporations will respond in equally creative ways, making a larger contribution to the well-being of life than we could have imagined.

We are at a choice point of historic proportions. We can choose the disastrous course of keeping on keeping on, or we can

choose to support the evolutionary shift to conscious capitalism. ■

FOOTNOTES

1. Patricia Aburdene, *Megatrends 2010: The Rise of Conscious Capitalism*. Charlottesville: Hampton Roads Publishing Company, 2005.
2. Aburdene 2005, op.cit.
3. Ibid.
4. Rajendra S. Sisodia, David B. Wolfe, Jagdish N. Sheth, *Firms of Endearment: The Pursuit of Purpose and Profit*, Philadelphia: The Wharton School Publishing, 2007.
5. Jim Collins, *Good to Great*. New York: Collins Publishing, 2001.
6. James C. Carse, *Finite and Infinite Gains*. New York: Ballantine Books, 1997.