

Business In Community



The Changing Face of Business

Over the past decade since the economic crisis, many are concerned about old mantras like “the business of business is business”, “the goal of a business is to maximize profits and shareholder value”.

In order for a business to have long term sustainability, profit is a given. Otherwise, we mind as



Beneath the current economic crisis lies another crisis of far greater proportions: the depreciation in companies of community—people’s sense of belonging to and caring for something larger than themselves.
(Henry Mintzberg HBR 2009)

well not be involved in doing any business at all. But many customers are looking further, at the underlying purpose of a business as well as other factors such as social and environmental impact of a firm.

Purpose of Business

We hear more and more that organizations must have a compelling “purpose” — but what does that mean? Aren’t there already a host of labels out there that describe organizational direction? Do we need yet another?¹

According to Kenny:

A **vision statement** says what the organization wishes to be like in some years’ time. It’s usually drawn up by senior management, in an effort to take the thinking beyond day-to-day activity in a clear, memorable way.

There’s also the **mission**, which describes what business the organization is in (and what it isn’t) both now and projecting into the future. Its aim is to provide focus for management and staff.

Values describe the desired culture.

If values provide the compass, **principles** give employees a set of directions.

Purpose says, “This is what we’re doing for *someone else*.” And it’s motivational, because it connects with the heart as well as the head.

¹ Kenny Graham, (Sep 2014) *Your Company’s Purpose Is Not Its Vision, Mission or Values*, Harvard Business Review.

The purpose of business, products or services that we provide, should and must address the needs of the people whom we serve, to bring a certain level of human flourishing.

These may not be directly or readily apparent to many how their products and services can achieve that. In an oft quoted story of two construction workers when asked what they are doing, one replied, "I am just laying bricks!" Probably with a grunt or disdain of the monotony. The other replied, "I am building a cathedral!" Same work, same job, very different perspective. There is a big difference in how the construction workers feel about their work. And it also make a big difference in the quality of the products or services we deliver.



THE PURPOSE OF BUSINESS IS TO PROVIDE
PRODUCTS AND SERVICES THAT CONTRIBUTES TO
HUMAN FLOURISHING

Emerging Trends of Business

There has been more research and scholarly writings focused on Corporate Social Responsibility (CSR), Social Entrepreneurship (SE) as well as For-Benefit Enterprise.² Since the 2007 crisis, many MBA schools are also mandating students to do a module on CSR or Ethics.

Social and economic forces are forcing traditional business and traditional non-profits to be both more socially accountable and more financially sustainable respectively. There will be more and more overlap between CSR and Social Entrepreneurship in time to come though their initiation points maybe from opposite directions.³

Sceptics however, still see CSR as mere public relations, window dressing and insurance against a stakeholder backlash that can impact the bottom-line, or at best an attempt at self-regulation by savvy corporations to stem hard legislation that would in effect limit their global reach. This is often referred to as CSR as public policy from the back door.⁴

² Sabeti, Heerad, 2011, *The For-Benefit Enterprise*, Harvard Business Review, Nov 2011, 99-104.

³ Liu, Timothy, 2014 *Literature Review on Social Entrepreneurship (2nd Ed)*, Consultation on Social Entrepreneurship

⁴ Sharma Bindu, 2013 *Contextualising CSR in Asia: Corporate Social Responsibility in Asian economies*. Lien Centre for Social Innovation, Singapore Management University.

It is therefore imperative that a proven and genuine pathway is to be charted forward in this new global reality.



Made for Communities

Individualism is a fine idea. It provides incentive, promotes leadership, and encourages development—but not on its own. We are social animals who cannot function effectively without a social system that is larger than ourselves. This is what is meant by “community”—the social glue that binds us together for the greater good.⁵

*Connection gives purpose and
meaning to our lives. Connection
is how we are wired.
Prof Brene Brown*

Social work professor Brene Brown research on human behaviour and vulnerability has found that connection gives purpose and meaning to people’s lives. She has found that ‘connection’ is innately built in the human make-up.

Relationship and community therefore becomes the fundamental building blocks of people and processes. This extends to the world of business.

⁵ Mintzberg, Henry, 2009, *Rebuilding Companies as Communities*, HBR Jul- Aug 2009 Issue

People Business

The mantra of this new way forward should then be:



The Business of Business is People

The whole endeavour of business is to serve people. Therefore, business must and should be measured beyond the profitability to also include the social and environmental impact.

We have seen sufficiently from the likes of Enron to Lehman Brothers that the pursuit of pure profits will eventually lead to our own demise.

However, when we have integrated our products and services into the global and local communities, and have become part of peoples' daily lives, contributing back to the communities, we realize not only does the connection becomes stronger, but together, can achieve for the greater good.

Once people as customers and people as service providers truly connect at the human level, we create symbiotic relationships to long term sustainability. Business is no long just transactional in nature. Trust and Value are thus created.

Limits of the Market Economy

Business is as much a science as it is an art. Of course, I am not advocating business as a black art nor is the above simply airy fairy propositions by academics. However, it is also important to note that there are limitations to the market economy and we cannot and should not commoditize everything into dollar and cents.

In his book ‘What money can’t buy’, Michael Sandel observed that we have drifted from *having* a Market Economy to *being* a Market Society. Part of the appeal of markets is that they don’t pass judgement on the preferences they satisfy. They don’t ask whether some ways of valuing goods are higher, or worthier, than other. If someone is willing to pay for sex or a kidney, and a consenting adult is willing to sell, the only question the economist (or business person) asks is, “How much?”⁶

Markets are not mere mechanisms. They embody certain norms. They presuppose – and promote – certain ways of valuing the goods being exchanged.

⁶ Sandel, Michael 2012, *What Money Can’t Buy*, Penguin Books, London.

Standard economic reasoning assumes that commodifying a good – putting it up for sale – does not alter its character. Market exchanges increase economic efficiency without changing the goods themselves.⁷

However, when we apply this standard economic reasoning to other areas of non-economic entities and attempt to measure them in monetary terms, we run into the problem of corrupting a value, which when done, may never be reversible.

It is therefore important when we apply measurements appropriately in our evaluation, particularly beyond the typical financial impact into the social and environmental ones.

⁷ Ibid

Measurements and Efficacy

Understanding the limitations of the market economy actually frees us then to pursue that which is truly valuable in business. It unleashes the greater potential where our team enjoys their work, find meaning and purpose together through the business. Dollar and cents are still fundamental to a profitable business. But counting beyond dollar and cents as we have discussed above isn't straight forward.

One of the attendants; Mike McCreless at the 2013 Aspen Network of Development Entrepreneurs reported, "It was heartening to see so many organizations heeding the call to 'count something.' Yet a common theme of discussion was the need to do more to 'make it count.' Simply put, 'counting something' is necessary but not sufficient to measure our impact accurately and manage towards that impact in practical terms."⁸

It is very interesting to observe McCreless also remarked, "Count something, absolutely, but to make it count, we shouldn't get stuck at outputs. Push forward to outcomes and impacts if you can, but a fuller understanding of contexts and practices can also serve as a useful guide to day to day decision making."

⁸ McCreless Mike 2013, *When Measuring Social Impact, We Need To Move Beyond Counting*. Forbes Online.
<http://www.forbes.com/sites/skollworldforum/2013/07/15/whenmeasuringsocialimpactweneedtomovebeyondcounting>

The Chain of Impact



McCreless touted the idea of Impact Business Model Alignment Analysis as the way forward for those without the ability to afford costly and sometimes unattainable metrics.

He described 3 steps:

- 1) Organization adopting social & environmental metrics typically begin with output metrics.
- 2) And then focus on measuring outcomes and impacts if feasible
- 3) But are increasingly turning to contexts, inputs and practices to inform day-to-day decision making

The more we can ground our discussions in the specifics of which aspects of which business models are aligned with which social and / or financial objectives, and why, the sooner we can get on with achieving both. For lack

of a better term, I will call this type of analysis ‘impact business model alignment analysis.’⁹

Social Entrepreneurs need to understand if their social mission is complementary to their financial goals or if there are going to be lots of friction points due to conflict between them.” Business models with fewer frictions between social and financial goals will face a smoother path to scale in both dimensions.

Cathy Clark

Center for the Advancement of Social Entrepreneurship at Duke University

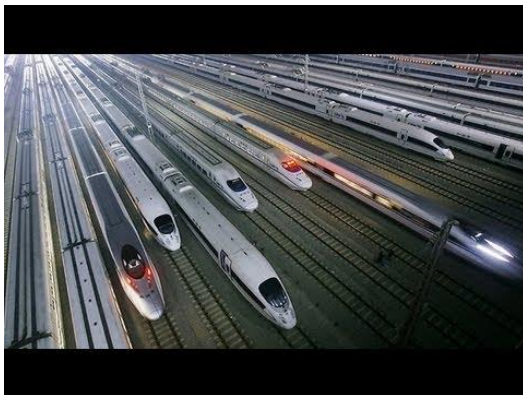
Am I advocating then every business to be a Social Enterprise? Both a ‘yes’ and a ‘no’.

Yes, because every business operates within a society (a community of stakeholders) and environment. Therefore has social and environmental impact, positively or negatively. It is the nature of things and therefore business operators need to be fully aware of this reality. Business has a responsibility within the community in which they operate.

No, because many social enterprises today are still struggling to find an identity. The social and/or environmental causes often takes precedence over the

⁹ Ibid

financial cause. They struggle to scale and grow. That is simply bad business.



The alignment that we seek is then how a good business is able to meet the needs of the community which they serve; habits, routines, worldview and customs that are to be respected. In a less than perfect world, how can we mitigate the negative impact through our business or operations or manufacturing process? Again, these contexts and practices informs us not only the day-to-day decisions, but also the larger picture of strategies, markets, products and services to be provided.

Conclusion

Business and business management is a multidisciplinary subject involving economics, behavioural science, mathematics, statistics, technology, sociology, psychology, ethics etc.

The journey to build successful businesses is thus both art as well as science. The journey to build successful, sustainable businesses is that... a journey. Just look at the mobile phone market. Where has Ericsson, Nokia or Blackberry, once touted as the world's most successful mobile phone companies? Now they are overtaken by Samsung and Apple.

There are no silver bullets or magical formulas, contrary to popular self-help business gurus. What has fundamentally changed the face of business is the breakdown of relationships and community. Through industrialization, we have moved from craftsmen to operators, home industries to factories. People no longer know who made the products, and manufacturers no longer knows who is buying their products (and I don't mean market segment statistics but human beings).

Compartmentalization has taken away the fundamental human need for connection and the sense of purpose and belonging. Businesses today have the potential to

restore the dignity of people through the products and services they provide, to the jobs they create. This is the right way forward in this global reality because any other way spells demise and disasters. We only have to look at British Petroleum oil spill at Deepwater Horizon (Gulf of Mexico) in 2010 and the most recent Volkswagon emission test scandal attest to the need for a corporate conscience, businesses with a heart and soul.

Is this simply a dreamer's ranting? I hope I have made the case that it is good business, based on the science of economics, accounting, financial costings, as well as incorporating the research done in behavioural sciences, sociology and humanities regarding the human condition.

We need to build Business in Community.

We are here to partner with you on this adventure and journey. It is simply good business.

Authored by
Timothy Liu
Managing Consultant
Genone Consulting & Services

Case Study

ABC Financial Advisory built from a very different model than their contemporaries. Due to values held strongly by the owner, he built a different type of a financial advisory company that is fee based rather than product based. Being a veteran in the industry, he realized that many advisory firms' financial advisors pushes products to customers in order to earn their keeps and commission. Therefore volume of transactions becomes the key to their success.

ABC Financial Advisory takes the opposite route by creating a fee based advisory service. In this way, it takes off the pressure to push products, but truly take the time and effort to help safeguard the assets of their clients. A smaller commission is still taken by their transaction but is no longer the prime motivating factor.

Their foray into the securities market has also been conservative, driving for value rather than profits. Selection of investment has been prudent and focused on the value of the company, taking a longer term view sustaining over 4-5 years rather than the quick money that many investment advisory firms are engaged in. Having sat in one of their session, they are brutally honest about risks as well as their wins and losses.

They took time to work with clients to understand their needs, as well as their risk appetite. More importantly,

they have built a deep relationship with clients than goes beyond the transactional. Over the years, they became friends.

The result is a very stable and well respected financial institution in their community and has been growing their portfolio steadily over the years. While many were burnt with subprime bonds, their clients were relatively unscathed during the financial crisis.

The firm also gives back to the community through matching dollar for dollar donations of their financial advisors and staff to charities, setting aside 10% of their profits for this purpose. Turnover rate is extremely low and income of staff are well to do.

Though having little or no impact on the environment, they did very well in the social impact of providing a different narrative to the way business in the industry is done, and serving out their purpose to safeguard and grow nest eggs for ordinary folks who worked hard, saved and needed financial independence when they could no longer work.

PS. ABC Financial Advisory has never seen themselves as a Social Enterprise per se but have definitely lived up to providing a social good through their services.

About Genone Consulting & Services

Businesses do not exist independently but in an ecosystem and a neighbourhood. It is therefore rooted primarily in the community which they serve. In order for a company to thrive and be successful, to have a long term sustainability, its products and services needs to reflect the values and needs of the community and achieve the triple bottom lines of Financial, Social and Environmental.

Asia's megacities and emerging cities are amongst the fastest growing in the world. Asians are amongst the most industrious and entrepreneurial people group. There is a great desire to improve the quality of life for people, harness the benefits of globalization and create meaningful and valuable work through greater entrepreneurship and cooperatives.

GenOne Serves as your Bridge to Asia

Services Provided:

Brand Building
Business Coaching
Market Penetration
Regional Operations Setup
Sales and Marketing
Strategic Research and Planning

For more information please visit our web-site

<http://genone-consulting.com>

Email: timliu@genone-consulting.com

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