

Society & Capitalism

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Abstract

Philosophy of what is capitalism and what should capitalism be has been an ongoing battle of balance between doing good and doing business. Capitalism is as old as civilization, as humans began congregating together to build societies specialties were developed and excess crops, meat, cloth, and skins were available. Prudent society realized that to eat, clothe, and live in a safe environment the division of labor made sense. How that division of labor and society benefits is where capitalism (or markets) begins. This article focuses on the ideas driving capitalism and what those philosophies mean for the benefit of our society.

Introduction

What is capitalism? In its pure form capitalism is an economic and political system where a country's trade and industry are controlled by private owners for profit. The central philosophy behind capitalism includes private property, capital accumulation, wage labor, voluntary exchange, a price system, and competitive markets. In *The Wealth of Nations* Adam Smith (1776) provides many examples of how economics work and the setting of wages. Within pure capitalism the market cost of goods is based on the scarcity of the product and the ability of others to grow, obtain, or manufacture the item. The amount the public is willing to pay versus the cost of creating the item will drive the profit of the item. The division of labor and wages is driven by the market forces, scarcity, skill needed, and societies perceived need of the item (markets).

Business is created through an individual's effort to invest their money to grow a venture they believe in. As the venture grows, they hire individuals who have the skill and abilities to carry out the required functions at different level within the business. These employees are

paid a wage which is based on the scarcity, ability, and profitability of the industry. Business should be cognizant of the price it charges, the wage it pays, and society or at least the demographic which is the focus of the business strategy. The vision of the company sets the tone for the strategy, the generic strategy drives seven key elements of the business. The key elements focus on the strategic target, basis of competitive strategy, product, production, marketing, keys to maintain strategy, and resources and capabilities required (Thompson, Peteraf, Gamble, & Strickland, 2016).

Some industry leaders today feel businesses should be about doing good in society, a case for the strategic importance is that an unhealthy society will not be sustainable, and markets will shrink. The market shrinks of course due to minimal demographics which can buy the product causing pricing to lower, causing profits to dwindle, and wages to stagnate and shrink. Some of the negatives of capitalism stated in media is Capitalism proclaims the virtue of naked self-interest, but self-interest without regard for morality, ecology or common sense leads to environmental degradation, destruction of indigenous communities, colonialism, war and other forms of mass destruction.

Creative Capitalism

In 2008 at the Davos World Economic Conference Bill Gates discussed innovation as a capitalist focus. Creativity and the invention of technologies provide opportunities to society to grow and prosper. Improvements in technology helps to increase health, business, communication, policies, and social engagement.

Creative Capitalism should be focused on improvement of the world and how it helps increase equalities of all individuals in the world. The idea behind Creative Capitalism is that it is a vehicle to provide those who suffer should be served by capitalism and to improve the condition of those individuals. To harness the power to benefit all is to channel self-interest to care for others. Systems focus on making profits and funneling those profits toward the needy. Incentives toward recognition on those organizations which support creative capitalism is believed to help draw skilled labor who are good people to the organization and improve the marketing opportunities of the organization. Corporate Social Responsibility is the interaction of principles and commercial competence shapes the kind of business it will be.

Profits and recognition of companies performing are incentivized in a creative capitalist system to perform good works. In a system where incentivizing is part of the business model companies must rely on government to provide those incentives whether they come through tax breaks, special interest loans, wage programs, and other methods. From an economic standpoint these incentives are only possible if tax revenue off profitable entities occurs. Creative Capitalism does not address the possible redistribution of profit and the sustainment of unprofitable companies other than to allude to continue supporting those companies which focus part of their revenues toward helping society and the overall social wellbeing.

Natural Capitalism

Natural Capitalism (Hawken, 2010) as part of being a social entrepreneur and sustainability. Businesses both cause impact on the environment and hold the potential for solving sustainability problems. Natural Capitalism recognizes that there are not multiple worlds there is only one world and we are all affected by the actions and inactions of business. Natural Capitalism is akin to environmental and green restorative movements. Businesses should focus part of profits toward restorative methods, leave an area better than how you found it.

The tenants of Natural Capitalism fall into the triple bottom line focusing on social, environmental (or ecological) and financial. Companies which focus on Natural Capitalism may follow ideals toward reducing carbon emissions, usually to be considered environmentally friendly the focus is to reduce carbon emissions by 80% by 2030 and total natural resource usage 80% by 2050.

Imperatives of businesses is to provide secure, stable, and meaningful employment to people everywhere, self-organizing rather than regulated or morally mandated, honor market principles, restorative

focus on habitats, ecosystems, and societies. Rely on current income, be fun and engaging, and strive for an aesthetic outcome.

Conscious Capitalism

Conscious Capitalism is focused on the good, the true, the beautiful, and the heroic according to John Mackey (2011). The stakeholders are customers, employees, suppliers, investors, society, and environment which are all interdependent. In order to be a Conscious Capitalist company value for each of the stakeholders should be optimized. Each stakeholder is no more important (or less) than the other and revenues are shared evenly among these stakeholders. Although the objective is to provide equity to stakeholders leading to tradeoffs may occur, for instance there is minor and major stakeholders. O'Toole and Vogel (2011) would place Investors in the major category and employees in a minor category.

According to John Mackey (2011) the Conscious Business (CB) requires leadership which is skill in “systems thinking” understanding the relationship and values of each interdependent stakeholder. In order for “win-win-win-win” strategies the CB leadership must utilize complex sophisticated thinking to focus on differences, conflicts, and tradeoffs. Accordingly, the CB philosophy is to create an environment

where self-managed teams, empowerment, transparency, authenticity, fairness, personal growth, and love and care exist.

The ideals of Conscious Capitalism may not be a new idea according to James O'Toole, and David Vogel (2011). Between 1800 and 1825 Robert Owen, a British textile mill owner, introduced shorter work hours, a grievance policy, guaranteed employment in economic downturns, contributory health, disability, and retirement plans. Owen provided clean housing for workers in a subsidized community free of disease and crime. Children were taken out of the factory and provided education in a school founded and paid for by Owen. The company became the world's most productive and profitable mill (O'Toole, 1995).

Co-owners of the mill disapproved of the mixture of philanthropy and business. The complaint was that the mill could be more profitable if Owen did not provide the workers with subsidized housing, fair wages, benefits, and wellbeing. Subsequently Owen discontinued the practice to meet the demands of a major stakeholder over the minor stakeholder, in this case the worker. In 1825 the mill was shut down.

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Conclusion

Providing for the welfare of employees through benefits, fair wages, continued education and professional development, health, and retirement has been much more socially accepted today than in the past it is important for leaders to understand all the factors affecting business. Businesses must retain profits to sustain the ongoing development of new markets, products, and services. Without a positive cash flow at a rate the industry demands due to market forces the company will stagnate and discontinue. The path a leader takes to achieve a profitable company must weigh these issues critically and financially with good business acumen to continue the business.

Corporate Social Responsibility and sustainability movements have shown firms can provide positive social and environmental contributions and still maintain high profits. For any social focused program to continue Governments need to intervene otherwise profit taking investors will win over the employee and the customer. While forms of capitalism all provide an opportunity to provide for the good of society it is not specifically why capitalism works. Opportunity to create

a business which provides a value to the public and is sustainable is a complex balance of meeting the market needs, at a price the market will bear, and managing the profit to continue growth, paying fair wages, and providing an adequate return to investors. A good business leader will balance these forces and drive a successful organization.

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