



A New Business Paradigm

By Richard Barrett

Introduction

The basic premise of this paper is that to survive and prosper in the 21st century, business will need to develop a new business paradigm—one that embraces the global common good rather than individual self-interest. A paradigm based on vision-guided, values-driven leadership that targets not only the business success of the company, but also the well being of all stakeholders—employees, customers, investors, partners, society and the environment—nothing less than full spectrum sustainability.

Over the past century business has become the most powerful institution on the planet—more dominant, and more powerful than the United Nations, the World Bank and the International Monetary Fund put together. To survive and prosper, the dominant institution in any society needs to be seen to be taking responsibility for the whole.

Not only is business not taking responsibility for the whole, it is becoming less and less trusted by society. As a result of the economic downturn in 2008/2009, 68 percent of Americans and 67 percent of the British had a lower opinion of business leaders than before. In the same poll, 76 percent of Americans and French, 67 percent of Britons, and 81 percent of Germans thought business leaders were unethical.¹ In March, 2009, 85 percent of Americans thought that big business had too much power in influencing decision-making in the US Government.²

Shoshana Zuboff, who spent a quarter of a century as a professor at the Harvard Business School, including fifteen years teaching in the MBA programme, believes that this shocking state of affairs has a lot to do with the way business leaders are educated. She states that:

I have come to believe that much of what my colleagues and I taught has caused real suffering, suppressed wealth creation, destabilized the world economy, and accelerated the demise of the 20th century capitalism. We weren't stupid, and we weren't evil. Nevertheless we managed to produce a generation of managers and

¹ www.harrisinteractive.com/vault April 15, 2009

² www.harrisinteractive.com/vault March 12, 2009

*business professionals that is deeply mistrusted and despised by a majority of people in our society and around the world. This is a terrible failure.*³

The following quote from Michael Jacobs, a professor at the University of North Carolina's Kenan-Flagler Business School, supports this opinion. Writing in the April 24, 2009 edition of the Wall Street Journal, in an article entitled *How Business Schools Have Failed Business*, he states:

There are three profound failures of sound business practices at the root of the economic crisis, and none of them have been adequately addressed by our business schools... Could we have avoided most of the economic problems we now face if we had a generation of business leaders who were trained in designing compensation systems that promote long-term value? And who were educated in the proper make-up and responsibilities of boards? And who were enlightened as to how shareholders can use their proxies to affect accountability? I think we could have.

*America's business schools need to rethink what we are teaching—and not teaching—the next generation of leaders.*⁴

The real problem is not just the myopic focus on profits that almost everyone involved in business has, the real problem is that those in charge of our global financial systems and business organisations see themselves as separate from the rest of society.

They do not see themselves as part of the global collective we call humanity. They see the Earth as an infinite resource that can be plundered at will. For them the planet is just an economic externality, not a life support system.

They think the only responsibility they have is to their shareholders; and, they see their shareholders as also somehow magically separate from society. It is as if all those involved business are out of touch with reality or live on a different planet. They operate from the lowest levels of consciousness and lead a schizophrenic existence.

When they are at home, they are concerned about their local environment—they want to live in beautiful places; they are concerned about their grandchildren's futures—they want them to live in a better world; they are concerned about ecological diversity—they want to visit remote wilderness areas or wildlife reserves; and they may even support causes that address some of the social injustices in the world.

When they are at work, they step into a completely different world. They either deny that these issues exist or they see them as impediments to their success. For them, the

³ Shoshana Zuboff. *The Old Solutions Have Become the New Problems*. Business Week, Viewpoint, July 2, 2009.

⁴ <http://online.wsj.com/article/SB124052874488350333.html>

gambling casino of the stock market is their pathway to self-esteem. The share price of their company and the wealth they have accumulated become proxy measurements of their self-worth. They are driven by their ego's need for achievement.

Business leaders behave in this way because they are responding to two sets of incentives:

- The incentives that society has allowed the elites to dictate through the passage of national and international laws regarding the limited liability of companies and the pre-eminence of shareholder returns in business.
- The financial incentives they are offered for complying with this way of thinking.

These incentives lead to short-term decision-making that focuses on the self-interest of a few (the elites) rather than the good of our global society. The only real exceptions are some of the leaders of family owned companies who have accepted their responsibility for the whole and are not solely driven by the profit motive.

I argued, in *Liberating the Corporate Soul*⁵ that enlightened business leaders know they can only sustain strong positive results if they care about the common good. Enlightened leaders have learned that caring for employees, caring for customers and caring for the local community is good for the bottom line. They have also learned during the last decades of the twentieth century, it is at their own risk and peril that they ignore their company's larger social responsibilities, such as environmental protection, social justice and ecological diversity. Unfortunately, this message has still not penetrated very far in the business community and hardly at all in our business schools.

Enlightened business leaders are discovering that ethics and values are good for business. Who you are and what you stand for have become just as important as the quality of goods and services that you sell. Companies that knowingly allow tainted or dangerous products to enter the market place suffer far more than those that take immediate remedial action. A failure to embrace values-driven or ethical leadership has led to the demise or diminishing shareholder returns of many major corporations in the past two decades. Events at Enron, WorldCom, Parmalat, Siemens, Bear Sterns, RBS, Northern Rock, and Lehman Brothers, bear testimony to this fact.

In all these cases, billions of dollars of shareholder value and employee pension plans were wiped out overnight by the actions of leaders who could not see beyond their own self-interest. The leaders of these organisations were so seduced by the glamour of success or so consumed by the need for achievement, that it seriously impaired their

⁵ Richard Barrett. *Liberating the Corporate Soul: Building a Visionary Organisation*. Boston: Butterworth-Heinemann, 1998.

judgment about what constituted good business. They could not see that their strategies for business success were based on strategies of moral failure.

These leaders were operating under the old business paradigm where their own short-term self-interests were allowed to outweigh the long-term common good.

Many of them also underestimated the ability of civil society to mobilize public opinion to destroy their reputations and their businesses. The internet-connected world is making what happens at every level of society increasingly transparent. There is nowhere to hide anymore. Society is becoming hyper vigilant about its leaders. The masses are demanding that their leaders become more accountable and operate with greater self-regulation. In the future, only leaders who embrace the highest levels of ethical conduct will be judged fit enough to be custodians of shareholder investments or the holders of the reins of political power.

I agree with Dov Seidman, an authority on ethical conduct in organisations. He states:

It is no longer what you do that sets you apart from others, but how you do what you do. Sustainable advantage and enduring success—both for companies and the people who work for them—now lie in the realm of how, the new frontier of conduct.⁶

In *Building a Values-Driven Organisation*.⁷ I showed how cultural capital has become the new frontier of competitive advantage and performance, and that the culture of an organisation is a reflection of the values (levels of consciousness) of the leaders. When these two facts are juxtaposed, it becomes obvious that the values of the leaders are paramount in determining the success of a company.

The values of the leaders determine the culture of the company, and the culture of the company determines its competitive advantage. I also showed in *Building a Values-Driven Organisation* how vision-guided, values-driven organisations that operate from full spectrum consciousness are the most successful organisations on the planet.

What this means is that there is an evolutionary mechanism at work within the domain of business that encourages and supports values-driven, ethical leadership and punishes ego-driven leadership that focuses purely on self-interest. This mechanism is being driven by the evolving values of society and the increasing transparency provided by the internet.

In the future, values-driven leaders who are aligned with and support the goals of society will naturally rise to the top because they will be the most successful leaders.

⁶ Dov Seidman. *How: Why How we do anything Means Everything ... in Business (and in Life)*. New York: John Wiley & Sons, 2007.

⁷ Richard Barrett. *Building a Values-Driven Organisation: A Whole System Approach to Cultural Transformation*. Boston: Butterworth-Heinemann, 2006.

These leaders will have three main items on their leadership agenda—the societal imperative, organisational resilience and adaptability.

The Societal Imperative

The first implication of the new business paradigm is that business leaders need to understand that behaviours that compromise the good of our global society will no longer be tolerated. Business is becoming a wholly owned subsidiary of society, both figuratively and literally—after the global meltdown in September 2008, 75 percent of the banking system in the United Kingdom was placed under the custodianship of the UK Government. Why? Because the leaders of the banking sector of Britain could not be trusted: they were either incompetent or excessively greedy.

Fifty years ago, business leaders and bank managers were the pillars of society—people who were respected for their contribution to the community. This is no longer true today. Their reputations are tarnished.

Between 2003 and 2007, only one in five Americans (20 percent) believed banks should be more regulated. In 2008, this number rose to 36 percent, and in 2009 it reached 40 percent. The increase between 2008 and 2009 was mostly due to a drop in honesty and trustworthiness. In 2004, two in five Americans (40 percent) said they would normally believe a statement by a company in the banking industry. In 2008, the number dropped to 21 percent, and in 2009 it dropped further to 12 percent.⁸

There is now a popular belief that we cannot trust bankers because they are more focused on their bonus package (self-interest) than the good of the whole. I know this is not true of all bankers, but it certainly appears to be true of those involved in investment banking. The worst of it is they are convinced of their own righteousness. They are unwilling or incapable of seeing themselves from the eyes of society.

Banking reputations were so sullied by the global economic meltdown of 2008 that it is doubtful if there will ever be the same level of trust between the public and the banking sector again. Unless the financial industry as a whole pulls together to create a new image of responsibility, accountability and trust, it will never be possible to convince the public that the leaders of the banking sector are focused on the common good.

What is true for the leaders of the banking sector is also true for other business leaders and politicians. Under the guise of doing well for their businesses and communities they appear to be *more* intent in doing well for themselves.

The British parliamentary expenses scandal of 2009 has significantly eroded the trust of UK citizens in their elected representatives. Because of this blatant abuse of privilege,

⁸ <http://www.harrisinteractive.com/vault> December 1, 2009

UK citizens are demanding tighter regulation and oversight of the behaviour of the elites. They are calling for our business and political leaders to operate from a higher level of consciousness. The new business paradigm calls for a new breed of business leaders and politicians who recognize that their self-interest is wrapped up in the good of the whole.

Business leaders are being asked to work with their competitors and political leaders to define a framework of policies that support the evolution of our global society by developing industry charters that regulate the rules of competition between companies in a way that supports the societal common good. The Caux Principles⁹ and the Earth Charter¹⁰ provide good starting points for this discussion.

I share the sentiments of Tex Gunning, President of Unilever Bestfoods Asia. He puts it this way:

*The paradigm that divides the world into the social sector, the private sector, and the governmental sector is not working. It creates artificial barriers. We are each a constituent of the problem, so we have to combine our forces, our efforts, and our competencies.*¹¹

He goes on to say:

Average leaders take care of themselves and their families. Good leaders take care of themselves, their families, and some of the community. Great leaders—and great companies—not only take care of these stakeholders but also want to change the world. They want to leave the world better than they found it.

We all share this planet together; none of us can live a meaningful life when in Bangladesh, in China, in Darfur, hundreds of thousands of people are in need of help.

But although we've realized that economic development can be good for the world, the moment that seventy or eighty percent of the world is not participating in a manner that is equitable, then the system is failing. So awareness is emerging that the capitalist system itself is failing.

If a few of us can prove that it makes good business sense not just to be socially responsible but to make a serious social mission intrinsic to one's business, then this is going to be written about, studied, and publicized: because nothing is transferred faster than a success story in business. So I am very optimistic that if a

⁹ <http://www.cauxroundtable.org>

¹⁰ <http://www.earthcharterinaction.org>

¹¹ <http://www.enlightennext.org/magazine/j28/gunning.asp>

*few businesses can set an example here, we can make a tipping point out of it. And at this point, we really have no choice.*¹²

Gunning's personal philosophy, which he brings into his business life, exemplifies the new business paradigm. He is focused on meaning and purpose, and has created a corporate culture for Unilever in Asia that embraces trust, honesty and authenticity.

Unfortunately, the number of leaders like Tex Gunning is very few. Gunning is operating from a higher level of consciousness than his peers, and he has been rewarded by significant success. Our business leaders need to lift their consciousness to a new level. They need to recognize, as Tex Gunning has, that business will only be successful if our society is successful. We are no longer operating in a world of us and them, there is only us.

Resilience

The second implication of the new business paradigm is that business leaders need to know how to build resilient organisational cultures. To do this they will need to recognize that organisations are living entities. They are human group structures that operate like complex, adaptive systems—just like all other living entities.

Living entities are able survive and thrive only because each individual entity in a group structure has learned that its self-interest is wrapped up in supporting the good of the whole. So the question then becomes, "How do leaders create cultures that behave like living entities?"

We only have to look at a healthy human body to find the answer. Human beings are able to survive and thrive because the cells that make up the body learned at some point in the past how to become viable and independent in their frameworks of existence. They then learned how to bond with each other to form group structures called organs, which in turn learned how to cooperate with each other to form a higher order entity—the human body.

Each cell in the human body has a job. Each cell knows what to do, and can be trusted to work for the good of the whole. Our body organs cooperate rather than compete. They too are working for the good of the whole. All of this works fine until one cell decides to pursue its *own* self-interest. We call this cancer. A cell that becomes cancerous knows no bounds to its self-interest. It continually replicates itself thereby threatening the good of the whole. Cancer cells are normal cells that have basically stopped working for the common good.

¹² <http://www.enlightennext.org/magazine/j28/gunning.asp>

We can draw a parallel to the human body in our organisations. Organisations survive and thrive when employees learn how to become *viable and independent* in their frameworks of existence; then learn how to *bond* to form teams or business units, and the business units learn how to *cooperate* with each other to form a higher order entity called the organisation.

Self-interest on the part of employees, managers or executives creates cancerous conditions, which left unchecked sap the energy of the organisation and its ability to survive. These cancerous conditions show up in behaviours such as internal competition, blame, silo mentality, bureaucracy, empire building, etc.

These three stages of development: learning how to become viable and independent; learning how to bond to form group structures; and learning how to cooperate to form a higher order entity, are the three universal stages of evolution. We will explore this three-stage evolutionary paradigm and its application to leadership development in the following chapter.

The idea that strong bonds and internal cooperation builds successful human group structures is not new. The fourteenth century thinker Ibn Khaldun¹³ noticed that the most successful tribes in North Africa operated with *asabiya*—which can be translated as “a capacity for collective action.” He further noticed that in the most resilient groups, the level of *asabiya* was strongest at the highest levels of leadership. To be successful, the decision-making entity of a group (the leadership team) operated as one. They operated with a high level of trust and internal cohesion.

This leads me to the hypothesis that human group structures and organisations in particular work best when:

- Employees are *viable and independent* in their framework of existence—when all employees are accountable for their specific contributions.
- Employees *bond* together to form viable independent group structures—when employees form teams or business units that are responsible for specific tasks.
- Teams and business units *cooperate* for the good of the whole—when viable independent group structures work together to form a higher order entity (the organisation).

Our research at the Barrett Values Centre supports this hypothesis. We have found that the most resilient organisations have a strong alignment of values, a shared commitment to the vision or mission of the organisation, and a strong sense of personal accountability among all employees.

¹³ Peter Turchin. *Historical Dynamics: Why States Rise and Fall*. Princeton: Princeton University Press, 2003.

When all these factors are present, they create a high level of staff engagement and a low level of cultural entropy. Cultural entropy is the degree of dysfunction in a human system caused by behaviours that are rooted in self-interest.¹⁴

In an organisation, these entropic behaviours are driven by potentially limiting values such as internal competition, blame, silo mentality, bureaucracy, empire building, etc. The origins of these values lie in the hearts and minds of the leaders. It is the personal entropy of the leaders that creates the cultural entropy of the organisation, which in turn limits the organisation's performance. Personal entropy is the amount of fear-driven energy that a leader expresses in his or her day-to-day interactions with people in the organisation. It is a measure of his or her lack of personal mastery skills and capabilities, and represents a low level of personal evolution.

Adaptability

The third implication of the new business paradigm is that leaders need to know how to build *adaptable* organisations. Adaptability is the corner stone of resilience, and the most essential quality for long-term sustainability and evolution. Without adaptability there can be no resilience.

In *Strategy at the Edge of Chaos*¹⁵, Beinhocker describes the modern economy as a complex *adaptive* system. He states:

Markets exhibit periods of relative calm and stability, which are interrupted by stormy periods. Such disequilibriums make it difficult for participants to survive for long periods as their strategies, skills or culture tends to get finely optimized for stable periods, and then suddenly become obsolete when the restructuring occurs.

Beinhocker goes on to state that:

Companies have a hard time surviving upheavals, market shakeouts and technology shifts. Therefore, strong cultures are only valuable if they exhibit adaptive and learning qualities. Otherwise, they become a liability during the periods of accelerated change.

I believe that the global economic meltdown of 2008 was not a market shakeout or a technology shift—it was the forerunner of the eventual breakdown of an unsustainable economic paradigm that threatens the global sustainability of our human society.

The failure of our financial system, together with global climate change, global terrorism, and the increased risk of global pandemics is not only severely testing the

¹⁴ Richard Barrett. *Building a Values-driven Organisation: A Whole System Approach to Cultural Transformation*. Boston: Butterworth-Heinemann, 2006.

¹⁵ Beinhocker, E. *Strategy at the Edge of Chaos*. McKinsey Quarterly, 1997, Vol. 1, pp 25-39.

resilience and adaptability of our businesses, it is also testing the resilience and adaptability of our global society. If we are to collectively survive and prosper, our business and political leaders must learn how to build strong adaptive cultures. We must put aside our differences and focus on the global common good.

In a four-year study of 200 organisations, John Kotter and Heskett of the Harvard Business School found that companies with strong *adaptive* cultures outperformed companies with rigid or weak cultures by significant margins.¹⁶ Revenues grew four times faster, the rate of job creation was seven times higher, and stock price grew 12 times faster.

The importance of adaptability in our personal lives is one of the main conclusions of a multi-decade longitudinal study of 100 Harvard graduates. The results of this research are reported in *Adaptation to Life*¹⁷ by George E. Vaillant.

Researchers found that the most “successful” individuals—those who were most able to deal with the vicissitudes of life—used mature coping strategies that enabled them to adapt to their life conditions. The strategies they used for self-regulation included:

- *Altruism*: The ability to devote yourself to meeting the needs of others by making their concerns central to your life.
- *Humour*: The ability to make fun of your situation and thereby lighten the load of what you have to bear.
- *Suppression*: The ability to postpone paying attention to an impulse or conflict until you are ready to deal with it.
- *Anticipation*: The ability to anticipate and plan for the possibility of future inner discomfort and manage the process.
- *Sublimation*: The ability to attenuate or channel the expression of instinctual responses into avenues of expression that do not result in adverse consequences.

Those who were less able to adapt to their life situations used strategies such as the following:

- *Repression*: Blocking the conscious perception of feelings and instincts.
- *Passive-aggressive behaviour*: Sublimated aggression expressed indirectly by passivity.
- *Projection*: Relieving your own unacknowledged pain by projecting your feelings onto others.

¹⁶ John P. Kotter and James L. Heskett. *Corporate Culture and Performance*. New York: The Free Press, 1992.

¹⁷ George E. Vaillant. *Adaptation to Life*. Cambridge, MA: Harvard University Press, 1977.

- *Intellectualization*: Denying the feelings you are experiencing by rationalizing the situation away.
- *Acting out*: Engaging in tantrums and motor impulses to avoid dealing with tension and one's own feelings.

Nowadays, we would classify the mature coping strategies under the heading of emotional intelligence.

What this research, and the research of Kotter and Heskett, point to is the importance of personal and organisational adaptability in dealing with challenging situations. This means being able to work with other people, other organisations, and other nations that have differing points of view to find ways forward that support the common good. Throughout evolution adaptability has been found to be a more powerful strategy for sustainability than force.

Conclusions

Ultimately, the problems of existence we face are issues of consciousness, and the crisis we face is a crisis of leadership. We will only get beyond this stage of our collective evolution if we can put aside our narrow self-interest, focus on the whole system, and build a values-driven framework of policies that support the common good.

Our business leaders need to step up to this challenge. Business needs to be seen as part of the solution, not part of the problem. Business needs to set an example—to identify, develop, and promote leaders who display positive self-interest with regard to the organisation, but do so within a framework of overarching policies that supports the common good of our global society and its life support systems.

The leaders of our organisations need to recognize that business is a wholly owned subsidiary of society, and society is a wholly owned subsidiary of the environment. Business can only thrive and prosper in a world where people live at peace with each other, and where we all live in harmony with the planet. If the life support systems of our planet are not preserved, not only will our human society perish, but our economy will disintegrate too. Building a sustainable future for everyone is not just societal imperative it is also a business imperative.

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