

The Connected Capitalists

by Tricia Bisoux

“The purpose of the corporation is to maximize shareholder value.”

“The purpose of the corporation is to serve society.”

Ask members of the business community which statement they believe to be most true, and they're likely to fall solidly in one of the two camps. The profit maximizers think the society servers are unrealistic; the society servers think the profit maximizers are unsympathetic. Both sides argue fervently about business's *raison d'être*; neither is likely to change its mind.

But what if their points of view aren't mutually exclusive? What if today's increasingly volatile and interconnected business environment requires that these views become one and the same?

That's the basis of an emerging concept called “connected capitalism,” a departure from traditional views of business. Fervently promoted by E. Neville Isdell, former CEO of The Coca-Cola Company, connected capitalism does not view “doing good” and “maximizing profits” separately. Instead, it holds that businesses *must* do good *in order to* maximize shareholder value, operate successfully in global markets, and secure long-term business interests.

Increased government regulation, turbulent economic climates, and a greater emphasis on sustainability are compelling many business leaders to view capitalism in a different light.





“By devoting more time to multidisciplinary issues like the environment, business schools will improve

what they teach about government and NGOs by necessity. The real breakthroughs will occur as partnerships between those sectors strengthen. Many business schools have expressed interest in moving in that direction, but we still have a way to go.”

—Carter Roberts, CEO of the World Wildlife Fund

“The statement ‘The purpose of business is to maximize profit’ is true, as long as we add to it, ‘over the long term,’” explains Isdell. “Once we add ‘over the long term,’ we must look more closely at the issues that society faces. We must start talking about business as a force for good.”

Last September, Isdell and 19 other executives attended the inaugural meeting of the Global Business Leaders Forum at Georgia State University in Atlanta to discuss the implications that connected capitalism will have on their organizations, which represent for-profit, nonprofit, and public sectors. Arranged by GSU’s Robinson College of Business, the forum’s mission is to shape this new form of capitalism to reflect the complex environment in which business now operates.

BizEd spoke with six leaders who are members of the forum. Here, they share concerns about the evolving economic and regulatory climate and the new demands it promises to place on business. They include **Isdell**; **David Abney**, COO of the **United Parcel Service**, based in Atlanta, Georgia; **Lee Thomas**, CEO of forestry products company **Rayonier**, based in Jacksonville, Florida; **Jeffrey Bowman**, CEO of claims management firm **Crawford & Company**, based in Atlanta; **Carter Roberts**, CEO of the nonprofit **World Wildlife Fund**, based in Washington, D.C.; and U.S. Senator **Johnny Isakson** of Georgia.

They emphasize that business needs to make stronger

connections to community, understand the needs of government, and adopt multidisciplinary approaches. By adding these competencies to the core business curriculum, they say, business schools will teach in ways that acknowledge the more nuanced, long-term, and wide-reaching factors that will create shareholder value in the 21st century.

Line-of-Sight Connectivity

For too long, businesses have worked to maximize shareholder profits using

only short-term strategies, says Isdell. These strategies may have worked in the past, when markets were more local and less affected by looming social issues. But today, he says, the same rules no longer apply.

He points to the speed of trading itself: Many investors own shares in a given company for only microseconds. Isdell wonders why companies should allow these “shareholders”—and the analysts who give them credence—to influence business decisions, when it’s clear they are not interested in the life of the corporation over the long term.

For instance, short-term shareholders may refuse to support the costs of investing in clean technologies, preferring the quick return on existing methods. But businesses that don’t invest in clean technologies will find themselves behind the curve when regulatory standards change, Isdell says.

However, a company is working in its shareholders’ best interests when it adopts clean technology *before* regulations force the issue. In general, when a company addresses the social problems that threaten its longevity the most, it adopts a strategy that Isdell calls “line-of-sight connectivity.”

Coca-Cola’s No. 1 priority, for example, is not funding the arts or supporting education—it’s preserving and creating access to clean water. “It’s quite nice if Coca-Cola funds museums, but that’s *philanthropy*, which doesn’t connect to the core impact of the business,” he says. “On the other hand, clean water is fundamental to Coca-Cola’s survival. If it doesn’t develop technologies to save water—if it’s not staying involved in that debate—then it’s not protecting its shareholders’ investment.”


Sustainability as Strategy

It has always been important for a business to be respected if it’s to be successful. But companies today operate at a time



“I would like to see business schools adopt a holistic approach to teaching. Yes, they absolutely need to teach the technical elements. But schools also have to look at business’s broader responsibilities, at the role business plays in society. It’s not about philanthropy; it’s about good business practices. Companies that are well-connected to and highly regarded within the community also tend to have high market share and highly motivated employees. It’s actually embarrassing because it’s such a simple equation—why haven’t we done it before?”

—E. Neville Isdell, former CEO of The Coca-Cola Company

A young man with glasses, wearing a dark suit and a teal tie, is sitting on a red chair against an orange background. He is looking directly at the camera with a slight smile.

“ENTREPRENEURIAL
THINKING IS ALL ABOUT
DOING WHAT OTHERS
SAY IS IMPOSSIBLE.”
—BRADLEY ERICSON '13

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when the public's trust in business is sinking. A look at *Baron's* 2010 ranking of the world's most respected companies tells the story. Banks have fallen from grace, and even a Wall Street favorite like GE has stumbled. Meanwhile, companies like Apple, Johnson & Johnson, and Berkshire Hathaway maintain high esteem among investors.

Abney of UPS cites the 2009 Edelman Trust Barometer, which surveyed more than 4,400 respondents from 20 different countries. Sixty percent said they trusted business less than they did in 2008. "Warren Buffet has said that leaders need three qualities: integrity, intelligence, and energy," says Abney. "But if you don't have the first, the other two can kill your business."

The way to restore the public's trust in business—and reinforce the integrity of business leaders—is for companies to adopt line-of-sight connectivity to their communities, Abney says. When companies use their particular expertise and tap the volunteerism of their employees to help solve problems, they simultaneously earn respect and strengthen their business models.

UPS, for example, has one of the largest fleets of aircraft in the world and one of the industry's largest fleets of

alternative-energy vehicles. For that reason, the company places special emphasis on decreasing its environmental footprint: It aims to reduce its airline's carbon emissions by 20 percent by 2020. Its engineers also have developed software that provides routes for its drivers that rely on right-hand turns whenever possible, to reduce the fuel consumed as drivers wait to make left turns into traffic.

By leveraging sustainability practices into sound business approaches, UPS supports its mission and serves its stakeholders, says Abney. Its service to society is an added benefit. "It's not just right for society," he says. "It's right for the business."

The Ramifications of Regulation

The world's governments are going to become much more involved in business activity in the coming years. All of these executives expect that their organizations will have to cope with tighter regulatory environments, which will affect everything from the way they report financials, to the amount of carbon emissions they produce, to the laws they must obey.

Abney is most concerned with an increase in protectionist policies proposed by many of the world's governments. He cites a World Bank study that reports that 78 protectionist trade measures have been proposed or implemented since the beginning of the financial crisis. Of those, 66 were trade restrictions. "The rise in protectionist policies is a very important issue," says Abney. "We must promote the message that global trade has the power to create economic benefits around the globe."

Senator Isakson agrees that business cannot be passive in the face of government policy—it must get involved. And to get involved, business leaders must understand the workings



"Connected capitalism is important to UPS because it's the right thing to do, and it's right for the business. We're reducing our environmental footprint—we have the industry's largest alternative vehicle fleet right now. We have an aggressive goal to reduce our airline carbon emissions 20 percent by 2020.

Business schools, too, will have to focus on sustainability, because students will be dealing with that issue throughout their careers."

—David Abney, COO of UPS



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of government. For too long, business has reacted to government policy after the fact, but has not worked with government to help form it, says Isakson.

He points to the Sarbanes-Oxley Act of 2002. "In response to Enron and MCI Worldcom, the U.S. Congress passed Sarbanes-Oxley, which forced tremendous accountability and cost on the business community," he says. While the law was passed for justifiable reasons, Isakson believes that it may have placed *too* many restrictions and demands on companies. "The business community said nothing out of fear of being associated with the likes of Ken Lay and Jeffrey Skilling," he says. "When business is not engaged with the political body, there will be overreach."

It is unfortunate that business and government have long

acted as adversaries rather than allies, says Thomas of Rayonier. "People in business often have negative opinions of regulatory agencies, and people in regulatory agencies often have negative opinions about business. Neither side understands the other very well," he says.

Thomas knows how important it can be for business leaders to understand the needs of government—he was a public servant for 20 years before moving into the private sector. He started with county and state government in South Carolina. He then went to Washington, D.C., to work for eight years under the Reagan Administration, serving first as the executive deputy director of the Federal Emergency Management Agency and next as the head of the Environmental Protection Agency.

A Forum for Discussion

As part of its "second-century initiatives," which outline its objectives for its second 100 years in operation, Georgia State University's Robinson College of Business in Atlanta has established the Global Business Leaders Forum. The forum has one very ambitious purpose—to bring together leaders from the public and private sectors to discuss the potential for "connected capitalism," a model in which businesses each address the social causes that most directly affect their long-term profitability.

At the forum's initial meeting in September, participants engaged in frank discussion about the importance of connected capitalism in today's busi-



H. Fenwick Huss, dean of the Robinson School

ness environment, as well as ways that its concepts can be integrated into traditional business models, says H. Fenwick Huss, dean of the Robinson College. At its second meeting,

in April, the forum worked to establish steps that businesses can take individually and collectively to move this new model forward.

Robinson initially invited leaders from Atlanta and

the surrounding region to gauge the business community's interest in connected capitalism. So far, interest has been high, says Huss. As a result, the college plans to broaden its outreach, first to executives in the Southeastern United States, and then to those across the nation and around the world.

"These executives realize just how much the business environment has changed, not just because of the financial meltdown and recession, but because of the general expectations now placed on business," says Huss. "There is a growing realization that they must respond proactively, rather than reactively, to these changes. They have to get out in front of the



“We are seeing a different approach to capitalism in terms of developing strategy. As a result of the recession, we’re going to see government and business link up in ways we’ve never seen before. The resulting regulation is going to be tougher on everybody.

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—Jeff Bowman, CEO of Crawford & Company

broader range of issues that society is facing.”

The forum was formed as an intersection between for-profit, non-profit, and government sectors. This intersection also reflects a new role for business schools—to design curricula and develop best practices that link these sectors more directly, says Huss.

How business interacts with society is fundamentally changing, says Huss. He points out that, years ago, business textbooks once referred to the political, cultural, and social contexts in which business operated as the “remote environment.” Conventional wisdom held that while this remote environment

affected business decisions, business could not affect it in any significant way.

That mindset has changed dramatically. Participants at the forum’s September meeting agreed that business has the power—and even the obligation to its stakeholders—to shape its environment in very positive ways, Huss says.

“We must help students learn how to operate in this new reality, where connecting business to community is more important than it’s ever been,” he emphasizes. “We also must make sure that our programs not only reflect what’s happening in the business world, but also contribute to it.”

Now as the CEO of Rayonier—which owns, leases, or manages 2.6 million acres of timberland in the United States and New Zealand—Thomas must understand the regulatory environment and stay in close contact with those agencies that most affect his business.

“We somehow have this view that government experience does not equate to business experience. We do not have a revolving door between the two,” says Thomas. “More businesspeople need to work in government and more government people need to work in business. But that’s not a model we currently follow in this country.”

Bowman of Crawford & Company agrees. “As a result of the recession, we’re going to see government and business link up in ways we’ve never seen before. The resulting regulation is going to be tougher on everybody. We must make more of a collaborative effort to create partnerships between government, business, and the public.”

The Multigenerational Workplace

At Crawford & Company, the recession has had expected effects on its claims management business—Chapter 11 bankruptcies are up because of the increase in business failures, while traffic-related insurance claims are down because people aren’t driving as much. But the recession has caused a change in corporate climate that Bowman believes will have lasting implications after the recession has ended. With the value of retirement portfolios down, baby boomers aren’t retiring as expected. That means that boomers, Gen X, Gen Y, and the Millennials must learn to work together effectively.

More important, business leaders must learn to manage generations with drastically different expectations. The boomers may be satisfied with traditional corporate cultures, but the younger generation is looking for more excitement and fulfillment from their jobs, Bowman says. “This generation is used to playing war games in a technology cloud. And we’re going to put them in boring jobs? That’s not going to work in the future. We’ll have to make changes in how we employ people and how we get different generations to work with each other.”

Not only does Bowman foresee that businesses will create different work environments, he expects them to begin employing collaborative technologies, such as social networking, to facilitate interactions among disparate groups and generations. “The boundaries of what and how people think are drastically different than they were in the past,” he says. “In the future, corporations will have to be more connected to our employees, our clients, and the community.”

The Bigger Picture

The phrase “climate change” may be used to refer to global warming, but it has another association for these leaders. As the needs of the natural world and business become more interconnected, the social and political climate for business is changing as well. Companies are having to take bigger transactions into account on their balance sheets than just their quarterly numbers, says Roberts of the WWF.

The world is now facing what Roberts calls the “basic math of the planet.” The United Nations



“The role of business is to maximize shareholder return, but that shouldn’t be just for the next quarter. If a company doesn’t have satisfied employees, it won’t have a productive operation or quality products. If it doesn’t have satisfied

customers, it won’t be able to sell its product or service for a good price. If it doesn’t earn the support of its community, it won’t be able to operate for the long term. Business leaders must think about all four of those areas—shareholders, employees, customers, and community—and how they interact. If a company thinks only for the short term, shareholders might be satisfied for one, two, or even three quarters. But if it doesn’t take care of the other three types of stakeholders, eventually the value of the company will erode, and the shareholders will lose.”

—Lee Thomas, CEO of Rayonier

estimates that the world’s population will increase to 9 billion people by 2050—and most of those people will want to live and consume according to a Western lifestyle. Few businesses will survive by following the current status quo. Businesses may not think that “saving the world” is their responsibility, but it is becoming a business necessity, says Roberts. And 2050 isn’t as far in the future as it may sound.

“The planet’s resources will not be able to meet our needs unless we change the way we grow, source, and buy raw materials like timber, minerals, and other commodities,” he says. “It is imperative

The Connected Curriculum

If capitalism is changing to interact more with government and take a greater role in social challenges, what does it mean for the traditional business curriculum? The six executives interviewed here believe that changes may be warranted.

E. Neville Isdell has encouraged executives and academics alike to discuss the demands of today’s business climate in more detail and produce a meaningful and concrete model that businesses can use going forward. “Our discussion leads to other questions,” he says. “For instance, have business schools been teaching the right things? I think

the answer is that short-term metrics have been overemphasized in the curriculum.”

He and the other executives have outlined the skills they’ll value most from their workforce and six ways business schools might integrate them into their programs:

1. Go public. Ideally, business schools would work closely with schools of public policy to expose students to both sides of the public-private dichotomy. “It’s not our job to evade the laws,” says Lee Thomas of Rayonier. “It’s our job to develop a better understanding of the laws and work with

regulators to develop and apply those laws most efficiently to industry.”

2. Emphasize the environment. Business schools should integrate environmental challenges more liberally throughout their curricula, says Carter Roberts of the World Wildlife Fund. “By devoting more time to multidisciplinary issues like the environment, business schools will, by necessity, improve what they teach about government and NGOs,” says Roberts. “The real breakthroughs will occur as partnerships between those sectors strengthen.”

3. Leverage social networks. Jeff Bowman of Crawford & Company believes that social networking and similar technologies will be critical when it comes to creating more collaborative and cohesive workplace environments. Those are tools that he thinks business students should learn to use effectively to promote and support organizational strategy.

4. Redefine shareholder interests. Companies need the help of business schools to help them educate students—and the public—that a company’s

“The purpose of business is to maximize shareholder value. But the definition of ‘shareholder value’ may now encompass a broader set of factors than traditional capitalist views take into account.”

that businesses find ways to design and source products so that they use less land, energy, and water.”

For UPS, “climate change” isn’t just about carbon emissions. It’s also about realizing that issues in one part of the world can directly affect businesses in another. For business leaders, global understanding is more than cultural sensitivity—it also must take into account how the realities on the ground in markets around the globe must influence the decisions they make.

“People often come to us with the belief that, ‘If it works in New York, it will work in Mumbai.’ But that’s just not the case. They often lack understanding of what’s happening in the rest of the world,” says Abney. “One of the things that we think makes a difference, believe it or not, is whether graduates have passports when they enter the business world. When they’ve taken part in an exchange program and spent a quarter or a year abroad, they have experience that is incredibly valuable in the global economy.”

success depends on long-term strategy and foresight, not short-term movements in stock price, says Thomas. “If business schools develop that broader view of the dynamics of the global marketplace and how business must operate within it, they’ll be sending us much more well-rounded employees.”

5. Focus on global complexities. Business programs should make travel, language study, and cross-cultural networking top priorities, says David Abney of UPS. “Foreign language is an

advantage—I tell young people that Mandarin would be my first choice,” he adds. “Students really need to understand the differences they’ll face in different countries.”

6. Teach line-of-sight sustainability. Adopting sustainable business practices for their own sake is not good business strategy, says Isdell. However, he adds, sustainability strategies that connect directly to an organization’s long-term interests make solid business sense and should be an integral part of the business curriculum.



“It’s critical that the next generation of business leaders be trained to understand the effects that government policies, rules, and laws can have on business. I try to tell the business community that the consequences of legislation are more far-reaching than just taxes. They can affect the cost of doing business, the way of doing business. Business is better off helping to develop the law, rather than reacting to laws after they’re passed.”

—U.S. Senator Johnny Isakson, R-Georgia

What Defines ‘Shareholder Value’?

Although connected capitalism may mean different things to different companies, these executives believe they have settled the debate about whether business should maximize profit or serve society. They agree: The purpose of business is to maximize shareholder value. That concept has always been a fundamental tenet of capitalism. But they also agree that the definition of “shareholder value” may now encompass a much broader set of factors than traditional capitalist views take into account.

For Thomas of Rayonier, maximizing value for shareholders requires attending to the needs of three other stakeholders as well: employees, customers, and communities.

“Our customers deserve good service and quality products. Our employees deserve a gainful place to work and fair compensation. Our communities expect us to operate responsibly—my company uses the water, land, and air, but those don’t belong to us. The community permits us to use them,” Thomas says.

Is the traditional model of capitalism inherently flawed? No, say these leaders. But they stress that capitalism must grow and change with the business environment. Connected capitalism could be the next incarnation. It’s a model that they believe will help them keep their businesses relevant to society, protect their profits by preserving resources, and attract the best and brightest employees who want careers that coincide with their consciences. With that in mind, connected capitalists aren’t just maximizing shareholders’ long-term returns. They also might be saving the communities that make their businesses possible. **Z**