



A CONSCIOUS PURPOSE

Anthony Buono and **Rajendra Sisodia** explain why companies that act with a conscious desire to do the right thing seem to do better than those that do not – and how this can apply to business school teaching

There has been sustained criticism of the focus of business school education and the role that we might have played in (yet another) corporate crisis.

As a result of the most recent rash of corporate scandals, increased pressure has once again been placed on business schools to put a greater emphasis on ethics and responsibility, challenging us to analyse critically the way in which we teach business. We are told we should focus on broader questions of business's implications for, and impacts on, a broad array of stakeholders and provide a foundation for responsible business decision making.

A lingering question, of course, concerns what these models and approaches might look like in practice.

At Bentley University we have taken on this challenge through the creation of our Alliance for Ethics and Social Responsibility and its close links with Conscious Capitalism, a fast-growing global movement built on a philosophy that lies in stark contrast to the traditional business gospel.

Since the creation of its Center for Business Ethics in 1976, Bentley has continually promoted a sense of ethics and social responsibility through teaching, research, and corporate and community relations.

Based on the recommendations of a 2002-03 Task Force on Ethics, Service and Social Responsibility, which called for great collaboration, co-ordination and a clear, organising direction across these initiatives, the Bentley Alliance for Ethics and Social Responsibility (BAESR) was created (see Figure 1).

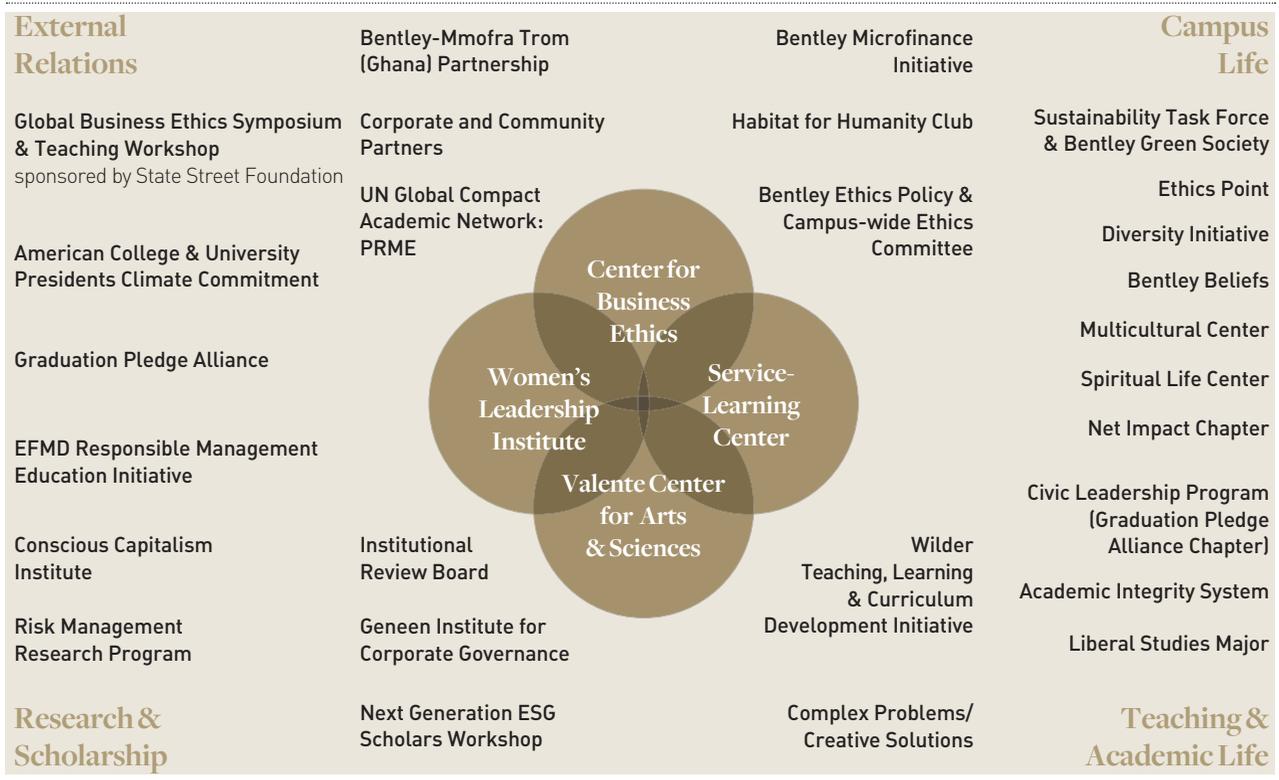
BAESR's mission is "to amplify and extend the work of the autonomous centers and initiatives on campus, supporting and encouraging greater awareness of, respect for, and commitment to ethics, service, social responsibility and sustainability in our research, curricula and campus culture".

A unique feature of the Alliance is its integrative focus on ethics, social responsibility, civic engagement and sustainability.

In pursuit of its mission, BAESR's efforts focus on:

- Supporting and encouraging collaborative and applied cross-disciplinary research that has the potential to significantly affect current practice
- Influencing curriculum development and pedagogical innovations intended to make our students more ethically sensitive and socially aware

Figure 1:



- Ensuring a broader application of these principles and ideals in campus life
- Attempting to foster life-long civic engagement and a commitment to responsive corporate citizenship among our students
- Working closely with external organisations – partnering with academic and professional associations, corporations and not-for-profit organisations in pursuit of these goals.

This collaborative effort is dependent on the commitment of a broad range of stakeholders, including Bentley faculty, administration, staff, students and alumni as well as business executives, corporate partners, relevant associations and other colleges and universities in an effort to enhance and disseminate these ideals.

The Alliance has helped us to solidify ethics, responsibility, service and sustainability as key domains of distinction at the university. Combined with a series of programmes and activities across the institution, this initiative has led to a four-pronged approach that attempts to shape and influence a sense of ethics, service, responsibility and sustainability throughout the classroom, campus life, the institution’s research agenda

and outreach to the academic, corporate and not-for-profit worlds.

Examples of these core initiatives include a revamped Academic Integrity System (with a full-time Academic Integrity Co-ordinator), a decade-old organisation-wide diversity programme, a newly constituted Institutional Review Board (IRB), a College Ethics Policy and Oversight Committee, a campus-wide Sustainability Task Force, an annual workshop for faculty interested in integrating these topics into their discipline-based courses and a series of campus-wide programmes that highlight issues associated with ethics, civic engagement, sustainability and social responsibility.



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Over the past few years, one of the driving forces within the Alliance has been a growing partnership with a new way of thinking about business.

Based on the research of Bentley marketing professor Rajendra Sisodia (*Firms of Endearment: How World Class Companies Profit from Passion & Purpose*, Wharton University Press, 2007), BAESR has been a strong supporter of the need for a more conscious approach to business.

The research found that these “firms of endearment” paid their rank-and-file employees much better than their peers, had suppliers who are profitable, invested heavily in their communities, paid taxes at a higher rate than their corporate counterparts, provided remarkable customer service, invested in making their operations more environmentally sustainable and did not externalise costs onto society.

Yet, while such spending would suggest that there would simply be less left for investors, the opposite is true. These companies have dramatically outperformed the market over a ten-year period, by an astounding nine to one ratio.

Beyond financial wealth, these companies also created many other kinds of societal wealth: more fulfilled employees, happy and loyal customers, innovative and profitable suppliers, thriving and environmentally healthy communities and more.

The underlying business philosophy, based on four interrelated principles (see Figure 2), is referred to as “Conscious Capitalism”.

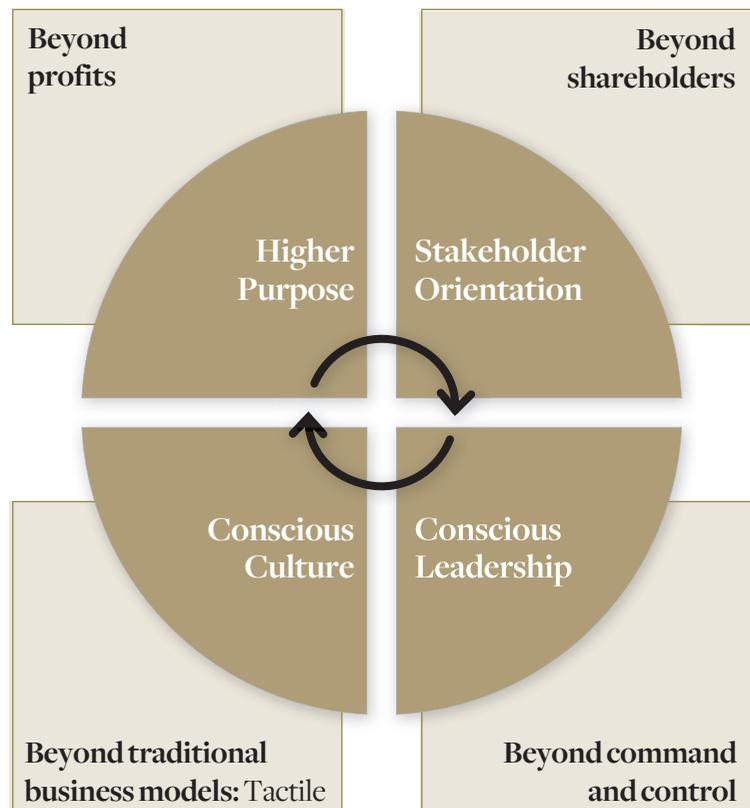
Its basic premises are straightforward.

- First, business can and should be carried out with a higher purpose in mind, moving beyond a limited view of maximising profits. A compelling sense of purpose creates an extraordinary degree of engagement for all stakeholders, releasing tremendous organisational energy.
- Second, the business is explicitly managed for the simultaneous benefit of all of its stakeholders, represented by the acronym SPICEE: Society, Partners, Investors, Customers, Employees and Environment.

A conscious business aligns the interests of all stakeholders so that what is good for one is good for all. Within this context,



Figure 2:





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ABOUT THE AUTHORS
 Anthony F Buono is professor of management and sociology and founding co-ordinator of the Alliance for Ethics and Social Responsibility at Bentley University in the US.
 Rajendra Sisodia is professor of marketing at Bentley University and co-founder and chairman of the Conscious Capitalism Institute.



society is listed first for an important reason – businesses must ensure that they are on the “right” side of society, that they have a positive net impact on the world.

- Third, such businesses have conscious leaders, driven primarily by service to the firm’s purpose rather than by power or money. These individuals lead by mentoring, motivating, developing and inspiring people and not through command-and-control and “carrot and stick” incentives.
- Finally, such businesses have unique cultural characteristics, captured by the acronym TACTILE: Trust, Authenticity, Caring, Transparency, Integrity, Learning and Empowerment.

The word tactile also suggests that the cultures of these companies are very tangible to their stakeholders as well as to outside observers; you can feel the difference when you walk into a conscious business compared to one that is purely driven by a profit motive and just for the benefit of shareholders.

The essence of Conscious Capitalism lies in stark contrast to traditional approaches to business. Most companies try to maximise their gross margin by looking for the cheapest suppliers they can find and then using whatever bargaining power they have to squeeze them as much as they can to get ever-lower prices.

As a result, they end up with low-quality suppliers who struggle to stay profitable and who can ill afford to invest in new technologies or anything else that will improve their quality or make their products more innovative.

Most companies also try hard to keep their payrolls down, minimising what they pay their rank-and-file employees, and are stingy with critical benefits such as health insurance. They use part-time employees as much as possible, keeping them under the threshold where they would qualify for any kind of benefits. They provide minimal training to their employees and accept high employee turnover as inevitable. The result is a questionable set of priorities and sense of how business should be run.

Conscious businesses, in contrast, knowingly operate with lower gross margins but are still able to achieve higher net margins than their more traditionally minded competitors. Conscious businesses are very selective

about their suppliers, looking for innovative, quality-focused companies that also operate in a conscious manner. They enter into mutually beneficial long-term partnerships with these suppliers. Suppliers are well paid and in turn pay their own suppliers and employees well.

Conscious businesses typically operate with extremely low levels of employee turnover, thus saving greatly on new employee hiring and training. Employees at such companies are loyal, experienced, highly engaged and productive. Such businesses take great care to hire people whose personal passions are aligned with the corporate purpose.

Conscious businesses have lower administrative costs because they continuously strive to eliminate non-value adding expenses, gathering ideas from their employees and suppliers about how to do so.

This philosophy creates a virtuous cycle that consistently delivers superior financial performance as well as many other positive impacts, a view that is increasingly being embedded across the university.

It is the conceptual foundation for our recently formed Net Impact chapter, a theme for many thought-provoking presentations and events across campus, the basis for an increasingly popular elective at both the undergraduate and graduate levels, and a guiding theme for our planned global MBA programme.

The university has also been hosting an annual research conference, focusing on developing a greater understanding of how such conscious businesses are able to operate with superior financial results while creating many forms of wealth and well-being for all of their stakeholders.

Our goal is to illustrate how firms and their management can have net positive impact on the world, bringing to life for our students a conscious way to conduct business.

We are allying with a conscious purpose in mind. **gf**



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