



# Doing business in the age of conscious capitalism

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## Abstract

**Purpose** – The purpose of this paper is to describe the concept of “Conscious Capitalism,” which refers to a new, more enlightened approach to business purpose and management.

**Design/methodology/approach** – The paper describes how the context for business has changed in fundamental ways in the past two decades, calling for a new approach to business that reflects rising levels of consciousness among customers and employees as well as multiple and deepening challenges facing the world today. It is imperative that business gets on the right side of society rather than continuing to add to societal burdens, as is too often the case. Conscious capitalism is not synonymous with corporate social responsibility (CSR); since society is recognized as an important, even the primary stakeholder, the core business itself must by definition be socially responsible. A conscious approach to business is based on the adoption of a higher purpose that transcends profits, a stakeholder rather than shareholder orientation, and conscious, service-oriented leadership.

**Findings** – Businesses that adopt this approach not only create multiple types of long-term wealth for society at large (including social, emotional, intellectual and even spiritual wealth); but they also dramatically outperform conventional firms on financial measures of performance. The world of conscious business is thus largely devoid of the trade-offs that are commonly made and accepted as part of business-as-usual.

**Practical implications** – The paper concludes by recognizing that a conscious approach to business is highly compatible with the ancient wisdom found in Indian and other traditions.

**Originality/value** – This paper shows that there is the potential to enter a golden age of leadership thinking that blends the best of modern Western practice (geared towards efficiencies) and ancient Eastern wisdom (focused on effectiveness).

**Keywords** Business ethics, Society, Corporate social responsibility, Stakeholder analysis, Leadership, Consciousness

**Paper type** Viewpoint

To be conscious means to be awake, mindful. To live consciously means to be open to perceiving the world around and within us, to understand our circumstances, and to decide how to respond to them in ways that honor our needs, values, and goals [...] A conscious business fosters peace and happiness in the individual, respect and solidarity in the community, and mission accomplishment in the organization (Kofman, 2006).

Business today needs a new paradigm because “business as usual” is just not working any more. Public distrust of business is at historic highs; many employees, customers, and other stakeholders of businesses are disconnected from the companies they interact with. At the same time, that its reputation is deteriorating, the reach and impact of business in the world is growing. Business today has greater power than ever before to enhance or to diminish overall well being in society.

The world has changed; human beings have steadily evolved towards higher states of consciousness, but companies have not kept pace. As a species, we did not stop



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evolving when we got up on our hind legs. Evolution continued, but its focus became more internal rather than physical. A number of factors have contributed to this rise in consciousness. One is the aging of the population. As a result of more people in more societies being in midlife and beyond, the psychological center of gravity has shifted upwards. The values of midlife and beyond now dominate many societies. These include a greater concern with the meaning of life, a focus on giving back, declining materialism, concern with legacy, and greater interest in spiritual themes.

A second dramatic shift is the rapid rise of feminine values in society. The direct reason for this is that women around the world are gaining greater access to education, employment and public service opportunities. A century ago, only 2 percent college enrollments in the USA were women; today that number is over 60 percent. In a few decades, most white-collar professions will be dominated by women. What is more, the women who do rise to positions of power today are fundamentally different than their counterparts from just a few decades ago. In the old male dominated world, the only women who rose to the top in countries or in companies were those who could be tougher than the toughest men. Women who rise to positions of power today are far more comfortable with their own femininity, and recognize the wisdom inherent in their softer, more caring and nurturing approach to leadership.

The third factor is the spread of the world wide web, the single most significant innovation of the past century. It has transformed the lives of billions of people by democratizing access to knowledge, so that a common person today has easier access to more information with greater ease than even the richest person in the world could have just a few decades ago. The web has also enabled hundreds of millions of people to connect with each other around shared interests and concerns, ushering in an era of unprecedented transparency, so that the actions of governments and corporations can rarely be shielded from public scrutiny.

In response to this radically different world, businesses today need to practice “conscious capitalism” in order to achieve sustainable success. This has three elements:

- (1) companies have a purpose that transcends profit maximization;
- (2) they are managed for the benefit of all stakeholders in their ecosystem, not just shareholders; and
- (3) they are led by spiritually evolved, self-effacing servant leaders.

### **Tenets of conscious capitalism**

Companies that practice conscious capitalism embody the idea that profit and prosperity go hand in hand with social justice and environmental stewardship. They operate with a systems view, recognizing and benefiting from the connectedness and interdependence of all stakeholders. They tap into deeper sources of positive energy and create greater value for all stakeholders. They utilize creative business models that are both transformational and inspirational, and can help solve the world’s many social and environmental problems.

Some of the characteristics of companies that practice conscious capitalism are:

- They have a higher purpose than simply the maximization of profits or shareholder returns. A well thought out purpose energizes the enterprise and infuses it with passion and creativity.

- They are managed for the benefit of all stakeholders. Company leaders seek to optimize the health of the overall “ecosystem,” recognizing the connectedness and interdependence of all stakeholders.
- Beyond just achieving a better balance of emphasis across stakeholders, leaders strive to join and align their interests. Accomplishing this reconfigures business into a positive sum game, rather than the trade-off dominated zero sum game that it is usually seen to be.
- They do not engage in exploitation of any kind, e.g. taking advantage of some stakeholders to advance the interests of others or playing on people’s fears and addictions. They view each stakeholder’s well being as an end in itself, not just as a means to better satisfy investors.
- Society is seen as the ultimate stakeholder; companies view themselves as existing to advance the well being of society as a whole. They are motivated by a genuine desire to help solve large societal problems in partnership with governments, other companies and non governmental organisations (NGOs). They do not externalize costs on to society, even when it may be legally permissible to do so.
- They treat the environment as a crucial if silent stakeholder and take responsibility for their full environmental impact. At a minimum, their objective is to “do no harm” to the earth; ideally, they seek to have a net positive impact on the environment.
- They approach the marketplace with a “whole pyramid” model that seeks to uplift rather than ignore (or worse, exploit) the poorer sections of society.
- They believe that doing the right things ultimately brings good results. Profit is seen as the natural outcome of doing the right things, not the single-minded focus of all company activities. They understand that when a company states its objectives in profit-maximizing terms, it causes all stakeholders in turn to seek to maximize their own profits by giving as little as possible and taking as much as possible. The performance of the system rapidly deteriorates and profits soon evaporate.

### **Conscious capitalism and CSR**

Conscious capitalism is not the same as corporate social responsibility (CSR). Companies that focus on CSR are often engaged in businesses that create significant harmful effects on society. Such companies often graft on a CSR department that seeks to alleviate some of the negative effects. They do not have a higher purpose beyond profits, are managed primarily from a shareholder perspective, and are led by command-and-control oriented chief executives. Conscious businesses, on the other hand, start with the premise that society is an important, even the primary, stakeholder in the business. Being socially responsible is fundamental to such businesses. The idea of CSR is a laudable intermediate step; ultimately, a societal orientation must become part of the DNA of the company.

### **Conscious capitalism and ancient wisdom**

As Chatterjee (2008) has said in *Leadership Sutras*, “What is oldest is often most valuable. When an idea has persisted for thousands of years, we can have some confidence in its truth.” The tenets of conscious capitalism are very similar to the

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precepts for living and working written about thousands of years ago in the timeless Vedic wisdom literature of India – the contemplation of a higher purpose, focusing on the right actions rather than being driven by an objective, the interconnectedness of all sentient beings, the ideal of servant leadership, and so forth. This wisdom exists within the DNA of people in the Indian business world; however, it has become obscured by nearly two centuries of subservience to Western thought. Recently, the West is coming to recognize the profound gaps and many negative second order consequences of its approach to business. The move towards conscious capitalism, in which many Western firms are now taking the lead, actually represents a great opportunity for Indian business to return to its own roots and harvest the rich vein of eternal wisdom that has been lying largely untapped for so long. We have the potential to enter a golden age of leadership thinking that blends the best of modern Western practice (geared towards efficiencies) and ancient Eastern wisdom (focused on effectiveness) to arrive at a grand synthesis, a common framework to guide individual and corporate development in the future.

### **The path to success – and the right thing to do**

Conscious businesses succeed in the long-term at a much higher level and with a much broader definition of success than traditional business. In our study, *Firms of Endearment: How World Class Companies Profit from Passion and Purpose* (Sisodia et al., 2007), such businesses outperformed the overall stock market by a nine-one ratio over a ten-year period. However, even this measure understates the extent of their performance. Businesses not only generate financial wealth, but they can also generate (or destroy) emotional, spiritual, and intellectual wealth. Conscious businesses spread well-being and happiness among all of their stakeholders. They continuously innovate to create and deliver ever greater value each and every one of their stakeholders. They succeed so outstandingly at doing this because they are able to tap into the full potential of all the people – not just employees – they touch. As Hamel (2007) has commented, companies cannot buy peoples' creativity, passion and enthusiasm; they have to earn these gifts, and most have not proven worthy of them. Conscious businesses release this enormous source of renewable, generative human energy into the world. This, more than anything else, is the secret of their sustained success.

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### **About the author**

Rajendra S. Sisodia is a Professor of Marketing at Bentley University, and was previously Trustee Professor of Marketing and the Founding Director of the Center for Marketing Technology. He has an MBA in Marketing from the Bajaj Institute of Management Studies in Bombay, and a PhD in Marketing and Business Policy from Columbia University, where he was the Booz Allen Hamilton Fellow. His current research focuses on conscious capitalism, marketing

ethics, and improving marketing productivity. In 2003, He was cited as one of “50 Leading Marketing Thinkers” and named to the “Guru Gallery” by the UK-based Chartered Institute of Marketing (the largest marketing association in the world). In 2007, he was honored with the Award for Excellence in Scholarship by Bentley University. In 2008, he received the Bentley University Innovation in Teaching Award. His book *The Rule of Three: How Competition Shapes Markets* was a finalist for the 2004 Best Marketing Book Award from the American Marketing Association. His book *Firms of Endearment: How World Class Companies Profit from Passion and Purpose* was named one of the best business books of 2007 by several organizations, including Amazon.com. He writes frequently for the *Wall Street Journal*, and his work has been featured in *The New York Times*, *Fortune*, *Financial Times*, *The Washington Post*, and *The Boston Globe*, and numerous other publications, radio shows and television networks such as CNN, CBC, and Fox. He has consulted and taught executive programs for numerous companies, including AT&T, Nokia, Boston Private Bank, Ericsson, Siemens, Sprint, MCI, Volvo, Northern Telecom, IBM, Price Waterhouse, Ernst & Young, and Southern California Edison. Rajendra S. Sisodia can be contacted at: [rsisodia@bentley.edu](mailto:rsisodia@bentley.edu)

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