Do Unto Others

"Benevolence is man's mind, and righteousness is man's path."
Mencius, from the Works of Mencius, 300 B.C.

Rinaldo S. Brutoco

There is more to being Italian than eating pasta and having your name end with an “o.” Whatever its other drawbacks might have been, my growing up in a classic large Italian family taught me many vital lessons about life. Lessons which are directly applicable to business as well. As my very Italian father once told me, “the purpose has to be greater than a handout, because it is the giving of love that increases the dignity of our fellow humans with a resultant increase of mutual love and higher aspirations for both.”

Of the many challenges provided by today’s business environment, perhaps none is so great as the need to redefine what we do for each other as human beings within the business context. Of necessity, this redefinition is taking place in every aspect of commercial life.

We are redefining the relationships between employers and employees, between ourselves and customers, between economic activities and the impact such activities have individually and collectively within the broader society. The very issue of the appropriate leadership role for business and how that role should be played at the onset of the 21st century are subjects for constant reexamination and development.

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Employee Ownership
A personal view

Rolf V. Österberg

Dialogue among Members is the life of the Academy. We are pleased to be able to share with our readers the following letter from Rolf Österberg in Stockholm, Sweden to fellow Member Tamas Makray in São Paulo, Brazil.

Dear Tamas,

At our latest Academy retreat we agreed to continue our conversation about employee ownership. Reading Promon’s Charter in the January issue of WBA Perspectives stimulated some additional thoughts I want to share with you. Knowing that you have a long practical experience in the area, I limit myself to the more “philosophical” aspects of the question.

Let me first settle that what we are talking about is direct ownership by employees and not indirect ownership as in socialistic systems, where it is sometimes claimed that the fact that the production means are owned by the state is a form of citizen/employee ownership.

Let me also settle that by “employee ownership” I mean that the enterprise in question is owned only by its employees, each one with a more-or-less equal share. Thus there is no group with a voting majority and there are no absentee owners.

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In this recent book by Bennett Harrison and Barry Bluestone, the "U-Turn" refers to an imagined graph of some measure of material well-being and economic opportunity in the United States. The curve rises steadily until the early 1970's, and then turns around and goes steadily downward. The authors identify as the cause of this dramatic reversal a set of "shifts in direction", taken by American business in the early 1970's. As a result, they claim, the distribution of income and wealth is becoming far more unequal than at any time in the nation's history.

Having made a diagnosis, the authors hasten to propose a remedy. What we want to examine here is the essence of their diagnostic argument, and the adequacy of their proposed remedies.

Causes of the downturn

Following World War II, U.S.-based corporations experienced a quarter century of unparalleled growth. This gave way, in the late 1960's, to unprecedented global competition. Profits were severely squeezed. "Companies might have responded by going 'back to basics': improving product quality, investing in new technology, and fashioning more constructive relationships with their workers. Instead, they abandoned core businesses, invested offshore, shifted capital into overtly speculative ventures, subcontracted work to low-wage contractors here and abroad, demanded wage concessions from their employees, and substituted part-time and other forms of contingent labor for full-time workers—all in the name of 'restructuring.' Government supported these corporate strategies through deregulation, the engineered recessions of 1980 and 1981-1982, cutbacks in social programs, and direct attacks on organized labor."

The strategies were successful—and disastrous at the same time. "After improving steadily for a generation, average wages have fallen, family incomes have stagnated, and wages, incomes, and wealth have become increasingly polarized."

Until the invasion by foreign businesses in the 1970s, U.S. managers generally kept their stockholders content by raising prices to maintain profits. But once the imports appeared, increasing prices drove consumers into the waiting arms of foreign competitors. The loss in market share more than offset the increased price per unit, revenues fell, and with them, profits, forcing corporate leaders to shift their attention to cutting costs.

Cost-cutting took various forms. One was to reduce quality. Another to expand companies by mergers and acquisitions instead of making new investments in innovative products and processes.

Merger and acquisition activity, "because it provided securities managers with a way to make millions in commissions," produced a bias against productive investments. "... it also inflated stock prices and discouraged responsible assessment of risk. In addition, it pushed real interest rates upward, since the vast majority of transactions...[were] financed by borrowing."

With the computerization of the financial sector, fluctuations in stock and bond prices are now signalled instantly around the globe, putting further pressure on brokers and managers to act quickly, exacerbating the unhealthy shortening of business planning horizons.

One other factor was involved with the changes of the 1970's and early 1980's: the shift to a "service economy." The explosive growth of the service sector (including high finance) is partly due to the increase in the number of two-earner couples and working single parents buying services that were formerly produced in the home. Another factor is the increase in discretionary income.

Consequences and implications of the change

These "restructuring" strategies had the single purpose of restoring short-term profits by regaining control over an increasingly competitive environment. These public and private strategies undoubtedly "worked" in the sense of relieving the economic malaise of the 1970's, but the price was tremendous. For one thing, "American workers have unquestionably become more dependent on military spending for their jobs," which can hardly bode well for the future of the planet. Secondly, the debt levels that have accrued since 1982 are "literally unprecedented." "It has been
precisely this debt engendered by government, business, and private households—not increases in productivity or enhanced international competitiveness—that has been responsible for the short-term recovery of the national economy.... All of the growth in the economy since the last [1981] recession was borrowed from the future.”

The adequacy of the prescription

The essence of Harrison and Bluestone’s diagnosis is that America, and to a lesser extent other industrialized countries such as Great Britain, has been buying short-term economic recovery at the exorbitant price of forfeiting long-term social and economic security. Their diagnosis is well supported by the arguments and statistics they put forth.

Their prescription is something called “revenue-side” policies, which “would stress increases in output and demand as an alternative to the wholesale reduction of costs. Instead of shrinking wages and income...we must find ways to accelerate growth...by boosting consumption, investment, government spending, or net exports—[dictating] a combination of higher wages and lower interest rates.”

If we grant that the authors’ diagnosis appears accurate, the question remains whether it is adequate for the formulation of policy. A doctor may diagnose cardiovascular disease, but if the underlying cause of the condition is deeply entrenched attitudes which lead to stress, noting that fact leads to a far different prescription than would the medical diagnosis alone.

The authors look at a limited sector of the economy and deduce, not only a condition, but a story as to how we got that way. However, they ignore the correlation between economic activity and the negative environmental and ecological consequences of accelerating economic growth. They fail to note the connection between the insistent materialism of the prevailing scientific world view and the value shifts they observe (e.g. from frugality to consumption). They say rather little about the role of the global arms race in all of this, and its relation to the plight of the poorest of the developing nations.

...the roots of the crisis may lie deeper—in the basic assumptions underlying modern society...

As with the example of cardiovascular disease noted above, things appear differently if we take a whole-system view. We have noted before in these pages (“America’s Lost Independence,” May 1988 issue) that the roots of the crisis may lie deeper—in the basic assumptions underlying modern society, whether at the capitalist or the socialist end of the spectrum. Viewed in this way, the economic, environmental, ecological, and militarist problems; the crisis in meaning and values; and the chronic hunger and poverty in vast parts of the world—are all aspects of the imminent breakdown and transfiguration of industrial society.

The stakes are high, and business is in a critical position to help the transition be smooth and minimally disruptive. If top-level management is tired of being the “bad guy” as portrayed by many analysts (Harrison and Bluestone to some extent), they need to join the dialogue about the real “illness” underlying the “great U-Turn” symptoms. That, in fact, is precisely what the World Business Academy is about.

Willis W. Harman

Dr. Harman is President of the Institute of Noetic Sciences, and a founding trustee of the World Business Academy. He is a Regent of the University of California, emeritus professor of Engineering-Economic Systems at Stanford University, and for sixteen years was Senior Social Scientist at SRI International. His latest book is Global Mind Change, The Promise of the Last Years of the Twentieth Century (1988).
CARING FOR PEOPLE

As an example of a small corporation making a big difference, we asked WBA board member Marguerite Chandler to share some of her philosophy as President of Edmar Corporation, owners and managers of the Central Jersey Industrial Park, 1.2 million square feet of commercial real estate. Edmar's commitment to people is reflected both in their employee policy and by the use of corporate profits.

Marguerite and her husband Richmond Shreve, Edmar's Financial Vice President, place high value on excellence for themselves and their employees. Their twenty-five employees are supported by a wage and benefits package comparable to Fortune 500 companies in the area.

Edmar respects the human needs of employees by paying two thirds of the cost of child care, allowing for flex time and an optional four-day work week in the summer. Edmar maintains a liberal policy regarding company time to handle personal emergencies with counseling assistance available if needed.

Marguerite says, "When you let people be human and have human breakdowns, it creates a real attitude of mutual support. We make no promise for perpetual employment and never stand in the way of growth and advancement. We invite everyone to learn and advance with us, or to move on if that is right for them."

To encourage personal growth, Edmar offers each employee $1000 per year for tuition for educational opportunities, including degree programs, whether or not they have any connection with the current work of the employee.

Edmar's profits support WORLDWORKS FOUNDATION, established in 1986 "to build community and to develop strategies for promoting international peace, affordable housing and the eradication of hunger." WORLDWORKS, an operating rather than grant-making foundation, is currently producing a State of the State report on hunger, housing and education which will be made public concurrent with the Governor's State of the State message in January 1990.

As part of its commitment to making a difference in the world, Edmar's profits and facilities are also used to launch and support various community programs. They have supplied management personnel, office facilities and administrative support to help many fledgling groups get started. The local food bank was given free space for 5 years until it could stand on its own. The county recycling program began with reduced rent in the industrial park, providing jobs for retarded people and tenant customers for the recycling program.

A portion of the company credit line was used in 1984 to secure a 1.2 million dollar loan to establish the PEOPLECARE CENTER which provides a permanent home to ten non-profit social service agencies in Somerset County until the three-year capital campaign retires the indebtedness.

The highest reward for a person’s toil is not what they get for it, but what they become by it.

John Ruskin
Thoughts on Business

From an interview with one of the Academy's founders and member of the Board of Governors Jagdish Parikh. Dr. Parikh is Managing Director, Lee & Muirhead (India) Pvt. Ltd. Bombay, Partner in Printwell; Graphic Arts Group, and serves as Chair of the International Management Institute (Geneva) research project on the "Role of Intuition in Business."

In the culture in which I was raised, life is seen as experience. And it all depends on how you perceive your experience. If you say for yourself "I'm not living for business but I'm in the business of living," you have combined the technique of how to make a living - which is business, and the technique of how to live - which is your spiritual or real beingness. Yes, I want to live long but instead of just concentrating on adding years to my life I also tell myself every day that I must add life to my years. In other words, not be only efficient - which is business, but also effective - which is living. Not only doing things right but doing the right things. Now how does one select the right things? There is a relevant verse in Sanskrit literature which I will translate.

In business or any other activity, you may seek money, power and prestige so long as you always remember that these can bring you food but not appetite, can get you clothing but not beauty, get you a nice house but not a home, get fine medicine but not health, get you books but not wisdom, even get you a bed but not sleep, women but not love and all the luxuries in life but not happiness.

As a person in top management, this is one of the vital factors you keep in mind. What is it ultimately that we are looking for? One finds it by getting in touch with the inner self, with the being level, even once a day - that exudes a kind of dynamic creativity.

We travel together, passengers on a little spaceship, dependent on its vulnerable reserves of air and soil; all committed for our safety to its security and peace; preserved from annihilation only by the care, the work, and, I will say, the love we give our fragile craft.

We cannot maintain it half fortunate, half miserable, half confident, half despairing, half slave to the ancient enemies of man, half free in a liberation of resources undreamed of until this day. No craft, no crew can travel safely with such contradictions. On their resolution depends the survival of us all.

Adlai Stevenson
The first thing to underline is that, as I see it, the reason behind employee ownership has nothing to do with the idea of creating wealth for the employees. The present, rather common programs of letting employees buy shares or convertibles might be considered as progressive but is another extension of the old way of looking at employees as tools; the idea behind it is that the possibility to get rich would make the employee work harder, be more loyal, etc.

No, the difference between the predominant ownership pattern of today (and I see no borderline between the capitalistic and socialistic systems) and employee ownership has to do with distance on the one hand and interconnectedness on the other. It is the difference between mechanical and living companies.

Let us take a look upon nature. It is so clear to me that everything is interconnected. Every part of nature is linked to every other part. Furthermore, nature is a self-generating system; it creates its own energy and sees to it that the energy is circulated in the system in an exactly appropriate way. Nature is indeed a living system.

Why should business divert from the pattern of nature? Why should business follow special laws? I see no reason.

Nevertheless, we have created an economic system and a way of looking upon business which is far from, and in many cases, directly against nature. That in its turn is a natural consequence of the mechanical way of thinking we have been continuously developing for several centuries now and developed in absurdum. One of the key elements in that thinking is distance.

We have distanced ourselves from nature to the extent that we have completely lost perspective. We no longer perceive nature as our life source. Instead we look upon it as a tool, a tool that we, "the masters of nature," use for our own selfish purposes.

We have created distances, not only to nature but to ourselves. The consequence is the ever increasing distance between humans (between parents and children, between soldier and general, between citizen and government, between union member and union leaders, between employee and company, etc).

It is then no wonder that we, when building up our business systems, have chosen ownership forms which per se mean distance. By doing that we have built up mechanical companies—machines instead of living entities.

What do I mean?

Let us see a company as an energy system. Profit is generated primarily by the employees' energy in form of cash flow. In a non-employee-owned company, however, the energy generator—the employees—are not part of the system; they are outsiders, they do not belong, and they are alienated.

Looked upon from the owner's side, the employee is a tool to fulfill the owner's goals be it wealth, profit, power, etc. Looked upon from the employee's side, the company is a tool to fulfill the need to get money for survival, to get a position in
the society, to get power, etc. It is not a place where s/he lives. There is no feeling of belonging. The mutual relations between the company and the employees are mechanical and without real life.

Is that what we want?

I don’t think so. On the contrary, I think that in any company every employee (be it the president or the ordinary worker), when allowed to think about it, will find a deep yearning for another relationship to

Despite the distances we have created
there is deep within us this sense that everything is connected, that everything belongs.

his or her working place. Despite the distances we have created there is deep within us this sense that everything is connected, that everything belongs. Deep within us we feel a strong yearning to leave the I-thought and replace it with we-thought. We are longing for harmony with ourselves—harmony with the creation. And that means interconnectedness.

As far as I have seen there is no other form of ownership than employee ownership which provides a natural environment for interconnectedness to occur. In an employee owned company the employees can be the company and only then the company is living.

So dear Tamas, to conclude: The reason I argue for employee ownership is simply that I see it as the basic provision for creating living companies. It is when we have living companies that our working places become something more than somewhere to go to earn money. With living companies our working places become somewhere we primarily go to thrive and develop as human beings. A living company is a place where that enormous creativity we all bear within us has a chance to blossom.

Machines have no creativity. Living entities do.

So my dear friend, these are my thoughts. I hope they have come through clearly. I am of course very anxious to receive your reaction. And above all I am eager to learn about your own long and thorough, practical experiences in the area.

Warmest personal regards,
Rolf

Rolf V. Österberg has held the positions of President of the largest Scandinavian film company, Svensk Filmindustri, Chairman of the Newspapers Association, and Executive Vice President of the Dagens Nyheters Group, the largest newspaper company in Scandinavia. He has a law degree from the University of Stockholm, Sweden and has attended the Senior Management Program at the Harvard School of Business. He divides his time between the United States and Sweden as a business management consultant. He serves on the Board of Governors of the World Business Academy.

It is not possible in the long run to satisfactorily guide a society and manage a planet on the basis of a belief system that is fundamentally inadequate, seriously incomplete, and mistaken in its fundamental assumption. Yet that is precisely what modern society is attempting to do.

Willis Harman

Illustrations in this issue courtesy of R. Raffaello Dvorak
Let's just look at the area of employee benefits. For many years it has been common practice to provide the “safety net” functions of paid vacation, sick leave, and in most cases group health/dental insurance. Today many businesses go beyond that basic level of benefits to those which assist the individual in achieving a greater degree of personal potential. Some corporations, for instance, include paid counseling by consulting firms for certain individuals in the organization, or the organization as a whole, to achieve higher levels of performance—programs which enhance human potential in the fullest sense of the word.

In the corporations with which I am affiliated we believe that an organization full of empowered individuals will constitute an organization which itself is empowered and powerful. Hence, there is a legitimate business purpose behind funding these types of activities with corporate dollars even though the business purpose is not the motivation. What we're really doing is empowering ourselves by assisting in the growth of the human beings with whom we are most closely identified: our co-workers.

The Biblical adage “do unto others as you would have them do unto you” doesn’t mean just the avoidance of harming others. It means that we will be most successful with our lives when we are able to selflessly love all others, but most particularly those with whom we work every day. One can’t “selflessly love” if one is looking primarily at the corporate bottom line or the benefit to be accrued to the business. I could, however, make a compelling case that an empowered organization will have an extremely attractive bottom line.

As an employee of a business organization myself, I'm acutely aware of the power of selfless love. It is self evident that being allowed to work in such an environment is the ultimate employee benefit.

Rinaldo S. Brutoco

Rinaldo S. Brutoco is chairman and CEO of Dorason Corporation, a privately held merchant banking and consulting firm headquartered in Northern California. Together with his wife, Lalla Shanna, he is a co-founder and Proprietor of the Red Rose Gallerie, Inc. a national mail-order and retail business specializing in the distribution of products which encourage greater self-awareness and personal growth. He received a Juris Doctorate from the University of California at Los Angeles where he was admitted to the Order of the Coif. He is a Regent of the Nueva Learning Center, member of the advisory board to the Institute of Transpersonal Psychology, and founding Trustee of the World Business Academy.

WBA Fellow Juanita Brown reports that the business section of the Stockholm newspaper Svenska Dagbladet is called Näringsliv, which means “Nourishing Life”.

About Perspectives

The WORLD BUSINESS ACADEMY is an international network of business executives and entrepreneurs who recognize a personal commitment to utilize their skills and resources in the creation of a positive future for the planet.

WBA Perspectives serves as a forum wherein Academy Members and Fellows may share and compare views on issues. Articles, edited as necessary for space considerations, are presented for discussion and debate. They reflect the views of the author and do not represent a position of the WORLD BUSINESS ACADEMY.