Rediscovering the Human Purposes of Business

Mark Goyder

Evolution as survival of the fittest has inhibited our observation of coevolution. There is no hostile world out there planning our demise. We are utterly intertwined.

—Margaret Wheatley and M Kener Rogers[1]

Harmony speaks of balance, order and relationship. It is concerned with parts within, and only within, a whole, and of wholes within wholeness. The whole and its parts are always interconnected and related. One affects the other. Neither stands alone. And both are always in flow.

—David Cadman[2]

Introduction

I have spent the last thirty years encouraging people in business to reflect on the answer to this question: how do we create the conditions in which society thrives as capitalism thrives? In this chapter I build on this experience in offering my observations on the concept of harmony and its importance to the way companies are owned, led and governed.

If we want a society enriched with freedom, diversity and innovation, then in my view there is no substitute for a vigorous market economy. Markets are good servants, but bad masters. Citizens and future generations will be best served by a market economy in which entrepreneurs can flourish and innovate, provided there is a sufficiently strong framework of external and self-regulation. If regulation loses control of markets, or if the ethics and self-discipline of market participants erodes, greed and short-termism take over. I believe we are now at a moment of choice. We face a choice between two views of capitalism.

I would describe one as extractive capitalism. This treats companies as assets to be sweated. It measures success in terms of the cash returned to shareholders, not in terms of the investment made in future growth or benefits delivered to customers, employees or society, now and in future generations. One of its symptoms is the electronic ticker screen which you can find in the reception area of major companies, relaying real-time information about share prices. Another is the tone of admiration in reports by the financial press of the rewards paid to investment banks and other advisory firms for their part in securing a merger or acquisition even though those advisors' rewards are not in any way linked to the future success of the merged enterprise.

The alternative to extractive capitalism – you might call it attractive capitalism! – is what I would describe as the stewardship view of capitalism. This sees companies as human organisms, entities created by human beings to work with other human beings and apply human skill and technology to meet human needs.

This view is best seen at work in enduring family businesses. In these the current generation are naturally concerned with immediate financial returns but are also thinking of their role as stewards of the assets that they have inherited for generations to follow. They are not pre-occupied with sweating today's assets because they don't intend to sell their shares. They acknowledge the importance of capital as a means to finance the business to achieve its purpose. Their primary focus is on the health of the enterprise and its relationships and reputation which are the foundation for future success. They see ownership of the shares of a company as involving obligations as well as rights.

Yet the stewardship view of capitalism is not confined to family businesses. Indeed, we can witness around us the burgeoning of new organisations that effectively compete in markets while committing themselves to serve human purpose.

Buurtzog is a Dutch company that has caused a revolution in neighbourhood nursing and is starting to make a difference to the care system in the UK. It was founded in late 2006 by Jos de Blok. It grew from ten to seven thousand nurses in seven years. Nurses work in decentralised self-managed teams of ten to twelve, with each team serving an around fifty patients in a small, well-defined neighbourhood. The goal is for patients to recover the ability to take care of themselves. Neighbours are also invited to play their part. A third of emergency hospital admissions are avoided. An EY study in Holland found that Buurtzog requires, on average, forty per cent fewer hours of care than other nursing organisations and that patients stay in care half as long, heal faster, and become more self-reliant. EY estimated that the Dutch taxpayer would save to two billion euros if all Dutch patients were served on this basis. At the time of the study absenteeism for sickness was thirty per cent less than the Dutch average among Buurtzog employees and staff turnover was thirty-three per cent lower.

This is a real-life illustration of harmonious business.

In his 2017 UNESCO paper, David Cadman defined harmony in terms of balance, order and relationship. He said that harmony is concerned with parts within, and only within, a whole, and of wholes within wholeness.[3] Applied to the world of business, that means considering individuals as part of enterprises, and enterprises as part of industries and value chains, and all of these as part of society.

There is, in fact, a strong European tradition of writing and analysis which explores the conditions in which people find balance, order and relationship through their economic activity. There are strong common themes to be found in these Western writings which are suggestive of harmony. Add to this some of the wisdom of the East, and five conditions for harmonious business can be derived.

Five Conditions for Harmonious Business

Karl Marx is best known for his analysis of the causes of class struggle, and for the surplus theory of labour. Earlier on, however, Marx described his vision of the rounded life. He then developed the concept of alienation to describe how human beings allowed themselves to become separated from this ideal. Late Marx may have been the champion of class conflict, but the early Marx was drawn to harmony. He looked forward to the day:

> When labour is no longer merely a means of life but has become life's principal need.[4]

and

> When the productive forces have also increased with the all-round development of the individual, and the springs of co-operative wealth flow more abundantly.[5]

A broader nineteenth-century vision of harmony comes from William Morris who dedicated his life to craftsmanship and wanted to see fulfilling work become available to everyone, but agreed with Marx that class struggle and conflict would be necessary to achieve the conditions in which harmony could prevail. In *How we Live and How We Might Live*, Morris lists four 'claims for a decent life'.

> First, a healthy body; second, an active mind in sympathy with the past, the present and the future; thirdly, occupation fit for a healthy body and an active mind; and fourthly, a beautiful world to live in.[6]

John Ruskin, born two hundred years ago in February 1819, wrote about economic justice and celebrated all forms of wealth creation in which the purpose was to enhance human well-being. He said 'there is no wealth but life' and coined the term *illth* to describe wealth created to no useful purpose that causes 'various devastation and trouble'.[7]

A century later there is Ivan Illich, who wrote *Tools for Conviviality*. In that compressed, eloquent and sadly overlooked book written in the 1970s, Illich argues:

> I here submit the concept of a multidimensional balance of human life which can serve as a framework for evaluating man's relation to his tools. In each of several dimensions it is possible to identify a natural scale. When an enterprise grows beyond a certain point on this scale it first frustrates the end for which it was originally designed, and then rapidly becomes a threat to society itself.[8]

And

> Scientific discoveries can be used in at least two opposite ways. The first leads to specialisation of functions, institutionalisation of values and centralisation of power and turns people into accessories of bureaucracies or machines. The second enlarges the range of each person's competence, control and initiative, limited only by other individuals' claims to an equal range of power and freedom.[9]

So, for Illich, two vital conditions for enterprises to serve society harmoniously are the limitation of scale and the empowerment of individuals.

This leads us naturally to Fritz Schumacher whose *Small is Beautiful* was also published in 1973.

> What is it that we really require from the scientists and technologists? We need methods and equipment that are
>
> - Cheap enough so that they are accessible to virtually everyone
> - Suitable for small-scale application
> - Compatible with man's need for creativity.

> Out of these three characteristics is born non-violence and a relationship of man to nature which guarantees permanence.[10]

Here, again, was a writer who was exploring the pre-conditions for harmony in society. Scale, accessibility and room for individual creativity were seen as by Schumacher as the three essentials.

It is interesting to test the criteria developed by these two 1970s visionaries against a contemporary large-scale business such as Facebook. Facebook has been very successful in promoting the accessibility of its inventions but it has been the victim of its own success. By putting revenue growth and scale ahead of client need, it lost sight of the ways in which its activities, and its very dominance might undermine the creativity and self-esteem of many while enhancing that of a few. The accessibility which started as its very raison d'etre (facilitating sharing) became as much a tool for manipulation as for conviviality.

There are strong common themes to be found in all these Western writings which point towards concepts of harmony. Firstly, harmony in society starts with health, well-being or wholeness in the individual. This has implications for how products and services are made and sold and for the importance of relationships. Secondly, scale matters. If you hold everything else constant (human nature, education; economic opportunity) but you increase the numbers tenfold, impersonality and fear are more likely to replace a sense of relationship and interdependence. Thirdly, they all recognise the importance to human fulfilment and therefore harmony of the *right kind of work* – work in which people can find ways of expressing themselves, whether it is the kind of work that is found in the labour market or work in the home. This in turn leads to the importance of overthrowing restrictions based on gender or any other difference and valuing unpaid work in the home or neighbourhood as well as paid work. Fourthly, as is to be expected in the aftermath of more than one industrial revolution, there is a concern with bending technology and markets to human purposes rather than allowing the two combined to become monsters without limits.

In an age of warming oceans, dying coral reefs and increasingly extreme weather there is perhaps one harmony condition missing from all these Western writings. They say little about harmony between generations and the importance of the long term or anything about the dimension of time and the need to assess progress in the light of the needs of future generations. The native American proverb says it well: we do not inherit the world from our ancestors; we borrow it from our children.

In *Small is Beautiful* Schumacher does, implicitly, acknowledge this harmony condition. He quotes with approval the words of ecologists Tom Dale and Vernon Gill Carter:

> Civilised man was nearly always able to become master of his environment temporarily. His chief troubles came from his delusions that his temporary mastership was permanent … Man, whether civilised or savage, is a child of nature – he is not the master of nature …When he tries to circumvent the laws of nature, he usually destroys the natural environment that sustains him. And when his environment deteriorates rapidly, his civilisation declines.[11]

Carelessness about the needs of future generations seems to be a particular Western weakness. It can be traced back to a different mental picture of time. In *The Seven Cultures of Capitalism* Charles Hampden Turner and Fons Trompenaars used comparative international surveys of business managers to reveal differences in culture. Their 1993 description of very different attitudes to time was particularly telling.

> The managers were asked to think of the past, the present and the future as being in the shape of circles. The results showed UK managers taking a 'sequential view', drawing three separate circles with a slight intersection of the past and the present, while US managers saw the past as unconnected with the present and the present just touching the future. By contrast, the Japanese took a 'synchronous' view, seeing past, present and future as largely overlapping circles.[12]

Together that makes five conditions for harmony in business:

- Health, well-being and *individual wholeness*
- Appropriate and *accessible scale* of organisation
- *Fulfilling work* open to all talents
- Technology, tools, organisations and markets being *servants and not masters* of human beings
- The *right generational balance* between the needs of today and tomorrow's

A Living Picture of Harmonious and Connected Business

A few years ago, I spent a week with my wife and family in Myanmar. While I was there, I read Pascal Khoo Thwe's book *The Land of Green Ghosts*, which starts with an account of his growing up as a member of a remote Burmese tribe. This is how he talks about the harvest:

> We grew maize, sorghum for the domestic animals, groundnuts for oil, beans, yams, potatoes, cucumbers, pumpkins, melons, gourds, watermelons, chillies, and other vegetables in the paddy fields. But the most important crop was rice., which was not only a staple food but was used to make the rice wine which we drank every day of our lives.
>
> I loved the cold season best. It brought the rich fragrance of the rice and other crops as they ripened after the heavy rotting smell of the monsoon ... The monsoon had its own special character of sound, the combination of the bird sounds, the rain, thunder and wind.
>
> The harvest would start in late December with groundnuts, maize, beans and other crops. As it was the most important, the rice harvest was attended with much ceremony. Friends and relatives came to help with the reaping, threshing, winnowing and storing of the rice with much ceremony.[13]

Sowing, growing, reaping, threshing, winnowing, storing.

Until I read this I had never really thought of these separate activities. I just knew they amounted to something called the harvest.

Pascal Khoo Thwe gives us a living account of economic life. It describes economic activity in the context of human relationships. The purpose of the economic activity is clear. There is a true understanding of the connectedness of the different tasks within the harvest and how the parts relate to the whole: sowing, growing, reaping, threshing, winnowing and storing.

This may sound sentimental, longing for a lost and (far-from) ideal rural existence.

On the contrary, I am saying we have to accept that our economic life is complicated and global and highly specialised and yet we can still demand a better connection between the parts and the whole – between the modern equivalents of sowing, growing, reaping, threshing, winnowing and storing.

This translates as:

- Saving (storing)
- Investing (sowing)
- Fertile soil for starting, growing and financing businesses (growing)
- Stewarding invested assets in line with human values (growing)
- Developing appropriate models of ownership and shareholding (reaping and storing)
- Managing funds with present and future generations in mind and with human well-being as our focus (reaping and winnowing and storing)
- A regime for tending and pruning those businesses so they cannot grow out of control (winnowing)
- And, completing the cycle of the economic harvest, channelling and distributing its fruits in ways that enrich society and take care of future generations, (storing and then sowing again)

Connectedness in Economic Life

The religions of the world share many insights about the right way to live and the best way to make sense of the world. One of these insights is this: everything is connected. Body and soul, mind and spirit, present and future. So if we know from the wisdom of old, that everything is connected, how have those who dominate our economic life come to ignore this vital wisdom? When did they allow the criteria of financial and economic success to become disconnected from human purposes? And how do we reconnect the two in ways that satisfy the conditions for harmony – individual well-being; appropriate scale; the right kind of work and markets and technology that are aligned to these, and the right intergenerational balance? The answer starts with the way we think. That in turn influences the way we act in business, the way investors act and the rules and frameworks that are set by whole societies.

How We Think

If we want to see the right ideas prosper in the marketplace, we first have to win the battle of ideas. In the course of my own study of economics and philosophy, together with my countless conversations with CEOs, chairmen and institutional investors, I have come to the conclusion that there are five different, yet linked, key variables in the way people think about business. The assumptions people make under these five headings combine to form the 'taken for granted' attitudes for business along a spectrum that runs from the exclusive to the inclusive.

Motivation: Money or More

The first is about what motivates human beings in business. To make any kind of generalisation in the economic laboratory, economists have to simplify and concentrate on those parts of economic behaviour that are predictable. So, they invented the caricature or hypothesis of rational economic man. 'Economic man' is characterised by self-interested goals and a rational choice of means.

This is very useful for, say, calculating the response of consumers to changes in the price. But it tells us nothing about how people respond to leadership or how businesses generate loyalty because of their purpose and values – factors which research tells us are central to enduring profitability, let alone harmonious business. It is an exclusive and narrow definition of human nature. It excludes from its calculations a large number of values and emotions which influence human behaviour.

Markets: Master or Servant

The second question is about how far people trust markets to deliver the right answer. On the exclusive side in this battle of ideas stand those market disciples who believe that markets mechanisms are supreme. A particularly extreme version of faith in markets is the 'efficient markets hypothesis'. Some market disciples (although perhaps fewer now than before 2008) believe that the price of shares reflects all known information about a company. On the other, inclusive, side stand those who believe that this is a naïve belief, which, among many other things, ignores the effect of herding behaviours which have recurred in every market since the Dutch went mad about tulips in the seventeenth century. Markets are flawed human inventions, an important but not sacred moving part in a delicate system which needs constant adjustment. From this perspective, it is important to harness market forces to society's priorities. The difference between the two perspectives was acknowledged all too late by Alan Greenspan, who was head of the US Federal Reserve at the time of the financial crisis. When asked how such a devastating crash happened, his answer was 'Our models didn't work'. He explained that the two hundred and fifty PhDs he had working on the models had ignored two things – the nature and speed of market dynamics and 'people and their unpredictable emotions'! [14] That was quite some omission!

Business: Part of or Apart from Society

The third question concerns how people view the relationship between business and society. In the exclusive view, business and society sit in separate compartments. At its weakest, the milder form of this argument says that businesses, and those who run or own them, do not need to worry about the needs of society while pursuing profits. The stronger form goes further: it is bad for business and for society if business 'takes its eye off the ball' and thinks about the needs of society.

The inclusive approach says with J. R. D. Tata (of whom more later) that 'What came from the people must go back to the people' – that business is a servant of society.[15]

Value: Scarce or Abundant

The fourth question is about how people in business see value. Do they think in terms of abundance or scarcity? Just as some people see motivation in financial terms, some people see value in purely financial terms, and see business value as a zero-sum game. Spend more on your workers' wages or give more to charity or the arts and you will have less left for your shareholders.

Others see value as a positive sum game. Their philosophy is that the more you put in, the more you will get out. Put money back in the neighbourhoods you operate; invest in people and in carbon reduction and somehow it will come back to you. The inclusive approach sees the best companies creating value in ways that are a win-win for shareholders, staff and society.

The contrast between the two is well illustrated by the remarks made by the then CEO of Unilever, Paul Polman, after the food giant Kraft Heinz had attempted, but failed, to take over Unilever.

> Without naming Kraft Heinz, the food group backed by Warren Buffett and the Brazilian billionaires behind 3G Capital, Mr Polman described the failed bid attempt as 'a clash between people who think about billions of people in the world and some people that think about a few billionaires'. Speaking to portfolio managers representing an estimated $25trillion of assets under management, Mr Polman told them to stop asking companies like his why they heeded environmental, social and governance concerns and start pressing those that did not do so to explain 'why [they] have the courage to destroy … this wonderful planet'. Investors with a responsibility to generate long-term returns to match their pension liabilities had the same responsibility to ensure that their members 'are retiring in a world they can live in'.[16]

People: Whole or in Part

The fifth question is about how people think about shareholders and other stakeholders. Do they see shareholders, customers, suppliers, workers, and citizens as distinct and separate groups of people? Or do they see terms like 'shareholder' and 'stakeholder' as descriptions of a particular role that people may have to wear in one particular situation?

To a social scientist or anthropologist, it is obvious that human beings all have multiple roles, and this, of course, helps to explain why most of them don't isolate financial considerations from other aspects of human life. There was a tragic and extreme example in the United States in 2012 following the terrible multiple shootings in Newton, Connecticut. In the aftermath, newspapers reported that Cerberus, the owners of the company whose gun was used in the shooting, was considering pulling out of its investment in that company. The reports also mentioned that the father of Cerberus' CEO lived in the town where the shootings occurred. It would be hard to find a clearer example of the truth that no human being can entirely separate into different compartments the way that they live their life.

Assumptions behind the exclusive, compartmentalised, approach have been spreading over my lifetime. Many of them can be found at the heart of the banking crisis. Their prevalence helps to explain the growing public mistrust of business.

We need a holistic, inclusive, connected and harmonious approach. Whatever the labels, and whatever our cultural origins, business attitudes in East and West alike have the potential to move beyond the narrow reductionism of *homo economicus* and the exclusive focus on financial measurement to rediscover the human purposes of business.

How We Act

How we think influences how we act. The practical agenda for a more harmonious approach is really common sense, at least to those who accept that business is a human activity, conducted by human beings in relationships with one another, using the mechanisms and disciplines of the market to help them achieve human purposes. In other words, that business activity is impossible without making a profit but that moneymaking is rarely the purpose.

There is abundant evidence that businesses which over long periods of time seek to serve a purpose beyond profit outperform those who look for money alone. Equally, the literature of entrepreneurship is full of examples to support the idea that financial gain is not the sole or major motivation for entrepreneurs.[17] And it's hardly surprising (except for people who cannot see outside the economist's laboratory).

We do business with those we trust. We are less likely to trust businesses whose only motivation is making money for themselves or for their shareholders unless we have some personal or family connection with those shareholders. We are much more likely to do repeat business with those whom we trust. Getting a new customer is more expensive for a business that building a relationship with an existing customer. Regulation is going to punish businesses which prove untrustworthy. Trust enhances the value of the brand. The best people want to work for organisations that give their work meaning and purpose beyond their financial return.

And so it is that all the best businesses start with purpose and values; they stay true to purpose and values in all relationships. They have a clear success model – a constantly evolving hypothesis about how they will earn sufficient income from fulfilling their purpose. Their communications are always a reflection of their purpose and values. Their ethics are founded on their purpose and values. Their interventions in the community, their corporate citizenship is not some self-indulgent leisure activity – it is simply their purpose and values in action, in all, their relationships. Their thinking, which guides their actions, follows the logic of the virtuous circle of governance.

At a global level, the same principles apply, but with even more force. Global companies have become giants, stepping out beyond their own homeland. There is no longer one government which can control what they do. They have to negotiate a tangle of relationships. Before BP started operating in Azerbaijan it had to help the local government to set up the regime by which it would be taxed! Long before national or supranational regulators understood the social implications of their powerful products, Facebook needed to understand and manage their potential misuse by terrorists, manipulators and criminals. The part needed to understand its relationship to the whole, and the constant flow of influence and impact from the business to society and vice versa.[18]

This description of business seems obvious. It has been true for centuries. Yet it has precious little to do with what is taught in our business schools or our management textbooks, let alone the world of corporate finance.

For in all of these sources and places you will enter a parallel universe where money, and not purpose or relationships, is the measure of everything. Where something called corporate social responsibility or sustainability somehow has to be fitted in (and only if we have prepared something called a 'business case'!)

How We Own

Many people find these arguments about the human purposes of business convincing. But then, they say, that's all very well. How do you persuade shareholders to think like that?

That leads us to a different question. Who are the shareholders?

Often, they are presented like alien beings. 'The markets' we are told 'think this'. 'The markets 'have formed a poor impression of this company's latest announcement. That company has had to change course in order to satisfy 'market expectations'.

Here again, we are in a parallel universe and one which denies the importance of harmony. In the real-world, entrepreneurs start businesses; they go to the markets for capital to help them. I've never heard of an entrepreneur starting a business by saying, 'I wonder if there are some shareholders or institutions whom I have never met who might like to own some shares if I started a business?'

The real world of wealth creation is different to the world measured by short-term shareholder value. This is where change is needed if our approach to business is to fulfil the conditions for harmonious business.

The entrepreneurial stage of a business seems better aligned with harmony. The individual is creating their own future, organising work to their own timetable. This is the sowing and planting stage.

But then the scale increases. What happens when the business grows and outside capital is brought in?

The choice of ownership solutions is pivotal. Many businesses start off with good intentions. Yet, as they grow, and bring in outside finance, they often lose the underpinning of their values that is provided by their owners. Listed companies have dispersed, often absentee, owners. The crucial harmony condition of a scale within which relationships can stay meaningful is then lost.

It doesn't have to be this way. A few businesses remain determined to stay faithful to the conditions required by harmony. The answer lies in their approach to ownership. An approach which combines continuity and renewal; inner strength and outer strength.

Tata: A 150-Year Case Study in Harmonious Business

The history of Tata is a living, enduring and convincing case study in stewardship by owners concerned to achieve harmony between the needs of their business and those of society.

The company started by Jamsetji Tata in 1868 and floated in 1874 with capital subscribed by his friends as The Central India Spinning and Weaving Manufacturing Company was, in his own words, 'Started on sound and straightforward business principles, considering the interests of the shareholders our own, and the health and welfare of the employees the sure foundation of our prosperity'.[19]

Tata Sons has evolved a unique ownership structure with a careful balance between the parts and the whole. The whole is under the influence of Tata and Sons. Two-thirds of the equity of Tata and Sons is held by philanthropic trusts endowed by members of the Tata family. Tata and Sons hold a stake of varying size in each Tata company. Each company is independent, with its own board of directors. Twenty-nine of these companies have their own stock market listing. Thus, while ownership of the different Tata companies is dispersed, the philosophy is shared. The Tata statement of purpose and code of conduct covers all these independent companies. Making money is never seen as an end in itself. JRD Tata, chairman from 1938 to 1991, said, 'I never had any interest in making money. None of my decisions was influenced by whether it would bring me money or wealth'.[20]

Asked how he would define the house of Tata, and what linked the companies together JRD Tata, replied:

> First a feeling that they are part of a larger group which carries the name and prestige of the Tatas, and public recognition of honesty and reliability – trustworthiness. Each company enjoys its share of the privilege. They use the Tata emblem. The reason is, you might say, enlightened self-interest.[21]

This then finds its expression in the diverse ways in which Tata subsidiaries engage with the communities and society of which they are a part, and with key stakeholders under the umbrella of the Tata Sustainability Group. Tata recently described its purpose in terms that resonate with the words of earlier generations of its leaders:

> At the Tata Group we are committed to improving the quality of life of the communities we serve. We do this by striving for leadership and global competitiveness in the business sectors in which we operate.

> Our practice of returning to society what we earn evokes trust among consumers, employees, shareholders and the community. We are committed to protecting this heritage of leadership with trust through the manner in which we conduct our business.[22]

This echoes the words of JRD Tata.

> The wealth gathered by Jamsetji Tata and his sons in half a century of industrial pioneering formed but a minute fraction of the amount by which they enriched the nation. The whole of that wealth is held in trust for the people and used exclusively for their benefit. The cycle is thus complete; what came from the people has gone back to the people, many times over.[23]

Influenced by these values, the Taj Hotel group, a Tata company, developed a unique approach to recruiting staff direct from small towns, focusing more on hiring people with integrity and devotion than skills and talent, and training their staff for eighteen months rather than the average of twelve. They believed in teaching people to improvise rather than doing things by the book, and insisted that employees place guests' interests over the company's.

A test of the values of Tata came in November 2008, when terrorists entered the Taj Mahal Hotel in Mumbai, shooting and killing indiscriminately. After a night of terror thirty-one people had died (of whom half were hotel staff) and twenty-eight were hurt. Dozens of guests were saved by the calm and brave actions of the Taj's staff.

Bhisham Mansukhani was a guest who escaped that night. Of the staff who saved his life when they might have run away, he said:

> They were just kids. Young boys and girls. Two girls in their early 20s, couple of kitchen staff. Those brave girls had their phone on charging and were guiding the NSG to our location. They were remarkably great. One of them, Rajan Kamble, who was in front of us, was shot in the stomach while helping the guests escape.
>
> Over the period of 11 hours, the staff saved my life several times.
>
> When the National Security Guard knocked on the door at 3:30AM it was with the help of hotel staff that we escaped who had come right back inside

> the hotel to help. 'They guided us to the lobby and outside. There was such chaos around us, blood and glass was scattered all over. The firing started again. The cops ran away, but the staff formed a human chain around us.[24]

The sacrifice of these staff reflected a pattern of behaviour exemplified by top leaders. Jamsetji Tata, the founder, had started a textile mill in the 1860s, instituted a pension fund for his employees as early as 1886 and began voluntarily to pay accident compensation as early as 1895. After making a success of that first mill, Jamsetji had created a public company to buy and turn around a bigger, older and more inefficient mill in Bombay. The turnaround was slow and the economy unhelpful. When the public company was faced with financial ruin, and the banks would not accept his family trusts as security for a loan, he revoked the family trust into which he had ploughed his personal wealth, sold shares and ploughed the money back into the second mill and made it a success. This is a far cry from many later creators of public companies who were content to see the capital of other shareholders lost while protecting their own fortunes.

Tata has endured for a hundred and fifty years. Its history exemplifies the subtle tension between the role of leaders and the role of owners. Its pioneering founders designed its ownership like a keel that could keep Tata companies on a steady course through times of disruption.

Today there is a cohort of entrepreneurial businesses which have pioneered their own journey in the spirit of balancing the parts and the whole. Some of them have, like Tata, thought carefully about their ownership design. TTP Group is an employee-owned company with more than three decades of achievement in a highly competitive market which exemplifies the same principles. The story of this, and many more, some older, some younger, are described in a recent Tomorrow's Company publication 'The Courage of their Convictions'.[25]

Harmonious Business: the Role of Owners

Harmonious business can only be achieved in a world in which owners, rather than seeing themselves as traders of shares, see themselves as stewards and wish to pass on the business in a healthier shape than they inherited it.[26]

Such owners give managers the confidence to manage without the arrogance or greed that puts themselves ahead of the organisation. They look outwards. They see the business as a servant of society. Because they are in tune with the changing needs and expectations of society, they adapt and stimulate necessary change while holding on to constancy.

We need such owners precisely because ordinary citizens have become disconnected from the world of business. That disconnection is very risky.

Sometimes the necessary human connection is achieved by family ownership, provided that it is the kind of family ownership in which the family sees itself as a servant of society. As organisations become larger, many family businesses evolve a form of trust ownership of the kind achieved by the Tatas. Sometimes this connectedness may be achieved by mutual ownership. A 2013 study in Canada found that, overall, credit unions outperformed other financial institutions when it came to serving micro, small and medium-sized businesses.[27]

Sometimes it is best achieved by devolved models of social enterprise such as M-Pesa in Kenya.

The story of M-Pesa is a fascinating example. It was a grant from the UK's Department for International Development which set the ball rolling on a powerful piece of innovation that has helped thousands of micro-businesses to start. The grant was given to a not-for-profit knowledge transfer and capacity-building organisation called Gamos, which had been founded by Professor Peter Dunn, an engineering professor at Reading University in the UK. The initial idea of M-Pesa was to create a service which would allow microfinance borrowers to receive and repay loans using the network of Safaricom airtime resellers. As a result of a collaboration between Gamos and the Vodafone Foundation, M-Pesa evolved into a way in which people could send, receive and withdraw money from their mobile devices. M-Pesa spread quickly and by 2010 had become the most successful mobile-phone-based financial service in the developing world. By 2012, a stock of about 17 million M-Pesa accounts had been registered in Kenya. By June 2016, a total of 7 million M-Pesa accounts had been opened in Tanzania by Vodacom. The service has spread to other parts of Africa and beyond. It has given millions of 'unbanked' people access to the formal financial system and the ability to create micro-businesses in areas devoid of conventional finance. In the process the development of this company has also been an exemplar of the second key area for wealth creation – the financing of emerging businesses.

In pre-industrial societies, work is carried out in the family and savings held within the family. The earliest shareholdings would simply have been the wealth that a family built up in a business they had created and passed on.

Now the process of harvest and storage is more complex. People save, their relatives send money back from working overseas and their parents pass on wealth when they die. That money increasingly flows into savings schemes, life insurance and pensions. From there in due course the savings find their way into the world's capital markets. But people aren't connected with them.

We need listed companies and the stock exchanges on which they float to meet the financial needs of companies and of the entrepreneurs who wish to receive back some of the value they have created. We need them, but we need them to operate in a much more inclusive way.

Most of us citizens don't like what capitalism is becoming and what it is doing to our society. The irony is that, apart from the poorest; we are all part-owners of many of the very companies whose behaviour we dislike so much. Citizens are shareholders and shareholders are citizens. Why would they want different things?

For shareholders the quality of the financial harvest cannot be separated from surrounding conditions in which those dividends are received. We all want and need value – a return on our investment consistent with an improving quality of life. What's the point of owning your car, if it can't move for the traffic around it? What's the point of that penthouse suite with the breath-taking views of the city, if you cannot see the city for smog?

How to Square the Circle between Citizens and Shareholders

The question is – how do we square the circle? How can we allow the human being as saver and investor to make shareholder choices in ways that will be welcomed by the human being as citizen? This is where trusteeship and stewardship come in.

Older employees, especially in the public sector, may already be members of an employee pension scheme. Younger savers will have to bear this risk themselves, and their future pension will dependent on the success of the investments made by the fund and the effectiveness of its stewardship of their assets.

In either case, regular payments are deducted from their salary. These are passed on to the trustees of the pension scheme, who in turn pass the payments to the managers of the scheme. The scheme managers are employed to invest the money in line with the trustees' requirements so that the pension promise can be met. The time horizon for these trustees has to be long. The job of those handling their savings is to look several decades ahead. The trustees of a pension scheme, working with the guidance of investment consultants, have the responsibility to define an investment policy and decide on the appropriate asset allocation.

The ordinary saver has no direct idea about the companies into which the money is being invested and no way of assessing the effectiveness of the stewardship of all the different people along the way. There may be financial advisers and investment consultants, stockbrokers and analysts, insurance companies with their own fund managers, third-party fund managers, hedge funds and private equity funds. In many jurisdictions savers will be amazed to discover that the shares that are ultimately owned in their name can be loaned out for a fee so that hedge funds and other owners can go ‘short’ or ‘long’ – which essentially means betting on the future price of the shares.

To stay with the Myanmar rice example, by now the saver is a very long way indeed from the monsoon smell of the rice, and some of the grains of rice are seen as gambling chips, not future nourishment.

Common sense – and the principles of harmony – would suggest that all this should happen in a *connected* way under some kind of guidance or criteria decided by the person whose money it is. But that isn’t how it works at the moment. Financial services companies occupy a parallel universe. They don’t necessarily make the common-sense connection between longer term returns and the enduringly successful companies in which these will be achieved. Most fund managers will be deemed more successful, and so earn better financial rewards, if they back a management that promises to drive up the share price immediately. They will be frightened that if they refuse that take-over bid, or show patience to that management team, the pension trustees will judge them against their rivals who accepted the windfall gain. This puts them at risk of losing their investment mandate.

As savers and investors, we all need to see our investments as Pascal Khoo Thwe saw the harvest – as living processes that we could virtually if not physically smell, taking our values out across the economic system and touching companies in ways which strengthen their ability to become a force for good.

In the decades to come, as savers and investors discover that the risk now lies with them, they will begin to demand that they can see and influence where the money is going and how dividends are achieved. How much more might it mean to the saver if, without abandoning the usual advice about not putting all the eggs in one basket, savers could invest in fixed interest bonds that helped with the improvement of infrastructure in their own region and in social impact investment that was targeting reduced mortality or improved housing stock or local food production in their region, or early-stage finance for young entrepreneurs in the area.

In time, the financial services consumer may eventually be able to use a stewardship label which has the same authority as the Fair-Trade label used in the marketing of tea and coffee. Without this golden thread of effective stewardship, society won’t get the robust, principled companies and investment intermediaries that it needs to handle its harvest.[28]

THE CHANGING BUSINESS LANDSCAPE

To summarise, we learn from the past that the five key principles by which business may be conducted harmoniously are

- Health, well-being and wholeness of the individual
- Appropriate and accessible scale of organisation
- Fulfilling work open to all talents
- Science, technology, and the tools and organisations they generate being servants and not masters of human beings
- The right balance between the needs of today's and tomorrow's generations

These principles of harmonious business do not change, even though the business landscape itself is constantly changing. In 'Ill Fares the Land' the historian Tony Judt wrote shortly before his death in 2010 about the breakdown of the post-war system that had combined economic growth with social security. He said that 'We have entered an age of insecurity: economic security, physical insecurity; political insecurity', and added:

> Something is profoundly wrong with the way we live today. For thirty years we have made a virtue out of the pursuit of material self-interest: indeed, this very pursuit now constitutes whatever remains of our sense of collective purpose. We know what things cost but have no idea what they are worth. We no longer ask of a judicial ruling or a legislative act: is it good? Is it fair? Is it just? Is it right? Will it help bring about a better society or a better world? Those used to be the political questions, even if they invited no easy answers. We must learn once again to pose them.
>
> The materialistic and selfish quality of contemporary life is not inherent in the human condition. Much of what appears 'natural' today dates from the 1980s: the obsession with wealth creation, the cult of privatization and the private sector, the growing disparities of rich and poor. And above all, the rhetoric which accompanies these: uncritical admiration for unfettered markets, disdain for the public sector, the delusion of endless growth. We cannot go on living like this.[29]

These words seem even more apt today. Take, for example, concerns about the growing dominance of Amazon, Apple, Facebook and Google.

In his critique of these companies and their business model written in 2017, Scott Galloway describes the emergence of the 'winner-takes-all economy'.[30] Four years later the *Financial Times* reported that Google and Facebook between them controlled more than 58% of total US digital advertising spend; Amazon was on course to capture nearly half of America's e-commerce market, and in the same article the *FT* quoted the IMF as seeing 'evidence of rising market power and declining competition in the US … This is coupled with signs that the labour share is going down'.[31]

Five years later Harvard Professor Shoshana Zuboff has described Google's 'disregard for the boundaries of private human experience and the moral integrity of the autonomous individual'. She describes how:

> Surveillance capitalists asserted their right to invade at will, usurping individual decision rights in favour of universal surveillance and the self-authorised extraction of human experience for others' profits.[32]

As an example, she describes the subversion of the original intentions of the technologists' vision of the Aware Home – using the Internet of Things to put the householder in better control of the house and all the functions operating there. In its original form the Aware Home was designed on the basis of complete privacy for the householder.

Today that privacy has gone. The major providers of technology to the Aware Home upload all the data for their own use. For example, the Nest thermostat learns all about the behaviours of the householder and family. Its apps gather data from other connected products such as cars, ovens, fitness trackers and beds. Personalised data now flows straight to Google's servers. If the user wishes to deny that data flow, they are no longer supported by the necessary updates.[33]

Health, well-being and wholeness of the individual is the first condition for harmonious business. Human scale is the second. In the twenty-first century this will require firm action by governments and regulators. Decades ago, US regulators forced the breakup of telecommunications giants with positive results. Institutional investors themselves can gain greater value from their investments if the corporate leviathans are broken up. The splitting of ICI into two companies led to the creation of the company that became Astra Zeneca, one of the most productive of major drug companies at the end of the last century. The EU has become increasingly aggressive in dealing with anti-competitive behaviour by Google. This is only the beginning. National and international regulators need to broaden their interest from anti-competitive behaviour, towards positive bias in favour of the principles of harmony. This may well mean the breaking up of companies in the interests of not only of competition and equality but also of human scale and accessibility.

Systemic problems require systemic responses. Neither companies, nor individual savers, nor rich individuals, nor investment institutions nor trade unions or industry associations, nor business educators can on their own shape the conditions for harmonious business. All are part of the answer. If they are to be enabled to contribute to it, then we will require what David Cadman describes as an 'integrative discipline' within which they are understood as part of the whole. With this the assumptions, and framing and teaching and practice of economics, business investment and public policy may gradually evolve into what Schumacher made the subtitle of his book – 'a study of economics as if people mattered'.

NOTES

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