

Towards a more human capitalism and a wiser governance

Working paper to stimulate reflection¹

The idea is growing among populations as a whole and the managerial classes in Europe and North America that a more human form of capitalism and a more enlightened piloting of businesses and economies would be a good thing. A socio-cultural analysis of the situation leads us to believe that we are at a tipping point, a point at which certain modestly targeted actions can have an ultimate influence far beyond their initial weight.

The financial short-termist hypercapitalism for the past twenty years, and the hierarchical, bureaucratic and technocratic governance to which many classic business models still adhere are digging a wide ditch between the economy as a whole and the real-life society of ordinary people. The result is serious social turbulences and loss of vitality.

A series of observations (which need to be developed and deepened) leads me to the hypothesis that we could be at a tipping point at which the path taken could bring us out into a more human form of capitalism and more enlightened governance of business in general and the socio-economy as a whole.

By deepening our understanding of the actual state of the system and its dynamics we should be able to identify levers on which to act in order to encourage this mutation or at least make it more probable.

The two modernities of the 20th century

The background for this adventure is a western, globalised society that is being profoundly transformed by a process of civilisation that is leading us elsewhere. One too often neglects to take into account this fundamental aspect fundamental of reality. Recent and current anthropo-sociological changes have been and are extremely profound; they affect our mental functioning, our customs, the socio-technological fabric in which we live; and companies individually, and business as a whole, are actors with major roles².

¹ Note distributed 18 June 2008 to a working group of the Club des Vigilants.

² A large number of field research studies on the ethnology of modernity and observation of socio-cultural change have been accumulated since the 1930s. See in particular the books of Norbert Elias, David Riesmann, Abraham Maslow, Robert Bellah, Daniel Yankelovich, Michael Adams, Alain de Vulpian, and the observations accumulated by all the systems for monitoring sociocultural change intended to aid businesses and administrators to make use of the changes that are starting. These studies have in common that they treat personalities and society in a single whole: personalities and society interact to co-produce each other.

The process of civilisation in the West during the 20th century has unfolded in two phases that partly overlap.

1900→1975. The "first modernity" covers the first three-quarters of the century. After fearful convulsions and tens of millions of deaths, it gave birth to an individualistic society of mass consumption that remains quite hierarchical. This society blossomed between 1945 and 1975. Relatively free individuals who yet retain powerful hierarchical tropisms are manipulated and agglutinated in massive groupings by the remnants of ideologies dating from previous centuries (nationalism, socialism, myth of modernity...) but even more by shared fascination with similar objects of consumption.

1950/2010. The "second modernity" began its incubation during the 1950s, with the first deep transformations of the individual, leading to a path through which people would become relatively autonomous and recalcitrant. People began to examine their own animality more closely, acknowledge and explore their sensations, their emotions, their empathy; they progressively freed themselves from the hierarchical tropism and began the apprenticeship, each in their own way, for the enlightened control of their own lives in a society rapidly becoming hyper-complex. This second modernity signalled its arrival in the paroxysms of the 60s (hippy communes, the youth revolts of 1968). It took root during the 70s and confirmed its presence during the succeeding decades through the transformations of people, the social fabric, technologies and models of governance which fed into and reinforced each other. From the spontaneity of individuals there emerged self-regulating networks and micro-socio-systems. From the spontaneity of these micro-socio-systems emerge larger socio-systems. The explosive development of interpersonal communications technologies today nourishes this process from which the society of ordinary people is drawing new powers. The course of events depends less and less on formal organisations and more and more on socio-systems. New families; new networks; proliferation of new types of associations which on occasion turn into NGOs; new and living businesses which are organic rather than organised...

The domination of the world by the West is drawing to a close. Civil societies participate in the global political gale while new geopolitical actors such as the BRIC countries, Europe, NGOs and globalised terrorist networks are coming on stage.

The life of companies 1900 - 2008

1900→1975. More or less tardily from country to country, American and European companies grew and internationalised, inventing as they did so modes of organisation and governance that could **synergise** with the

individuals and nascent societies of the first modernity. Centralisation, structured management, bureaucracy, taylorism, fordism, career policies, planning, production, mass distribution, mass communication, mass manipulation... During three decades (1945/1975), the strong synergy that grew up between populations, technologies, economies and finance nourished a spectacular progress in living standards, in life expectancy and in consumer expectations...

1970 → 1990. From the beginning of the 70s, **the management levels of certain pioneering companies** had the intuition of a radical change in their environment and sought to invent responses to a different future that was starting to emerge. As a strategy consultant during this period I had the good fortune to work with or observe a number of these pioneering spirits. For example, Per Gyllenhammar, president of Volvo, using the dislike of Swedish workers for production line working and their ability to organise their own teams, created independent workshops. André Besnard, President of Royal Dutch Shell, developed strategic planning through scenarios with Pierre Wack, which among other things enabled the group to respond to the first oil crisis better than its competitors, and which also taught the lesson that it would have to behave more like a living organism within a new social fabric. François Dalle, President of L'Oréal, drew the attention of his colleagues to the spontaneous development within the company of "parallel hierarchies" and the possibility of making use of them. He too, like Bernard Hanon, Renault's Product Director, centred product innovation around the systematic search for the seeds of the future. Many others have followed in their footsteps.

The 80s and 90s. After the emergence of new families, **a new socio-economy began to emerge:** new organisations and networks that create effective action and vitality by feeding off the aspirations of entrepreneurs, partners, enthusiasts, clients, the social fabric: start ups, associations, NGOs, consultants, individual entrepreneurs... Field research in France and the USA in 2000 showed that in these new organisms and around them, all their participants were involved in their development, added meaning was more important than added value, strategy emanated from the collective intelligence of the entire social body, the organisational structure was flat and heterarchic (heterarchy = the leadership circulates).

Since 1990. After the example of the USA, **short-term financial hypercapitalism** took root in Europe. Under pressure from greedy investors, principally investment and pension funds, priority was given to short term investment and the unbridled increase in profits. Company directors, their noses to the grindstone, focused on immediate results and could no longer become aware of slow but deep transformations occurring

among their employees and in society. Even if they perceived these movements, they could no longer afford them any importance. In this context, the internationalisation and intensification of competition led them to apply only those recipes with which they were familiar: tighten the reins, tighten the screws, control, merge, lay off...

But in the society of autonomy and hyper-complexity of the end of the century, top-down control, rigid organisation and technocratic decision-making **no longer have the effects they used to have** in the society of mass consumption, **often producing perverse effects** and social turbulence. Disaffection and loss of commitment on the part of management and employees; stress; networks of complicity encouraging foot-dragging or the collapse of attempts at re-organisation; mergers that never come to life; brain-drain of high potential juniors... In North America and Europe, the gulf widened between old-style big business and the society of ordinary people: a situation exactly the reverse of the glorious three decades of growth after the second world war.

The movement towards modernisation continues in a discreet, under-emphasised manner: the personalities of employees is changing, the new society and the new technologies of interpersonal communication are penetrating throughout business. Socio-systems and other social networks sprout spontaneously in the interstices of the management charts: they are self-regulating and influence the course of events. Agents of change, inspired or tolerated by management, increase in influence. **Useful innovations emerge from the social spontaneity and initiatives of the intermediate levels.**

Today a new capitalism is seeking to emerge

For decades ordinary people (citizens, company employees, the society they form) have been waiting, in varying degrees of confusion, for a different sort of company. The hope for a business that is less predatory and trading-oriented; a leadership that is flat, egalitarian, circulating and encouraging participation; work and activities in which they can feel meaning; living enterprises, open and interactive, that seek to achieve efficiency through the creative involvement of their collaborators...

Against this background in 2008, a number of powerful dynamics are converging which could meet up with the expectations of the society of ordinary people. Waves of collective intelligence are tending to synergise

with the development of awareness in the top ranks of big companies and reappraisals within the economic and financial establishment. Together they could open the way to reshaping the entire capitalist system into new forms.

Waves of collective intelligence have built up or are building up to considerable dimensions.

° **The gravity of the ecological and climatic problem** is today present in the minds of a majority of our populations. Similarly with the feeling of urgency and in parallel an aggressiveness against those who are responsible or supposedly so. These postures, which some decades back were only characteristic of militant ecologists have progressively gained ground among ordinary people until they became mainstream attitudes over the past few years. Polls show that environmental threats have become the dominant preoccupation of 45 to 66% of West Europeans and of 70% of Chinese. The proportion of Americans who share this opinion has more than doubled in five years and is now approaching 40% (Pew Research).

° The idea that **capitalist industry despises and crushes** its employees, neglects its consumers and sometimes poisons them, pollutes and exhaust the environment is making its way. Protest movements started by focusing on human (and children's) rights in South countries. They are extending their influence (lay-offs, stress, discriminations).

° **A moral reaction** is growing against what is perceived as the enrichment of those who are very rich and the impoverishment of the poor. For example, among the weak signals noted last March:

- Germany: the front cover of the magazine Stern headlined "*Elites without a conscience – how the rich are weakening our society*"
- UK: Success of the anti-rich book by Robert Peston *Who runs Britain ? How the super-rich are changing our lives.*
- USA: One of the themes of Barak Obama: the morale scandal of the deepening divide between the super-rich and the 37 million Americans who live below the poverty threshold. A Newsweek title (March 10) about tax evasion in Liechtenstein: "*Europe versus the fat cats. A German cloak-and-dagger operation to catch tax evaders is turning into an anti-capitalist movement*".

° The idea is spreading that capitalism has run mad and that **the authorities are steering finance and the economy onto the rocks.** The fall in employees' purchasing power in the developed countries, the financial crisis and its repercussions on the economy, the explosion in oil prices and transport costs, the spectacular increase in the price of foodstuffs and the resulting riots and destabilisations have marked

people's thinking. The combination of these crises and perhaps others with the fact that few people saw them coming contributes to discredit economic and financial laissez-faire and financial hyper-capitalism.

The top management of classically structured businesses find themselves with their backs to the wall and confronted with an imperative need for radical innovation

Increasingly often we meet top managements that have become or are becoming aware that their company or certain of its establishments or activities are confronted beyond the short term with fundamental challenges. If the company continues its way in the same manner it will be wrecked. It is essential to think of a new way forward, a different picture of the future. The precise origin of this awakening awareness varies from one to another.

For some, the dominant idea is that **the strategic competitive arena is undergoing a radical upset** and that it will be necessary to re-invent themselves in order to meet this challenge. The world is becoming multipolar and the west's crushing dominance of the planet appears to belong to the past. The BRIC countries have entered the competition and have important cards to play. The increasing price of energy, raw materials, and transport is modifying the "equilibria". It will become impossible not to reduce one's pollutions and the harm one causes to the environment. There exists an enormous clientele of poor people who constitute another type of potential market. The intervention of the public authorities will probably be strengthened and will take new forms.

Sustainable development hides major opportunities for whoever learns how to grasp them. In some classic – and strongly polluting – companies, sustainable development has become a serious theme for central strategic reflection at top level. It is no longer enough to pretend to participate in saving the planet in order to ensure one has a good image, it is a question of inventing the markets of the future, the markets that will enable the company to survive and expand. Our observations show that by following this path, companies take the first steps towards profound transformations. Effectively, to succeed in imagining these new developments and the means required to realise them, the company has to open its mind to the world outside its normal pre-occupations. It has to focus its explorations and reflections on the medium and long terms. It needs to awaken the collective intelligence of its employees at all levels, and to make the intra-company dialogue between managers and non-managers more constructive by centring on more distant horizons.

Some companies, under the influence of their managers, have become aware that by seeking synergies both with the process of civilisation now under way and with the transformation of the global field of competition, they will recover a capacity for radical innovation, discover new markets and restore their real influence on the course of events (see for example the spectacular change of step accomplished by Danone.)

Awareness is growing here and there that **the classic forms of management, organisation and governance have become counter-productive**. Not only do they alienate and demotivate a section of the personnel and act as a brake on the hiring of high potential newcomers, they also **sterilise the potentials for radical innovation** that are the leading characteristic of a truly modern company.

Effectively, managers have understood that in the companies of today and tomorrow ordinary people and collaborators at all levels can better and more effectively mobilise their energies and their creativity in their work if they can integrate this into a life that suits them, that fulfils them and in which they perceive meaning. If they are unable to do this they suffer, they are stressed, they cease to be involved and they lack creativity. It is impossible to count on people in such a condition for any form of radical innovation.

Managers have understood that today a major proportion of dynamism and innovation derives less from decisions made by organisations than from spontaneous sparks of vitality and creativity that result from meetings, sometimes by chance and often of an unexpected but synergistic nature, between autonomous, motivated actors (inside the company, or outside it, in its interactions with its environment).

Bureaucracy, centralised management structures, detailed planning, withdrawal and self-absorption kill in the egg such opportunities for renewal and reinvigoration.

In times like these, of breaks with the past, the production of innovations that work depends to a great extent on the presence at the right place and the right time of socio-perceptive and creative innovators, that is to say people who sense what is lacking, whose antennae pick up the latencies and potential futures that are waiting to emerge, people who can intuitively perceive innovations in waiting and know how to bring the idea to fruition. We have also met managers who have understood that the culture of their company encouraged neither the recruitment nor the careers of people with such profiles. They envisage taking their own actions.

The idea is making its way, with a moral or a utilitarian emphasis depending on the case, **that one should take care of people and of the living social networks that they weave**. Numerous managers tell themselves that ideally it is good to respect people, whether they are employees or clients, and suspect that they become more committed, develop more energy and creativity, if they can fulfil themselves and find

meaning in what they are doing. In this way managers are getting closer to the practice of change agents who take care of people. The limit of this posture is therapeutic. In Le Monde it was recently reported (19/3/08) that Jean-Marc Vergnes, the HR director of the Peugeot group, acknowledges that even a year ago it was totally impossible to talk about stress in the company, but that today a taboo has been lifted. Similarly, faced with increasing stress, La Poste (the French post office) has created an observatory for health at work, which it is intended shall lead to therapeutic solutions.

We have observed several traditional companies where **the multiplication of change management agents has now reached a point at which their situation is changing**. These change agents had been installed over the years more or less at random to deal with local needs, and not as the result of a policy decision at the top. Some work in innovation, others in skills enrichment, others in company relations, yet others were involved in coaching... and neither they nor their company were aware that they formed a network of change agents. But in the current context, new awareness can emerge: the network becomes aware of its own existence and complicit in it, and the corporate management becomes aware that it has a valuable tool to hand that it will be able to use in a more deliberate fashion.

It is not unusual for traditional companies to reach a tipping point in this manner, where a new system of governance better adapted to modernity, offering a more enlightened and more far-seeing view, seems to have evolved from, and be able to replace, the old way of thinking and doing.

The economic, financial and political establishment of the West is shifting. Its practices are changing. Cracks are appearing in its preconceptions.

A systematic analysis of the international press can show us the lines of force of these transformations. A number of articles or pieces of information have drawn my attention.

Clean technologies and substitution energies have the wind in their sails. For example, star managers are moving from the IT and communications sector to the clean tech sector. The Economist (March 15) talks of "the greening of Wall Street" and signals that major groups (HSBC, ABN AMRO, Citigroup, Bank of America, etc.) are investing considerable sums in green growth.

Above and beyond sovereign states, a concerted power for economic and financial steering seems to be coming into existence. For example, according to Newsweek (14/04/08), the hyper-finance crisis is managed by a relatively small number of people who are all the more powerful in that they have no formal powers, they are well connected to each other and they have personal qualities that enable them to reach consensus. There are no rules, no formal mechanism. No-one can be persuaded against their will. The process is collaborative and without frontiers. And when a critical mass of players come into synergy, things happen.

The signs are increasing that a U turn by the establishment may be possible. Let's have a look at some of them.

On January 8 Nicolas Sarkozy commissioned the Nobel economists Amartya Sen and Joseph Stiglitz to examine "the limits of national accounting" in order to escape from "a too quantitative approach to measuring our collective performance". In 1990 Amartya Sen directed the team working for the United Nations Development Program (UNDP) that originated the Human Development Indicator (HDI), the foundation for all subsequent attempts to introduce happiness into the evaluation of performance.

The 21 sages on the Growth and Development Commission published their report on May 22. The report does not contest the need for globalisation and economic and commercial openness, but it sounds the knell of the Washington consensus. It judges that "the more the economy grows, the more an active and pragmatic public administration will have a crucial role to play..."

During the shareholders' general meeting of the Exxon Mobil group on May 28, a coalition of shareholders led by major pension funds and the heirs of Exxon founder John D. Rockefeller, called a hostile vote against the "all oil" policy of the group's president, and came close to getting a majority.

Confronted with the unregulated markets and the current financial crisis, commentators suggest that the Anglo-Saxon model does not have all the answers. Chinese communo-capitalism Indian regulated capitalism, Russian authoritarian state capitalism and South American capitalo-populism all show that there are many roads to development, and that there is nothing to prevent us from envisaging others.

A good many think tanks and influence networks are considering and trying to prepare for a change of step. By encouraging growing awareness and upwellings of collective intelligence within the society of ordinary people, or in the circles of top managers. By drawing attention to remarkable innovations. By exploring ways of inducing effective transformation and good practices. By seeking to define or implant new sorts of performance indicators. By encouraging companies and people to emulate transformation. By trying to conceive a new legal structure for companies that would assist and encourage the modernisation of the whole company concept. And in many other ways.

In California a new type of hybrid organisation is emerging which attempts to combine "non profit" with "for profit". They are often called social enterprises. Their goals are social missions rather than the search for profits, but unlike the majority of charity groups, these organisations generate sustainable revenues and are not dependent on philanthropy. The incomes are retained and re-invested rather than distributed to shareholders. These new companies, as thousands of start ups in Silicon Valley did before them, start as small groups of people who are intensely motivated by their project of building a product or a service.

The inventor of micro-credit and social business, the Nobel Peace Prize Muhammad Yunus, is a focus of media attention. On April 26 Le Monde 2 put him on its cover, with 8 pages of interview and photos. M.Y. goes deeply into the criticism of capitalism. I quote here a number of his phrases that provoke reflection: "Banks and financiers refuse to understand that lending to the poor allows jobs to be created and incomes to be generated. They do not see a family or a household as a dynamic unit of production. They do not see that an independent activity – a street stall, a repair service, barber, retoucher, itinerant craftsman, everything that is known as "the informal sector" – constitutes real work and even a source of employment that must be encouraged by credit. Economic literature skips over this major element in human activity, independent work, which is the first means of earning one's own living. Economic managers consider employment to mean uniquely salaried employment, they wait for companies to hire people... only encouraging salaried workers seems to me terribly limited. To look on man as nothing more than a creature looking for a pay-slip seems a very narrow concept of what it is to be human. It is a form of slavery... When we were hunter-gatherers, we were not slaves, we managed our own existences. Millions (*sic*) of years later, we have lost that freedom. We live rigid lives based on the same rhythms of work every day... The poor in the countries of the South do not expect great companies to pay them. They do not all want employment policies and unemployment benefit... "

He adds, *à propos* the informal sector: "It's a degrading term. This sector is never encouraged. on the contrary it is shackled by regulations, patents, taxes. I suggest it should be given a more suitable name, a more rewarding name, because it is just in this sector that men and women show themselves at their most creative. For lack of anything better, I propose: the people's sector... "

If we are really at a tipping point, or if we are approaching one, small actions will be able to contribute to switching the course of events towards the emergence of a capitalism that will naturally be aligned with the biosphere and with the human social fabric. It's up to us to imagine them.

Alain de Vulpian

