

Character-based capitalism does right by all stakeholders

CHARACTER- BASED



COVID's pervasive impact on business cannot be understated. The challenges of higher wages, employee shortages, supply chain disruptions, and remote working have shaken business operations to the core. Growth and profitability have suffered, demanding more effective approaches to relationships with all stakeholders: employees, customers, suppliers, shareholders, and communities. Solutions to these challenges require strong leadership throughout an organization—not just from the top.

Having the right culture makes the difference.

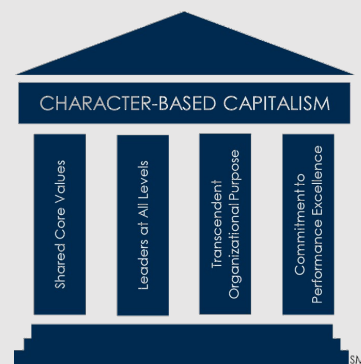
The Right Culture. Culture influences behaviors and defines expectations and boundaries. Performance excellence companies encourage an appreciation for

others' perspectives, attract and retain employees and customers, ensure employees are innovative and productive, strengthen supplier relationships, and keep employees aligned and connected for the work that needs to be done. Many business leaders are realizing that now is the time for implementing leadership practices that build and reinforce a culture that serves all stakeholders.

GuideStar's research identified the benefits and practices of Character-based Capitalism, a name we coined for this high performing culture that combines the entrepreneurial spirit of capitalism with character, which fosters the collaboration and teamwork that drive innovation, productivity, agility and resilience. Employees with a capitalist mindset are motivated and empowered to think and act like owners.

A Character-based Capitalism (CBC) culture increases profits by doing what is right for all stakeholders. It is built on four pillars:

- Shared core values
- Leaders at all levels
- Transcendent organizational purpose
- Commitment to performance excellence



Culture beyond individual businesses. Can Character-based Capitalism have benefits beyond a company? Could it bridge differences dividing our nation?

Capitalism has lifted numerous countries out of poverty and is the greatest economic system for innovation. Yet many don't trust capitalism to address societal issues because of greed and cronyism that have become more apparent in recent years. They believe government intervention is the answer.

This does not mean these individuals are socialists. A significant proportion of young people would be attracted to a kinder form of capitalism that better meets their needs. Character-based Capitalism may be what they seek.

While acknowledging the issues, others are concerned that governments are not entrepreneurial because they lack mechanisms to drive innovation. They also fear government solutions will raise taxes and the cost of doing business. When influential groups like the Business Roundtable advocate that the purpose of business is to serve all stakeholders not just shareholders, they are greeted with skepticism. Many business leaders doubt that businesses can act for all stakeholders because this will reduce returns to shareholders.

Dispelling the myth. Company earnings are improved by engaged employees, loyal customers, collaborative supplier relationships and supportive communities. Why should pursuing these objectives by doing what is right for these stakeholders be viewed as reducing returns to shareholders? Does doing what is right have high costs that come at the expense of shareholders?

Because culture is about behaviors, is there a significant cost to behaving differently? What does it cost to demonstrate trust and caring to employees, customers and suppliers? Or to make work more meaningful through inspiring values, vision, and mission? Or empowering employees and teaching them how the business works so they think and act like owners to create innovative solutions? When an employee makes a suggestion, does it cost more to say, "Tell me more" instead of "Do what you're told"? Positive behaviors and practices can have more impact on relationships with stakeholders than above market wages and below market prices.

Over 65 years ago, famed management consultant Peter Drucker stated, "Business exists to serve society" and must be protected to operate in free markets. If company leaders want to create great companies that make the world a better place, they should focus on building Character-based Capitalism cultures.



Dr. Ray Benedetto, from left, and **Stephen Fallek** are co-founders of GuideStar, a practice in organizational leadership development for performance excellence. **Nicole Martin** is founder and CEO of HRBoost, an HR outsource and consulting firm that provides GuideStar's Character-based Capitalism programs for use by facilitators and coaches.



HRBoost, LLC
306 Peterson Road
Libertyville, IL 60048-1008
847-763-5085
www.hrboost.com
nmartin@hrboost.com



GuideStar, Inc.

www.guidestarinc.com
info@guidestarinc.com

