

# The New Theories of Business

By Richard Barrett

**As we move into the 21st century it is clear that the old paradigm of business is foundering. The theories of business that created the modern age are no longer serving companies and they are no longer serving society. The new theories that are emerging protect and sustain our environment; treat people and communities with respect; and serve the common good. We are entering into the era of compassionate capitalism. The new theories of business are founded around seven principles.**

## **Principle 1: Who You Are and What You Stand for Are Just as Important as What You Sell**

It is no longer sufficient to deliver a great product or service, you must also live by rules that support the common good. There is a growing awareness all over the world that the greed and self-interest of business are at the core of so many of society's ills. The most successful companies in the 21st century will be those that are responsible members of the community and good global citizens. They will be seeking to align the company's values with society's values. The values that companies live by will play an increasingly important role in the public's purchasing decisions and the quality of employees that a company can attract.

## **Principle 2: Investment in Personal Fulfilment is Essential for High Performance**

As competition increases through the globalisation of the economy, companies will increasingly recognize that their competitive advantage lies in tapping the deepest levels of their employees' productivity, creativity and knowledge. To do this they must invest in their human capital. They will need to focus on creating a corporate culture and working environment that brings personal fulfilment to everyone in the organization. This means caring for the physical, emotional, mental and spiritual needs of their employees. Work/life programs will not be sufficient. Companies will need to invite employee participation, provide work that gives their lives meaning and align employees work with their passion. They will need to create a climate of trust and openness that encourages employees to become all they become and bring their whole selves to work.

## **Principle 3: Relationships Are the Engines of Success**

Building a climate of trust and employee fulfilment requires emotional intelligence. The ability to empathize and empower people to become all they can become requires personal skills that are not taught in business schools. The companies of the future are staffing themselves with educated self-actualised individuals who have plumbed the depths of self-knowledge. People who know how to relate to other human beings not from a position of self-interest, but from a position of the good of the whole. In companies of the future, the values you express and how you relate to others will become the new pathways to promotion. Knowing how to create a positive stakeholder relationships with employees, customers, suppliers, the

local community, society and stockholders are becoming the fundamental elements for long-term success. 1,2

## **Principle 4: Vision, Evolution and Transformation Drive Long-term Growth**

Forget change. Successful businesses of the future will be embracing transformation. Change is doing what we do now, but doing it more efficiently or productively. Transformation is about a new way of being. Transformation embraces the concept of change, but it adds something new. It questions basic operating assumptions. In so doing, it invites you to look at your work from a systems perspective. Transformation can only happen if leaders are willing to live in a state of openness and question their most cherished beliefs. Evolution occurs when organizations are able to live in a constant state of transformation. The companies that survive this unprecedented time of change will be those that embrace evolution. Vision gives direction to an organization's evolution. But the vision, like a businesses' operating assumptions, must be constantly examined.

## **Principle 5: Organizational Transformation Begins at the Top**

Organizations do not transform. People do. If the management team is not able to model the values and behaviours that are conducive to creating a high performance 21st century organization then there will be no organizational transformation. No matter what your position in a company, if you want to transform your organization you must start by transforming yourself. Leaders owe it to their colleagues and share-holders to be continually concerned about their personal development. Personal transformation training is becoming an essential aspect of professional growth.

## **Principle 6: Shared Ownership for Common Wealth**

Communities of interest work best when there is psychological ownership, financial interest, and transparency of governance. Organizations create psychological ownership through participation; they create financial interest through stock holder programs; and they create transparency of governance through open-book management. If capitalism is to survive the 21st century it must develop a human face.<sup>3</sup> It must correct the growing inequities between rich and poor, and the haves and have nots. The biggest global issue in the 21st century will not be the creation of wealth, but the sharing of wealth. As business consolidates its position as the most powerful institution on the planet, the pressures for distributing its wealth will increase. Sharing will become the most important global strategy for success.

## **Principle 7: Connectivity Builds Strength**

In times of fierce competition the most successful organizations are always those that have the strongest alliances. Connectivity builds strength through shared ownership and risk. Both internal and external connectivity

are necessary for the rapid flow of information and ideas. Structures and philosophies that block knowledge sharing are destined for extinction. Removing obstacles to the sharing of knowledge and the flow of ideas will only occur when organizations learn to build cultures that forsake self-interest for the common good.

**Footnotes:**

1. Ann Svendsen, *The Stakeholder Strategy: Profiting from Collaborative Business Relationships* (San Francisco: Berrett-Koehler, 1998).
2. Daniel S. Hanson, *Cultivating Common Ground: Releasing the Power of Relationships at Work* (Woburn: Butterworth-Heinemann, 1997)
3. Jeff Gates, *The Ownership Solution: Toward a Shared Capitalism for the 21st Century* (Reading: Addison Wesley Longman Inc., 1998)

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