

Conscious Capitalism – How Social Principles Generate Profit

DOM MELI

People At Their Best recently spent time researching the perils of success for an upcoming article and came across the work of [Dr Raj Sisodia from Bentley University](#).

Dr Sisodia is one of the thought leaders of the ‘Conscious Capitalism’ movement globally. His book *Firms of Endearment – How world class companies profit from passion and purpose* is considered a foundation work in explaining the precepts and performance implications of pursuing a conscious approach to business. It explores why today’s most humane companies are blowing away the S&P 500 averages by delivering the emotional, experiential and social value their stakeholders are demanding.

Dr Sisodia writes that ‘conscious’ companies do better – they benefit from an approach based on doing the right thing rather than by pursuing profit.

Dr Sisodia first saw this in 2004 when he observed that some companies spent very little on marketing but still inspired loyalty and trust from their customers. For these companies it was not about marketing but the way in which these businesses were conceived. He saw very little correlation between the money spent on marketing and customer loyalty and trust, in fact, in some cases there was a negative relationship.

Put another way; customers will keep buying from you, employees will work hard for you and people will enjoy doing business with you because they are aligned with your beliefs and because of what you stand for. That is, they get why you do what you do.

Dr Sisodia writes that by taking into account the well-being of everyone involved with the organisation – employees, clients, suppliers, and the community – organisations benefited from greater trust, loyalty, productivity and performance. These organisations tended to have cultures that were self-organising and self-motivating and they saved money in areas that didn’t add value like marketing and supervision. They also saved money in areas like recruitment and turnover.

Dr Sisodia advises that you can’t focus solely on shareholders and squeeze other stakeholders. More so, he says you can’t externalise costs onto society. Such approaches ultimately hurt performance. Instead organisations must pursue a higher purpose.

Organisations that are conscious about how they behave, what they do, what they care about and what they stand for have a much richer narrative – their narrative is not just about making money.



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Running a business that is fundamentally good, that is about doing the right things for everybody all of the time, ultimately works in the organisation's favour. Dr Sisodia's research found that businesses that followed the principles of conscious capitalism fared much better than traditional, profit-driven companies during the GFC.

Conscious companies aim to make a positive difference in the lives of others and to create value for everyone including society. Dr Sisodia says this is very different to the fad of corporate social responsibility which is rarely about changing the behaviour of a company but an add-on to deal with problems created by the company itself.

Please also refer to my published article that builds on these ideas, called [*The Perils of Success*](#) where I include 7 lessons to ensure your business sustainability.



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