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JIM: With all the negative news today and all the demonizing of Wall Street and corporations and CEOs and hearing about the ridiculous salaries that some of these CEOs might be taking, it’s hard to see light at the end of the tunnel. Today, we have a very special guest. He’s a thought leader in the Conscious Capitalism Movement. He’s an author, he’s a professor, he’s written numerous books on the subject, as well as countless articles, been featured in the Wall Street Journal, the New York Times. He’s also been a consultant for many executive programs for numerous companies, including AT&T, Nokia, LG, POSCO, Kraft Foods, Whole Foods Market just to name a few. He’s here with us to share the concept of Conscious Capitalism and how Conscious Capitalism can actually be very profitable and can be a win-win-win situation for all involved. Welcome Professor Raj Sisodia.

0:59

RAJ: Thank you. It’s nice to be with you, Jim.

1:00

JIM: Hey, I’m really looking forward to visiting with you today. I talked to you a little bit before we started the interview that I had seen a survey that kind of inspired me that talked about how the CEOs of the companies, like the top three CEO salaries and how much more they took than all the other CEOs combined and I wish I had that survey to refer to, but then they showed the returns and the CEOs that were a lot more conscientious about what they were taking from the companies and being more fair in what their salaries were, how much better those businesses performed. I asked my staff, I said we’ve got to find somebody to talk about this and your name popped up on the top of the list. You’re an author and professor and you’ve talked about the Conscious Capitalism Movement. Can you please share with me and our audience what is Conscious Capitalism?

1:49

RAJ: It’s a different philosophy of business, or a different way to think about business, or a different attitude about business that is much deeper and richer and broader than the traditional one that has been around for a while, which is very narrow, it’s very instrumental, it’s sort of selfish, the perspective that businesses only exist to make money for shareholders. That’s just sort of the traditional narrative and that any other purpose is sort of almost a violation of what business is supposed to be. We think that does not serve anybody well because when you start to think about just making money then you to start to treat everybody or all of the people involved in the business as just a means to that end and that dilutes the quality of your engagement with your employees, even with your customers, your suppliers, your communities. You start to view them simply through that one lens and really that is a much richer way of thinking about business, that businesses need to and should create wealth, financial wealth, but businesses also have many other impacts on our lives and in the world, and it is possible to think about doing business in a way that simultaneously creates many kinds of well-being for all stakeholders, not just financial but social capital and emotional well-being and physical well-being and spiritual well-being and ecological well-being, as well as positive impacts on the culture and so forth, so at least eight kinds of value businesses can create or destroy. In many cases they’re making money but they’re having a hugely negative impact on people’s well-being, on the community’s well-being, on the environment, on the future, etc., and we don’t think that is acceptable nor is it necessary. In other words, that’s not how business needs to be done. A lot of our research and that of others has shown that it is possible if you follow the simple tenants of Conscious Capitalism, which we have distilled by looking at companies that do all of that, and if you want I can go into those four pillars or tenants.

3:38

JIM: Yeah that would be awesome because you hear companies that they try to sweep things under the rug, it’s all about the bottom line and that’s not good for anybody. It might be good for a few, but it’s not good for everybody long-term, so we talk about companies that have dealt with toxic waste, we talk about companies that haven’t taken good care of their employees. You look back to the days of the coal mines and people getting black lung and it’s all about the money and not about the people and the overall. I think all needs to be put into consideration, so what are those tenants?

4:09

RAJ: Yeah you know you talked about black coal and the lungs and so forth, I mean today we don’t see it as visibly, but if you could look inside people as they’re leaving their workplaces and see what’s happening to their souls and their spirits, I think we would find almost an equally bleak picture because 75% of Americans are disengaged at work, 88% feel they work for a company that doesn’t care about them as human beings, just use them as a pair of hands or a mind or whatever. There’s a lot of dysfunction and a lot of unhappiness and a lot of stress and fear, which isn’t needed. We don’t have to live like this or work like this, so the principals of Conscious Capitalism are first of all that every business should have a higher purpose, a reason for being that goes beyond and is separate from profit. You have to be profitable to survive and grow, we know that, but that should not be your defined purpose. There should be some reason why your company exists and why it needs to exist and why it would be missed if it disappeared and we can’t say that about most companies that are just about making money. The idea of having a purpose, which then what it does is it attracts people for whom that is a passion, you’re doing something that is aligned with the needs of the world. I like to say that everyday purpose is a healing purpose; in some way you’re healing your corner of the planet, the sector in which you choose to operate. You’re doing something that is needed, that is life-enhancing, and we live in a world of tremendous suffering and pain all the time and if we are not part of the healing then we are part of the hurting in a way, so we have to think about the purpose, and by the way the purpose doesn’t have to be just in the product. Many companies produce products that are relatively mundane and necessities, but they still have people right, so people center purpose, measuring success by the way we touch the lives of people, what kind of impact are we having not only on their livelihood but on their lives, on their families, on their children, on their communities. These are all highly motivating things that people really respond to, so that’s one, having a purpose that around which all the stakeholders can then rally, like Whole Foods for example has a purpose around healthy eating and changing the way we produce our food and what the impact of that has on the food system and on the planet and on our bodies and our lifespans and the quality of our health and vitality. That’s their purpose and people who are passionate about that want to work there, people who care about that want to shop there, have them in their communities, they want to invest in that company, suppliers who believe in that want to work with them, etc., so you create this whole alignment of all stakeholders who are now operating with a shared purpose. Businesses run not only just to create value for investors but actually to create value for all stakeholders and they in turn create value for the business. It’s not a one-way street if the business is creating value for employees and for suppliers. Everybody is creating value within that system for that system. Everybody in a way is a giver to that system and that results in everybody getting more from that because that business is an ultimate positive sum value creation system. There’s so much value that can be created and when we stop thinking of it as a tradeoff, for somebody to be better off somebody else has to worse off. The essence of business and free market is that it is possible for simultaneously everybody to be better off; we can lift each other up, have a win-win-win-win, everybody can win if business is done the right way. Those are the first two; purpose and stakeholders. The third is leadership, conscious leadership we call it, which is that these are people who are driven by the purpose of the enterprise, as well as service to the people that it touches, and this is where your initial question about compensation comes in. Conscious leaders are not just driven by, or actually they’re not very much driven by power and money, which is how many conventional leaders are motivated. They seek leadership because they want power and they want the riches that often come with it, and in that sense they are there using other people as means, objects, for them to fulfill their own purposes, which is as I said power and money. They’re not really leaders in the way that we think of leadership. They are really tyrants. They are using people in order to achieve their personal goals. As opposed to leaders who really care about people and who care about what we’re trying to do through the business and we’re trying to get to a better place, creating an inspiring vision and figuring out how to get there and empowering everybody. They are powerful. Conscious leaders are powerful but they’re not extracting their power from other people. It’s not power over, it’s power with, and it’s a service of something that is good and needed and that gives it even more power. In that situation you find that these leaders tend to pay themselves modestly, so the frontline employees tend to be better paid than average in their industry and the people at the top in executive ranks tend to be more modestly paid relative to their peers in the industry, but it’s not just a direct cause and effect, but if you do that than your business will perform better, but the fact is is that reflects a mindset, right, which includes empowering your people, which also includes taking care of your customers and suppliers and communities, so all of that goes kind of hand-in-hand, so it’s a shorthand, that ratio of salary is a shorthand for what is a level of consciousness of these leaders and therefore what kind of a business are they going to be running and to what extent are people going to feel valued and empowered in that business and cared for. The last element is culture. This is where we find that these companies are built on cultures that have a lot of trust and transparency and authenticity and integrity, lastly most critically caring, so these are cultures or companies that are built on love and care and that’s the biggest difference I think traditional capitalism has no place for that. It’s all about self-interest and as a result most cultures that we find out there in traditional companies are full of fear and stress, and so we have a phenomenon of heart attacks being 20% higher on Monday morning and there are multiple studies that show that heart attacks spike on Monday morning. We have the culture or phenomenon of thank God it’s Friday, where people basically live for their life outside of work. We believe it doesn’t have to be that way. Work can be a deep social meaning and purpose and satisfaction. It is something one can look forward to. We only have 100,000 hours to work in our lives and for most people those hours are a drudgery or painful or certainly not meaningful or satisfying. The fault is not in the people, the fault is really in the cultures and in the leadership of organizations that haven’t created those kinds of conditions. You put these four pillars together and if you have a business that has all of these elements going you find that these businesses are operating at a much, much higher level. They’re creating more value for their customers, their sales are growing faster, their employees are productive, innovative, creative, caring, their suppliers are at the cutting edge and they’re providing the latest technologies and solutions and so forth and the investors believe in what they’re trying to do and they have a long-term perspective and they’re handsomely rewarded. My research shows that these companies outperform the market dramatically over time. “Firms of Endearment” that came out in 2007 showed that these kinds of companies outperform the market by a 9:1 ratio over a 10 year period and we continue to find additional evidence and support of this.

10:44

JIM: That’s incredibly inspiring and hopeful. We kind of touched on the old way of doing things as pretty much step on everybody to get to whatever you need to get to and to hear that these types of companies are not only surviving but thriving gives me some hope going forward. I really appreciate you sharing that. We’re going to take a short break and when we come back I’d live to dive in a little bit deeper about what your findings are as you’re looking at Conscious Capitalism, so please stay tuned.

11:13

BREAK

12:04

JIM: Welcome back as we continue to visit with author and professor, Raj Sisodia. He’s been working together with a lot of people discovering the positive of Conscious Capitalism. Before the break, we were talking about some of the tenants or pillars that make up a company and as you were talking I’m thinking about some of the businesses that I’ve worked with as a financial advisor and I look at some companies where they can’t keep people there. The turnover is unbelievable and it’s because a lot of times that leadership they treat the employees, as you talked about, as just kind of a means to an end. The expense of bringing in new employees, retraining, and doing all that I can’t imagine how expensive that is, but on the other hand I think of some of the companies I work with the employees that they have would literally go to war for them and die for them and the loyalty is just unbelievable and I look at their wages or whatever that they have and they’re not necessarily making money hand over fist and becoming millionaires doing it, but their job satisfaction is unbelievable and I see the leaders would go to war for them and they really care about trying to provide as much as they possibly can for their employees and in down times you see those owners giving up their salaries and giving up whatever they can to make sure that not one person has to miss a paycheck, so they sacrifice greatly in the difficult times and it’s just unbelievable to see that. The people at the jobs they seem to be healthier because they’re all happy.

13:35

RAJ: You know you’ve beautifully articulated a lot of what we believe in and what we find. It’s all completely true, it’s common sense at one level but it’s very uncommon to find unfortunately. These companies as you said have very loyal people and they create conditions where people want to stay because they have meaning, they have respect, they have dignity, they have purpose. There’s love and care there. Ultimately, every organization in the world runs on human energy and not just physical energy but actually creative and caring energy, how much of that we can generate and the difference there is huge. You can have two companies with the exact same number of people and one of them is operating with a quantum level above the other one because people here are engaged and people are capable of extraordinary things in the right setting. When people flourish and flower they can do amazing things. Most people never get that opportunity and hence traditional companies it’s just a pair of hands and you’re doing the bare minimum for the most part, as I said 30% engagement, 50% disengagement, 20% are actually hostile to their own work, they hate it. That’s one big difference in a conscious company and if you’re looking to explain their superior performance I think that has to be number one. Not only do they save on employee turnover and training and recruiting and all that, but they gain tremendously in terms of engagement and innovation. The second one is marketing costs. These companies tend not to incur high marketing costs and traditional companies spend a huge amount of money on marketing and advertising and sales and promotions and a lot of the gimmickry of business is in marketing. It’s like they have to buy customer loyalty, you know they have to bribe people to come back and these companies simply don’t have to do that. Word of mouth, positive experiences with the company, positive media coverage, all of those things and especially in todays connected world of social media, as well as everything that you need to find out about a company’s awareness and that helps them tremendously, so you save huge amounts of money on marketing. There are other benefits as well. They don’t have a lot of managers in these companies. There is more leadership and less management. You don’t have a lot of people telling other people what to do because people are quite self-motivated and self-managing in that sense. You have lower legal costs because these companies operate with a lot of trust with all their stakeholders so they don’t get sued as often, a lot of resilience as you pointed out. When times get tough is when these companies especially shine and especially as you pointed out as well the leaders then exhibit the true consciousness and the moral courage because leaders – there’s an interesting book by Simon Sinek called “Leaders Eat Last”, which is around the idea that you have to take care of the people before you take care of yourself. It comes from the U.S. Military where there’s a tradition of lining up in diverse order of seniority when it’s time for a meal. Leaders have to create that circle of safety. People have to know that if times get tough, a leader is not going to sacrifice me, but the leader will take the first sacrifice in order to try to protect us, and then beyond that if more sacrifices need to be made, it’s not that we’re going to sacrifice 20% or 30% of our people so that the others get to stay, but there will be a sense of shared sacrifice and we’ll get through this together. How would a caring family get through a difficult time, not by letting go of 40% of the family members but by pulling together even more closely. All of that comes together to explain the sustained long-term performance of these companies, and as you pointed out as well, they pay their people well but it’s not about you know you’re not just using money as the only way to motivate them. You pay people fairly. You pay them at a level that they can support their family and so forth, but as Bob Chapman, my co-author on my last book, says pay people fairly, we treat them superbly, and we compete globally. Right here in Green Bay, Wisconsin they have manufacturing operations all over this country and they’re showing that you can still compete with China and Brazil and everywhere else in the U.S. if you create these kinds of caring cultures.

17:19

JIM: You’re very refreshing to listen to. I was just listening to the radio today and they were talking about good leaders being humble and willing to make fun of themselves and it just goes right in with what you’re talking about, and then you look at the ones that – I mean you used the word tyrant. I see that as really being true where you have an unhappy workforce and I just can’t imagine how much of a difference and what really makes me curious do you have some specific numbers that kind of talk about how they perform financially compared to the ones that aren’t quite as conscious?

17:50

RAJ: Yes, so in my book, “Firms of Endearment” we looked at 28 such companies, 18 public, 10 private, and the public companies outperform the market by a 9:1 ratio over a 10 year period, so 1025% times where the S&P was 123%. We updated that research in 2014 with a second edition of the book with 72 companies, 28 U.S. public, 29 U.S. private, and then a number of non-U.S. companies, and again found an outperformance over a 15 year period of 14:1 relative to the market, so it’s not just a little bit but a lot of outperformance here. We make the important point that these companies are highly profitable and that is a very good thing, that it is a social good, profit is a social good. Without that a lot of other things in society would not exist like a social safety net because it all relies on taxes. That wealth has to be generated by a business somewhere in order for governments to spend it, but it matters greatly how you make the money. You can make the money by squeezing your employees, by many ways harming your customers by giving them products that are bad for their health and well-being and so forth, or using manipulative marketing in order to get them to buy things, which is also harmful. You can squeeze your suppliers; you can externalize burdens onto society or onto the future, onto the environment. Those are all costs that you are imposing on society and on the system and that makes you not a business but I believe, it’s kind of a harsh word to use, but a parasite. You’re extracting value, you’re not creating value and businesses I think almost by definition are value-creating entities and if you’re just moving things around or squeezing in or extracting from here basically you’re taking away from others in order to enrich yourself and that’s not how business is supposed to be.

19:34

JIM: We could probably go on for a couple hours on this and I know we’ve already run a little bit over. I have to ask you one more question before we wrap up and that is I’m involved with say the insurance industry and one thing we’ve seen in the insurance industry they’ve been very, very good stewards of protecting people, and I’m talking more specifically the life insurance industry providing money when it’s needed the most. We had all these mutual companies where the owners were the policyholders and it seemed like they were well within alignment with what their customers, who were also their stakeholders, were in pretty good alignment but we’ve seen a lot of companies shift to stock companies and I know the stock companies they’re answering to their board of directors and their stockholders and I hear a lot of this pressure about what are your quarterly earnings this quarter. How does a company balance the stock market, which is demanding I want to see performance, performance, performance, and then balance that hey we’re building this company for 10 years, 20 years, 30 years down the road, how does a company balance that and remain conscious of being a good steward?

20:40

RAJ: Yeah I think that is a challenge. We have a lot of public companies that we consider conscious companies. What they have in common is first of all they do have strong leaders who have a great deal of confidence and belief in this way of doing business, who believe that it’s non-negotiable but you’re not going to mislead your people or underpay them or all the other things that some of the companies do in order to get higher margins, right, and they also know that this is a system that does generate superior value in the longer-term. Overtime that long-term also become short-term in the sense that you can’t have long-term performance forever without that showing up and short-term performance too. There will be periods when the short-term performance might be down for various reasons, macroeconomic or maybe there’s investment in new products or whatever, but they have the ability to explain that clearly to investors. They also have selectivity in terms of who are the investors that they cultivate. Investors actually believe in their purpose, as well as have a long-term perspective. If you think about it, short-term investing is an oxymoron. Investing by definition is a long-term. Short-term investing is actually speculation and they’re not people who are really looking to invest in anything. They’re not trying to bring anything to life and that’s what investing means. They bring something to emerge and to grow through my investment. They are simply placing a bet on a short-term flip. I don’t think you owe any real allegiance to speculators, so what you want are real investors who understand, who are aligned, right, and also recognize how the system works and who have the patience and the foresight to be able to look at short-term things and flips and understand the context of the longer-term you could get short-term performance by hurting your long-term prospects. It’s like taking steroids before a big race, right. I mean you can win that race but you’re going to hurt your health for the longer-term. I think it really is a higher set of challenges in a public company, but it’s not a reason not to be conscious. It can be done, it is being done, but it does take strong leadership that understands how this works.

22:41

JIM: Alright so if people want to find out more about it; this whole concept that you’ve been talking about, you first started covering I believe in the book, “Firms of Endearment” how world class companies profit from passion and purpose. What are the books you have following that?

22:57

RAJ: “Conscious Capitalism”, “Liberating the Heroic Spirit of Business”, that came out in 2013. That’s kind of our official book for the movement. We have consciouscapitalism.org, which is our website. We have events that we organize nationally and globally, but also we have chapters in 24 cities and nine other countries if people want to get involved in a local community around these ideas. My more recent books are more on the leadership team, “Everybody Matters”, which came out last October, which is the extraordinary power of treating your people as family, and then the new book that is now coming out around embracing feminine and masculine power in leadership. We believe one of the big changes and trends going on in the world today is the rise of feminine values, not only be having more women but even men recognizing that the feminine values that are inside everyone, men and women, have long been devalued and suppressed and caring and nurturing and compassion in relationships and vulnerability, these are powerful things, powerful human things that we need to actually be in complete harmony with. We have ignored them and suppressed them in leadership especially for almost all of history, so that book is called, “Shakti Leadership”. Shakti is a word for power from the Eastern tradition.

24:11

JIM: I really appreciate you spending this time with us and I know I want to have you back again to talk more in detail about this, but the website would give the cities that these chapters are in so if anybody wanted to get involved in that they can find that all out through the website? What was that again?

24:28

RAJ: It’s consciouscapitalism.org.

24:31

JIM: Alright. This has been very enlightening. I really appreciate you taking the time. Hopefully we help shed the light a little bit. I know our country can use that. With everything that’s going on in the political arena today, I know a lot of people are disgusted, but I think we can right the ship and I think there are a lot of good companies out there and a lot of positive in the world. Our news just doesn’t happen to cover it, but you’re covering it and then go to your website to find out more.

24:55

RAJ: Absolutely. Thank you very much, Jim. I enjoyed speaking with you.

24:58

JIM: Thanks for joining us this week and tune in again next week as we explore another phase of the Real Wealth process, and remember if anything you heard in today’s show you’d like to get more information about, contact your Real Wealth advisor. Also, if you feel that any of this information would be helpful to a friend or family member, just click the forward to a friend button.