



**Brio  
Leadership**

# Conscious Capitalism

**A Natural Fit for Family-Owned Businesses**



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## Conscious Capitalism – Does Your Business Practice It?

Conscious Capitalism is all about the heart and soul of a business. It is a movement that is gaining momentum and excitement in the general business community and particularly speaks to the family-owned business. Family-owned businesses are typically more values-driven than other companies, so this movement is a natural concern for these businesses. Conscious Capitalism contrasts with traditional capitalism, whose sole purpose is to maximize shareholder (or owner) wealth.



In Conscious Capitalism, the purpose of business is to advance the common good and to make decisions that benefit not just the owners or shareholders, but rather all the stakeholders of the business: employees, customers, shareholders/owners, suppliers & vendors, society and any other constituents that are affected by the business.

If you think that talk about heart and soul of business is mushy, feel-good pabulum, get this: Conscious businesses outperform the overall stock market by a ratio of more than 10:1 (Mackey, J. & Sosodia, R., 2014, p. 36). That means that Conscious Capitalism is a serious competitive advantage. It is a tough, business-minded, holistic approach to business that ultimately results in better financial performance.

Here are the four tenets of Conscious Capitalism. Read them to see how close your company is to being conscious:

### Conscious Leadership

Conscious Capitalism starts with leaders. Leaders must have a high degree of self-awareness – of both their strengths and their foibles – in order to set the emotional tone for the rest of the group. Always remember that the leader casts a long shadow, meaning that all eyes are on the leader to set the behavioral example for the rest of the group. For example, if the leader yells at a marketing person for making a mistake, that marketing associate is likely to treat the web designer in a similar fashion. In many of the small- to mid-size family-owned companies I work with, the leaders are typically the founders and have a high level of passion for their business but lack the same level of self-awareness. They would benefit from bringing in outside consultants and coaches to help them learn ways to be more effective, both in their business structure and their interpersonal interactions.



### Higher Purpose

Conscious businesses have a purpose that is bigger than just making money, and they make sure that everyone involved with the business knows what that is. Whole Foods' purpose is *"helping to support the health, well-being, and healing of both people — customers, Team Members, and business organizations in general — and the planet."* The leaders in this company embed their purpose and their core values in everything they do – from the hiring and people practices they follow to the strategic decisions they make. If you don't have a punchy purpose, listen to your founder or leaders to see what they repeatedly say. For example, in one family-owned company that I work with, the president would often say, "We keep a lid on criminal behavior." We turned that phrase into their purpose statement. The "litmus paper" question that determines if you have a compelling purpose is, "If I were the shipping clerk, what would get me out of bed on Monday morning to come into work?" To successfully motivate employees and generate interest, your purpose must have passion and appeal.

### Conscious Culture

Culture is the soul of a company. It manifests in the way people (insiders and external suppliers) are treated, the way decisions are made and the emotional norms that may be unspoken but expected. Culture is the result of how an organization lives its values. In conscious businesses,

values most often in evidence include trust, compassion, integrity, accountability, fairness and transparency. Are people treated fairly in your company? Are they held accountable to reasonable and well-communicated expectations? Is the culture emotionally intelligent or chaotic? Positive answers to these questions will build a strong company culture, which increases employee engagement and reduces costs.

### Stakeholder Integration

Stakeholders, as we stated above, are all the people affected by your business, including employees, customers, shareholders/owners, suppliers, vendors, and the community or society. When a company practices stakeholder integration, no single stakeholder group is more important than another. In traditional capitalism, decisions are made to benefit the shareholders or owners, while all other constituents take a back seat. In Conscious Capitalism, leaders build a synergistic relationship among the stakeholders, and seek win-win-win-win solutions to any problem. For example, a supplier may announce a price increase to you. Instead of simply passing on that price hike to your customers, you might initiate a dialogue with multiple stakeholders, both internal and external to your company, to find an innovative solution that is neither black nor white, but a third option. In this example, you can see that mitigating a price increase is very good for business – your customers may curtail spending with you if your price isn't competitive - which again illustrates

how Conscious Capitalism is a competitive advantage over other business strategies.

## Five Steps to Building a Conscious Business Culture

Conscious Culture is one of four tenets of Conscious Capitalism, which we explore one by one in this white paper. The Conscious Capitalism movement is one of the most exciting developments in business practices in the 21st century, and it deserves the attention of family-owned businesses, many of which are deeply values-driven.

Culture is the very soul of a company. It manifests in the way people (insiders and external suppliers) are treated, the way decisions are made, and the behavioral norms that may be unspoken but expected. Culture is the result of how an organization embodies its core values, and it consequently becomes the company's collective world view. Walter Robb, Co-CEO of Whole Foods Market, says that culture is "the actual practice of those [core] values over time" (as cited in Mackey & Sisodia, 2013, p. 218). In this way, culture is intangible but vitally important. According to James Heskett of Harvard Business School, "Culture can account for up to half of the difference in operating profit between two organizations in the same business" (as cited in Mackey & Sisodia, 2013, p. 217). Because it has to do with how people, especially employees, are treated, the ramifications of culture pervade all aspects of a business. The productivity,



engagement, innovation, and energy of your workforce are a result of the working environment that leaders build.

The following five steps are key to building a conscious culture in your organization:

### Core Values

Have you identified your family-owned business' core values? If not, now is a very good time to start work on this. If you have, have you given them any thought or tested them for accuracy? Too many times, companies spend time and money creating mission, vision, and values statements and then put them on a shelf to collect dust.

Conscious companies are continually living, breathing, walking, and talking their core values. They hire new employees for their alignment with those values; they terminate people who cannot live up to them. They look for ways to recognize employees and promote managers who can live the values advocated by the company.



The most common values seen in conscious cultures include trust, accountability, excellence, fun, compassion, integrity, fairness, and transparency.

Accountability is an important value because it might be counter-intuitive in talking about culture. Don't be tempted to think that Conscious Capitalism is soft or mamby-pamby. To build a conscious culture, you have to be tough enough to hold all people accountable to both the values and task expectations you have of them. My mother used to call this "tough love" – a loving way to spare no one from the natural consequences of their actions. I've seen some great companies ruin their culture by tolerating poor performance in their favorite workers and insulating them from consequences. Don't get me wrong – I espouse compassion for episodic life events that can derail someone's effectiveness for a short time, but established patterns of low productivity or destructive behaviors should be dealt with fairly.

Brio Leadership recommends that, in a family business, you start by identifying the values of the family. Start by asking yourself what values this family stands for. Then the family can highlight the most important values and suggest that the business adopt them.

### **Hiring and Firing**

Conscious cultures hire people who share their values. In every job interview, the interviewer presents the company's core

values to the job candidate and asks behaviorally-based questions to ascertain the individual's alignment with the company's ideals. This alignment predicts in large part the person's happiness and performance in the job. Many of my coaching clients discover that the root cause of their unhappiness in their job is a gross misalignment of their personal core values to those of the company. A values clash does no one – not the company, the customers or the prospective employee – any favors. Fail early – find out in the interview if this person will fit in culturally.

The opposite is also true. Conscious family-owned companies must compassionately terminate employees when they no longer live up to core values or have the skill set for the changing marketplace. Netflix, in its slide deck called "[Netflix Culture: Freedom & Responsibility](#)" (Hastings, 2009), describes how the company "hires, develops and cuts smartly, so we have stars in every position." If a team member's performance is merely adequate, Netflix offers them a generous severance package to leave the company.

### **Compensation/Recognition**

A compensation program is a powerful communicator of core values. If the company's compensation structure is not aligned with the espoused values, then the values are wishful thinking only, not a way of life. Strictly speaking: money talks.

Some questions to determine the



“consciousness” of your compensation structure are:

- Would we be comfortable sharing everyone’s compensation information with all employees? (If salaries and pay are not equitable, you probably don’t want to do this.)
- Do we conduct annual performance reviews (some companies haven’t quite gotten to this discipline)? Does the annual review hold people accountable to behaviors that support core values?
- Do our variable compensation programs (bonuses, perks, and commissions) uphold our values or just the acquisition of new revenues?
- Is variable compensation awarded on a team or individual basis?
- Do we conduct 360-degree feedback on all our managers as part of the annual performance review?
- Do our executive salaries have a cap on them to be no more than 20 times the average worker’s salary?

These are criteria that conscious family businesses attend to.

### **Storytelling**

Storytelling is one of the best methods of translating values to a group. Our ancestors and families told stories to define their identities and pass on aspirations and traits to the next generation. Storytelling is one of the most powerful teaching methods. While enrolled in a public speaking class, I

learned to communicate a powerful message and emphasize a specific point by telling a story – repeatedly. Human beings love stories, much more so than boring lectures, and this love of storytelling exists even in the workplace. One leadership team I worked with decided to come up with 3-4 stories from their experience that illustrated each of their seven core values in action. They were stories of exemplary customer service, outstanding problem solving, pitching in to help, and having fun as a team. Some companies also feel compelled to include stories in their newsletter that depict employees living the values.

However, beware of telling negative stories. One company repeatedly told the story of how a partner was unexpectedly called on the morning of her wedding to join a conference call with a client. And she did! What this story tells me is the company puts no value on work/life balance or on respecting employee’s family time. Don’t perpetuate those stories! Not only that, but actively work to change behavioral norms that demand that kind of sacrifice.

### **Leadership Behavior**

Conscious family-owned companies recognize that the culture is a result of how the leadership team behaves. Leaders are the behavioral role models for the rest of the company. The quickest way to make a mockery of core values is to not hold executives and managers accountable to living them. At Caterpillar, a poorly-

performing division drafted nine new Common Values and defined the behaviors that upheld them. Executives courageously decided that of the 24 current managers, 22 could not make behavioral changes to act in alignment with the values. The 22 old-style managers were let go (Despain, Leinicke, Ostrosky & Rexroad, 2003). This was the keystone to their cultural change and, ultimately, to the survival of the division.

We will examine conscious leadership in-depth in chapter 3.

Choose your leaders well, develop them through mentoring and executive coaching, and demand that they walk the same values they talk. Human beings are a company's most precious asset. A positive culture will bring out the best in people and provide the family-owned company with high productivity, lower costs, higher revenues, and greater contributions to society.

### **How Family-owned Businesses Create Conscious Leaders**

Leaders cast a long shadow. In a family-owned business, this means that the leaders, typically the founders or second-generation family members, set the tone for the rest of the company. Employees follow the example of their leaders, mimicking their behaviors, actions and decision-making styles. In a conscious business, leaders are aware of their influence and take care to ensure that they

are leading with high self-knowledge and maturity.



Leadership is a difficult and complex job. In addition to being smart, leaders in today's marketplace must possess emotional and spiritual intelligence and an understanding of systems theory. They must possess self-awareness of their tendencies and habitual emotional reactions, they must have the ability to scan a room for its mood, and they must demonstrate empathy and compassion for their teams. They must be able to see an organization as a system in which everything is connected and the sum is greater than the parts. Lastly, they must have a long-term and holistic perspective of the decisions they make in order to account for all stakeholders of the organization. The following sections will focus on these characteristics.

#### **Emotional Intelligence**

Researchers in emotional intelligence, or EQ, have discovered that emotional intelligence is more important in the business world than intellectual intelligence, or IQ. Cindy Wigglesworth



(2010) says that “IQ gets you in the door... EQ makes you successful” (slide 34). Up to 60% of job performance in all types of jobs can be related to emotional intelligence (Bradberry & Greaves, 2009, p. 21). EQ is your ability to identify and manage your own emotions, your awareness of others’ emotions and moods, and your ability to manage interpersonal relationships to positive outcome.

Emotional self-regulation is essential in a conscious leader. We’ve all dealt with leaders who are unable to contain their extreme emotions, usually of anger. Call them yellers, bullies or assholes (R. Sutton, 2007), these toxic people are unable to identify and manage their own emotions and consequently misdirect their anger toward their employees. Unfortunately, when people are yelled at, their brains identify it as a physical threat and they become fearful. And when the human brain is gripped by fear, all higher intellectual abilities, such as problem-solving, big picture thinking and creativity, are shut off as the brain focuses on survival. Therefore, leaders who create toxic work environments really hurt themselves more so than anyone else, because their employees are neurologically incapable of doing their best work.

Empathy is also crucial in a conscious leader. The ability to connect emotionally with people is a skill that leaders use to build a healthy work environment, which helps to create engaged employees. In one study, employees were asked to identify the most important characteristic of a good

boss, the results of which identified this trait to be *caring*. Empathy, or the ability to imagine what another person is feeling, is the foundation of caring. A caring boss will create a loyal and productive workforce more readily than an insensitive one.

The good news about emotional intelligence is that it can be improved! Unlike IQ, which is set at birth, anyone can learn new ways of thinking about their feelings and acting on them. Brio Leadership’s executive coaching is a service that helps leaders work on their EQ. We start with Emotional Intelligence and 360° assessments to pinpoint areas that need focus. Then, building off those assessments, we create a development plan to help the leader work on areas that will enhance their effectiveness.

### **Spiritual Intelligence**

Spiritual intelligence is, according to Cindy Wigglesworth (2012), “The ability to behave with wisdom and compassion, while maintaining inner and outer peace, regardless of the situation” (p. 8). Using that definition, you might surmise that Spiritual Intelligence or SQ is the highest expression of both emotional and intellectual intelligence. Wisdom is often equated with intelligence, while compassion is certainly an EQ characteristic. Yes, SQ includes those other intelligences while transcending them at the same time. Wisdom, compassion and peacefulness draw on the best of the human spirit. And, notice that this definition of spiritual





intelligence transcends and includes all religious beliefs, including atheism.

Can you think of a leader who embodies spiritual intelligence? If so, you probably admire and respect that person. Wisdom, compassion and peacefulness are hard to maintain in everyday life; therefore, people who exhibit those characteristics are easy to spot and usually gain other's respect. When an employee is at the receiving end of wisdom or compassion, they never forget it. When a colleague of mine was working for Perot Systems (which is now Dell Services), her daughter became seriously ill and was admitted to the hospital. While my colleague was in the hospital tending for her daughter, she got a call from Ross Perot, then CEO, who simply expressed his sorrow for her and best wishes for her daughter's recovery. A simple act of compassion on the part of the CEO was all it took to make a very loyal employee.

### **Self-Awareness**

Socrates said, "The unexamined life is not worth living." Self-awareness comes from examining your life's events, both past and current, to understand your own history and how it has shaped your world-view, your emotional reactivity and your personality. Wise leaders seek out professionals like an executive coach or therapist to help them inspect their life experiences, learn about their personality tendencies, and even identify their habitual ways of interpreting events, sometimes called a mental model. Until leaders understand themselves thoroughly, they

cannot adequately manage their reactions and emotions, and certainly cannot understand other people. When we understand ourselves better, we can catch ourselves as we fall back into the rut of our reactivity and re-direct our thoughts to take a more appropriate course of action.

### **Empathy**

Gone are the days when leaders are expected to be a dictator, commanding his or her troops to blindly follow. In the knowledge economy, those leaders are finding that they have fewer and fewer followers, as their people head to the exits to try to find better bosses. Rather, leaders today need to cultivate both empathy and compassion for their employees, customers, suppliers and shareholders. These two characteristics will build loyalty in all stakeholder groups.

Empathy is a relatively advanced emotional intelligence skill that is predicated on the individual's emotional self-awareness. If you can't identify an emotion in yourself, it is unlikely that you can identify it in others. Empathy goes one step beyond recognizing an emotion in another: It requires an expression. I just attended a funeral, so the traditional expression of empathy at a funeral is at the forefront of my mind: "I'm so sorry for your loss." This statement acknowledges the sadness of the loss and expresses empathy – which means "feeling with someone" – for their situation.

**Systems Thinking**

Conscious leaders consider the system, meaning the whole company, not just the parts, which include people, process and technology. Systems thinking is a way of looking at the company as a whole, understanding that everything in it is connected. With this approach, a leader can see, for instance, that a single employee may not be the root cause of a perceived problem; rather, the entire system must be examined for causes. A leader who practices systems thinking looks for patterns and trends in data, extrapolating themes from the past to project onto the future. This type of leader also consciously attempts to see complex problems from multiple perspectives; for example, a problem with shipping could be examined from the perspective of a customer, a shipping clerk, or a manager, each of whom could give different nuances

to the issue. Lastly, a conscious leader will look for small actions that can make a big difference. I know a leader who recently was promoted to CEO and wanted to change the culture of entitlement in his company, especially at the executive level. The executives were accustomed to having a catered, three-course meal at their leadership meetings. At the first meeting of his team, the new CEO had the catering company serve each person one banana instead the expected lavish meal. After the shock wore off, the executive team understood that this small change meant big changes at the company. Several of the executives self-selected out of the new culture, which was no longer comfortable for them.

Conscious family-owned business leaders set an example for the entire company. They are aware of the impact of their emotions and behaviors on others. They seek out advice and assistance from outside executive coaches and consultants to help advance their conscious leadership skills.

**How Family-Owned Businesses Achieve Stakeholder Integration**

I remember working with the CFO of a family run business as we were negotiating a contract with a new vendor to the company. Although in retrospect I shouldn't have been, I was surprised when he said to me, "Kristin, I want this contract to be a win-win for both our company and the vendor. I want this vendor to make a





fair profit on this deal, so they will be in business for many years to come. I don't want to work with a vendor who gives away the farm." This win-win approach to vendors is a perfect example of stakeholder integration and the conscious leadership that this CFO exemplified.

Too often, the stakeholders that are taken advantage of are the suppliers and vendors to the company. Some unconscious and typically large companies want to extract the last bit of cost-savings from their vendors so they can increase their margin on sales. They aggressively negotiate low-cost contracts with their (typically) smaller vendors, who might feel they must bow to the pressure that these well-known companies place on them. There are several well-publicized instances of smaller companies going bankrupt because of the unsustainable their bigger clients insist on signing. This practice enriches the larger company at the expense of the smaller vendor. In contrast, a conscious business considers a win-win agreement with a vendor as the gold standard.

Of course, the term stakeholder refers to many constituencies of a family-owned business, including employees, customers, owners/shareholders, vendors / suppliers, the community surrounding the company, and the planet. In a conscious company, leadership considers the health and well-being of all these constituencies. When faced with a decision, conscious leaders will ask themselves, "How will this benefit all the stakeholders in this company?" If there is a conflict, these leaders seek another

option. This is another example of systems thinking: how satisfying all parts of the system or company will create the greatest good for the entire system. That's what conscious capitalism is all about.

For example, a young pharmaceutical company wished to merge with a larger company to provide its shareholders an exit strategy.

The family owners of this company turned down several purchase offers from companies who proposed to move their manufacturing plant offshore after the acquisition.

Instead, the owners patiently waited for a buyer who would agree to keep the employees and the US-based manufacturing plant intact. The owners wanted to ensure continued employment for their workers and maintain the plant's financial benefits for the community surrounding it. This company was able to balance the needs of three of its stakeholders: its employees, the community surrounding its manufacturing plant and, finally, the owners/shareholders. Waiting for a buyer who would satisfy the needs of all three was a conscious business decision for the family.

### How Family-Owned Business Can Commit To a Higher Purpose

Purpose-driven companies are more successful than those whose primary

purpose is to benefit the owners of a company. Employees do not commit their hearts and minds to a company for which the highest priority is making more money. Knowledge workers – and who isn't a knowledge worker in the 21<sup>st</sup> century? – will engage themselves in a company that offers them meaningful work and a position that serves others.



This is typically where family-owned businesses excel. They are known for strong values and a commitment to purpose. Many times, a family-owned company is already providing a workplace that is in alignment with a higher purpose. Many family-owned companies choose to remain private ventures, allowing them to stay true to their purpose and values without the pressure of reporting earnings every quarter.

Here are some purpose statements from some well-known and not-so-well-known companies:

- **BMW** - To enable people to experience the joy of driving.
- **Interstate Batteries** – To glorify God and enrich lives as we deliver the

most trustworthy source of power to the world.

- **Merck** - To preserve and improve human life.
- **Charles Schwab** – A relentless ally for the individual investor.
- **Teaching Co** - To ignite in all people the passion for learning.
- **Mary Kay** - To enrich the lives of women.
- **Disney**: To use our imaginations to bring happiness to millions.
- **Johnson & Johnson**: To alleviate pain and suffering.
- **Southwest Airlines**: To give people the freedom to fly.
- **Pivot Leadership**: Better Leaders = Better World.
- **American Red Cross**: Enabling Americans to perform extraordinary acts in the face of emergencies.
- **Brio Leadership**: To change the world by helping companies become more loving, compassionate, forgiving and accountable.

In examining these purpose statements, you can see that none of them mention increasing profits or greater benefits for the owners. On the other hand, all of these statements have an emotional hook to them – they appeal to your heart as well as your head. These statements also provide



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clear concepts of how the company adds value to its customers, making the statements more concise, pithy and memorable. Which ones are most appealing to you? Which companies would you most like to work for?

If you look at Fortune Magazine's (2014) list of the [100 Best Companies to Work For](#), you will find 100 companies that have a purpose greater than making money. What is the greatest benefit to appearing on this list? Of course, it's that prospective employees make a beeline to apply for openings at these companies. It's like an advertisement to attract the best and brightest workers, and lots of them. In Dallas/Fort Worth, TX, where I live and work, we also have a local listing of [Best Places to Work](#) (Thompson, S. R., 2013) sponsored by the Dallas Business Journal. I encourage all the conscious family-owned businesses I work with to apply for this prestigious award, mainly because it makes hiring so easy and attracts good customers who want to do business with good companies.

In identifying your purpose, ask yourself and your employees basic questions such as, "Why does our company exist?" and, "What would happen if we didn't exist?" One company I worked with recently gathered all 65 of its employees in a room one morning so I could facilitate their formulation of a purpose statement. After an intense but fun 90 minutes, the nine table groups all devised purpose statements that were remarkably similar. One group's statement was especially outstanding –

concise, emotional and memorable – and, with minimal tweaks from the leadership team, was selected as the winner. This company is already well on its way to being a conscious business – in fact, leaders asked all employees to read several chapters of the book *Conscious Capitalism* (Mackey & Sisodia, 2013) – so identifying its purpose was relatively easy for its employees.

### Conclusion

More than many of the business fads of the last twenty years, the concepts of Conscious Capitalism seem enduring and particularly relevant to family-owned businesses. Some of the outstanding characteristics of a typical family business are their commitment to strong values and purpose, caring for employees, exceptional customer service and a long-term perspective. These enduring qualities set the stage for family businesses to easily become Conscious Family-Owned Businesses.

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*Brio Leadership offers consulting, meeting facilitation and executive coaching services for small and mid-sized family-owned business. We can help you build your purpose, conscious culture, conscious leadership and stakeholder integration based on the values that your family stands for. Feel free to contact Kristin Robertson, President, at [817-577-7030](tel:817-577-7030) or [kristin@brioleadership.com](mailto:kristin@brioleadership.com) to schedule a complementary 30-minute appointment to discuss the challenges your business faces.*



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