

Chapter 15—Generating True Wealth

In a capitalistic system, corporations are chartered by society to generate wealth. The corporation is an important means for making natural resources, including human energy, more valuable. Corporations are one expression of the innate human desire and capacity to organize to manifest a better future. Capitalism introduces the element of preserving some of the surplus and reinvesting it to drive the future creation process. It is in this context that the Responsible Corporation asks itself, “What future are we envisioning and how well does it harmonize with how living systems work?”

Wealth comes from the same root word as health, which speaks to wholeness and wellbeing. Wealth is highly correlated with the idea of being better off, particularly at a material level. Abraham Maslow¹, the behavioral psychologist, offered a way to understand why wealth might be important to both wellbeing and health. In his hierarchy of needs, he postulated that when human beings have their basic needs—food and shelter—met, it gives them space to be involved in companionship and other higher order pursuits—growing themselves and ultimately contributing something of significance. Building sufficient material wealth could be seen as a way to satisfy the lower needs in a stable and reliable way so that energy is freed up to pursue higher level needs.

In the majority of corporate mindsets, wealth is defined by the capacity to accumulate and then leverage a next round of financial return. Such excess financial return is measured in *return on investment* or *return on price per share*. Both of these measures are self-referential and fail to consider the larger effects of choices made in their pursuit. By contrast, many early corporations promised

to the queens and kings who granted their charters that they would bring riches to a nation and improve the daily existence of its citizens.

The desire to generate wealth provides the energy to spin the pentad, but how wealth generation is conceived determines whether it spins backward or forward. Even a company that wishes to help save the planet or create social justice will reverse the pentad and reduce wealth for all if it approaches its work from the wrong point of view.

Three distinct perspectives—that of closed systems, open systems, or living systems—have a strong effect on the nature, scope and level of wealth generation. From a closed systems view, stakeholders exist outside the business system—isolated from it and from one another. From an open systems view, stakeholders are seen as an extended part of the business system and reciprocal relationship is sought with each. However, the stakeholders are not seen as members, along with the business itself, of a larger whole. It is only with the living systems view that a business can participate in setting the direction for that larger whole, and can assist in developing the capacity of all members to contribute to its evolution. By being a member of the “family” of the whole, a business is able to play its full role in wealth generation.

Each point of view delivers a different level of return, for the business and its stakeholders. Each sets the pentad in motion, forward or backward.

A corporation that holds a closed systems view collapses its wealth generating focus onto itself (and by extension its investors, to whom it has a contractual

obligation.) This perspective will allow the corporation to extract wealth from the systems it operates in. However, because it fails to directly feed the capacity of those systems to produce new wealth, it puts a ceiling on its own potential. A closed systems view inherently tends to drive the pentad backward.

A business that operates from an open systems view will tend to move the pentad forward. Such a business understands that it is in reciprocal relationship with at least some of its stakeholders and that its own health is dependent on the health of others. However, a business with an open systems view tends to limit its sense of responsibility to those partners with whom it sees the potential for beneficial exchange, making it blind to the greater system within which those partners operate. This limits the acceleration that is possible from the pentad, as well as the wealth generation possible from that larger system. In addition, such a business is always at risk of spinning the pentad backward—by failing to grow the capacity of the whole it is subject to failure by significant members with whom it is not in relationship. For example, in a global economy the most carefully constructed trade agreement among two or more nations can be undermined by collapse in the economy of an “unrelated” nation.

Real wealth generation requires increasing capacity in all members of a living system—all stakeholders—so that each new generation of wealth building extends and evolves the last. It is rooted in their evolving ability and propensity to express essence—for themselves, their materials, and those that they serve.

I'm often asked how far out the Responsible Corporation should extend itself in thinking about systems? "Should I go all the way out to the universe?" people joke. I reply, "Go out as far as you can understand. Ultimately you should be able to hold the planet on which we live. But start with the systems that you affect, and learn to see them whole. This grows the mind's capacity to take into account increasingly larger, more complex or more ordered systems."

For a Responsible Corporation, this means looking beyond those who directly provide raw materials or buy finished products (that's the open systems view.) It requires establishing beneficial and contributing relationships with the places where raw materials come from and finished products go. It requires adopting the habit of seeing everything as alive and able to be developed.

Merida Meridian produces natural fiber (such as jute, sisal, or wool) rugs for commercial and residential use. It emphasizes design quality and innovative production practices as a way to fully engage the creative skill of its co-creators, many of whom live in or come from rural communities in the developing world. The company has strong value for the cultural expertise brought by its co-creators, and acknowledges their stature as artisans.

Though Catherine Connelly, the president of Merida Meridian, is quick to point out that her company falls far short of its aspirations, it continues to work on development for its suppliers. Merida supports cooperatives in Brazil and small weaving companies across Asia, working with each to improve its design capacity and ability to manage a business so that it can grow into employing more community members through time. Merida helps these small businesses understand their effects on the living systems from which they draw their raw

materials, so that they can secure an increasingly reliable source for livelihood. The aim is to help local communities and landscapes increase the ability to determine their own futures through their ongoing relationship with Merida.

Misconceptions about Wealth Generation

Unfortunately, there are many widely held misconceptions about what wealth is. The intention to authorize a wealth-building mechanism (via the corporation) has been undermined by at least three common myths about what wealth is and how it is generated. The first myth is that wealth can be generated by individuals or individual entities. The second is that one becomes wealthy by keeping what one has generated for oneself. A third is that wealth is a phenomenon rather than a capacity.

Myth One: Malcolm Gladwell’s best-selling book, “Outliers”ⁱⁱ, fundamentally challenges the first misconception. In it he states that there is no such thing as a “self-made man”. In his survey of thousands of research studies, he encountered no exceptions to the finding that success depends on a combination of environment, opportunity, and support. At the same time, he found that highly motivated and intelligent individuals who lacked support and access to opportunities were rarely able to rise above their environment. Gladwell thus points to the need to move from a closed system view of how wealth is created to an open systems view. When one thinks of people as self-contained one conceives of them as closed systems, expecting them to generate resources internally and raise themselves by their own bootstraps. What Gladwell proved was an extension of what Maslow suggested—the wealth-

generating ableness of individuals depends on the system in which they find themselves.

The Responsible Corporation defines wealth not as a quantity, but as a capacity for wealth-making. In this view, the question moves from how to accumulate wealth to how to continually generate it—moving the thinking from a closed to an open system view. Wealth generation requires an understanding of how open systems work.

Open systems operate in a mode of exchange and reciprocity, since no entity in the living world can survive on its own. In life, each entity does its work and receives what it requires through being a member of a living system. In the same way that static money loses value, extracted and accumulated wealth limits the ability of an entire system to evolve and enrich itself.

The myth of the self-made man has been extended to the myth of the self-made corporation. Without a living environment, material and other resources, government infrastructure and so on, no corporation could even exist. Bill Gates' father, in an interview with Huffington Post, once noted, "My son was a lucky man. He is smart, but he was lucky to grow up in America where he had access to extraordinary mentors and resources. Microsoft could never have become what it is today without that context. That is why we've put so much energy in the Bill and Melinda Gates Foundation toward education, to surround children with a context that will ensure their success."^{iii iv}

Google, among many other successful start-ups, was nurtured in the halls of Stanford, where it had access to very sophisticated technology, mentors, and

proximity to ground zero of the venture capital world. Even very simple businesses depend on many layers of educational, transportation, energy, and regulatory infrastructures to operate. A corporation that believes it is self-made is either blind or delusional.

Myth Two: The second misconception about wealth is that it can be hoarded. The medieval miser is a thing of the past, but the psychology of hoarding is still a common phenomenon in the modern corporation. Re-investment is done within the boundaries of the corporation itself, as though the corporation were a self-contained system. Any money that is allowed to escape across the corporate boundary is put in the category of philanthropy—an extension of the practice of tithing (where up to 10 percent of income is shared with those considered outside the system.) There are levels at which corporations understand that they are not closed systems—they develop industries and industry associations to share knowledge and engage regulatory bodies. But they fall back into a closed system view when it comes to money, treating it as though it were a special case.

Myth Three: The third misconception arises from imagining wealth as a thing, or phenomenon, which can be counted up and put into a wallet or a vault. Rather, it is an in-dwelling ability to generate what is needed from the skills and resources at one's disposal. This is illustrated by any number of stories where someone makes a fortune, loses it, and then makes another one. Wealth creation comes from a set of skills and mental abilities that allow people to see and pursue value-generating opportunities. With or without a stockpile, people have always generated new wealth. When people focus on growing their capacity to be wealth generators, it feeds a different part of them as

human beings. This may be the strongest argument for creating a new education and socializing system that instills in children and young adults a sense of their own inherent wealth-generating capacity.

The Responsible Corporation understands wealth as a living process of reciprocal exchange, plus an opportunity to ensure health of a system. A living system draws on and extend the resources from other systems by being willing to exchange its own resources, including knowledge, skills, and outputs.

A closed system seeks to prevent such exchanges to prevent extraction of its own wealth. By limiting reciprocity, a closed system reduces its own ability to generate wealth. The application of wealth to new cycles of development is blocked for all stakeholders. This sets the stage for antagonistic relationships, and builds energy for spinning the pentad backward.

The Responsible Corporation commits to supporting the growth and development of all of its stakeholders, including their own wealth generating capacity. Dupont of Canada decided to measure its own performance based on improvements in its customers' ability to improve themselves. For example, the auto industry could generate new wealth only if it improved the value its industry brought into the markets. In the past, Dupont of Canada would have measured whether it had met its contractual relationships at the right price point. It now added to its own performance indices the ability of the auto industry to improve life-preserving technologies. It supported auto industry efforts to think more systemically, and regenerated the vision for air bags and dashboard safety. As a result, Dupont of Canada became more valued and respected by the auto industry.

A similar thing happened with the paper products industry when Dupont of Canada committed to improving forestry and pulping practices. This focus went far beyond the use of their product, peroxide, in the paper making process. Dupont supported growing better quality wood fiber for pulp, sustainable forestry practices, and new pulping technologies, all because these improvements would build the wealth-generating capacity of customers, suppliers, and communities. Increasing the capacity of stakeholders to generate their own wealth in an ongoing way represents a whole new order of commitment for a corporation, and provides the foundation for enduring stakeholder partnership and loyalty.

A System of Wealth-Generating Sources

One way to better understand wealth is in terms of a hierarchy of sources for wealth-generating activities. Each of these sources can be worked with individually or systemically. The first source is biotic life itself, e.g. living soils as the basis for agriculture, animal husbandry, and forestry. The second source is the world of minerals and chemicals, which come from the earth and are then transformed into higher value materials. The third source is assets, which include everything from land to machinery to buildings to financial resources. Assets provide the means by which other sources can be materially leveraged.

Ideas are the fourth source. Ideas can evolve the uses of all the prior sources, and can themselves be sold or licensed. Humans are often thought of as wealth-generating assets based on the quality of their ideas and their ability to apply them in the three prior arenas.

The fifth source is thinking processes. Ideas often appear to people without them understanding how or why. To access this level of wealth generation, one must be able to call on the ideation process as needed, rather than waiting for random discoveries. The value of innovation in the fast moving business climate of the last few decades has made this a more obvious wealth-generating arena, and consulting companies have established methods and technologies to improve the quantity and quality of thinking. A common example is an incubator for discovering and developing businesses and social venture ideas. Organizations like IDEO, a product and process innovating company, and McKinsey Consulting, which offers “processes to improve ideation in companies,” are highly profitable ventures able to serve businesses operating in all of the four previous arenas.

The sixth source for wealth generation has two aspects. The first is the capacity to design and lead processes that break open and transform the locked worldviews that all disciplines acquire—that is, the capacity to shift paradigms. Thomas Kuhn’s research as a philosopher of science gave guidance on how to examine and challenge thinking processes. Attachment to the “truth” of an approach or a particular way of thinking is a common blind spot for people. So moving into this territory requires an unusual mind. Education and research institutions will sometimes endeavor to understand what is behind a given way of thinking, but even they are likely to be doing this work from within an existing paradigm. So although this source offers the highest potential for wealth generation, it is very rarely accessed consciously, and tends to play out in broad historical processes of cultural evolution.

Once a paradigm has been shifted, the second aspect of the sixth source comes into play—namely, the capacity to engage consciously in continuous evolution of thinking. This enables people to work directly on what shapes their thinking—the paradigms, values, and orientation.

The First Wealth-Generating Source—Biotic Life

Living processes form the base for all other economic activities, since they provide the basis for human life. A whole range of human activities work directly or indirectly with biological systems as a source of food, fiber, fuel, medicine and ecological services.

When these activities are undertaken from a closed systems mindset, they result in extractive processes that are highly destructive to life. For example, when an agricultural enterprise looks at soil as a medium for production to which it has unlimited rights, the result is farming as factory or chemistry lab—a machine-like process that inputs nutrients and outputs crops.

When agriculture is undertaken from an open systems view, the farmer is more likely to understand that the soil and its nutrients need to be treated respectfully. The farmer may shift toward organic growing, adding compost in an act of reciprocity with the life of the soil and plants. Agricultural processes, such as cultivating, seeding, irrigating and harvesting are carried out in ways that do as little harm as possible to adjacent systems such as streams or wildlife habitat. Wealth is generated for both the farmer and the soil, with the understanding that this is the necessary prerequisite for agriculture to endure.

Although an open systems approach is clearly preferable in the long term, and organic products represent a fast-growing and high-margin market, it does not ensure the systemic connection to stakeholders that will move the pentad forward. Ecological agriculture may seek to be sustainable, non-harmful, and a provider of superior products, but in and of itself it does little to awaken the inherent creativity of all stakeholders.

When an agricultural enterprise is carried out from the perspective of living systems, it can serve as the cornerstone of human life, culture, and a critical means for humans to play a role in the regeneration of the earth's ecosystems. From this view, land is neither a commodity nor a machine, but a living part of a watershed and bioregional system with necessary work to do. Agricultural activity becomes a dimension of that work and seeks to increase the contribution that a site can make to its ecosystem. The living systems farmer asks, "Is my wealth producing process improving and evolving the overall health of this bioregion and is my way of working with this farm supporting it doing its greater work? Are the rivers and streams in the region where I farm better able to support the future of fishing, agriculture, and clean water for people? Are the flora and the fauna above and below my farmland healthier every year, opening new opportunities for wealth to be generated through other economic endeavors?"

Such a farm or agriculture related business, if it is to truly spin the pentad forward, will awaken in its customers an appreciation for "terroir"—the unique qualities and flavors of a given place or piece of land. It will tap the innate drive of its workers to develop mastery in their field. It will foster the unique place-based culture in each community in which it does business. It will

through demonstration and education help those communities become better stewards for their own watersheds.

The Second Wealth-Generating Source—Minerals

Minerals are most often viewed as commodities, and offer the exemplar of an extractive industry. They fit easily within a closed systems view of industry, where improvement in return is gained primarily through increasing efficiencies. Not surprisingly, oil companies, mining companies, and chemical companies are widely believed to be inherently destructive to the environment and to communities.

However, minerals are not inherently evil—living organisms, after all, are a special case of structured mineral exchanges. Recent research on the evolutionary role of minerals has cast doubt on the old view of minerals as dead. Robert Hazen, a research scientist at the Carnegie Institution of Washington's Geophysical Laboratory and Clarence Robinson Professor of Earth Science says in *Scientific American*, March 2010, “Looking at the mineral kingdom through the lens of deep time leads to a startling conclusion: most mineral species owe their existence to life”.

In other words, minerals are not closed systems. An open systems business that depends on minerals or chemicals—either as its primary product, or as the stuff from which its products are made—understands that it has a responsibility to do no harm through how it extracts, refines, utilizes and disposes of these materials and their by-products. It recognizes that it must maintain a fair and healthy relationship with those communities from which its products are

sourced if it is to have a viable future. It may work to restore landscapes disturbed by mining, and it may seek to achieve a goal of zero waste. The mindset is one of quid pro quo, where each party is compensated fairly for impacts it experiences, and impacts are continuously reduced through process improvements.

A business operates from a living systems perspective when it seeks to discover the unique contributions that each mineral can make to life, contributions it would not otherwise be able to make if left in place. The transformation of DuPont's sodium cyanide program (and the corresponding increase in wealth-generating capacity) depended on truly understanding the molecule's essence, its role in living systems, and its relationship to the places where it was used or extracted. This understanding profoundly changed the processes by which sodium cyanide was extracted and brought it to a higher order creative use. For titanium dioxide, DuPont was able to significantly change the mining process itself. This reduced mining impacts, renewed the way of life and culture of an entire community, and offered a challenge to the mineral industry as a whole about what was possible when one is willing to take responsibility for outcomes. The proprietary position DuPont achieved increased its own wealth-generating capacity. But the effort also addressed the economic future of the region and its workforce, and the health of its landscapes.

The Third Wealth-Generating Source—Assets

The creation or acquisition of assets provides the ability to continually transform the value of the output of the two earlier arenas. A completely human construct, an asset can repeatedly engage with a flow of inputs, making possible the recurring generation of value. Deployed with intelligence and industriousness it can provide value to a variety of constituencies, thereby generating a return. Through machines, methods, and other means, one can fairly predictably produce a higher order offering from the commodities one acts upon. This is the essence of a manufacturing corporation like DuPont, or a consumer products company like Colgate—to take raw materials and bring them into a state where they can be used for purposes that would otherwise not be possible.

From a closed system view, the asset and the value it can produce are considered the sole domain of its owner. The owner has the right to utilize that asset in any way that it sees fit, and is accountable only to itself for the means employed and the returns generated. It resists either public or regulatory scrutiny beyond what is mandated by law. For example, through its ownership of the plane, an airline feels it has a right to limit any intervention in the utilization of that plane. In a similar way, land purchased for development is considered to be no business of anyone but the owner of record.

From an open systems perspective, an asset is understood to be an element in a flow of creative work. To enable that flow to yield the best possible results, it is important to be open and transparent with others in the same flow. Suppliers and regulators are considered partners, not obstructions. This makes evident to all involved how wealth generated by the flow can be shared and equitably distributed. From this perspective, concepts like fair trade can

emerge, where native harvesters or producers are considered in the wealth-generating measurements of the asset owner.

Merida Meridian makes its books open to its Brazilian early stage converters, providing them 10 percent of the earnings in that region for their contribution to the creation of wealth. Distributors may also be engaged in specific agreements that use the owner's asset in ways that will also benefit the distributor. For example, Seventh Generation makes special versions of its products and/or packaging for retailers like Target or Costco. Because an open system approach creates multiplier effects through leveraging the resources of multiple stakeholders, it has proven itself again and again in the world of modern manufacturing.

From a living systems perspective, the asset becomes the means to raise knowledge and intelligence, and therefore viability, throughout the entire production process. This view sees assets as a means for the owner to generate wealth for all along the value-adding stream that have a stake in the productivity of those assets. Because an asset leverages the transformation of a material flow, it provides a powerful means for people to influence the world they live in. Thus, the asset is a source of creativity for operators who work with it, as well as for suppliers who provide its inputs. Understanding this, Seventh Generation brought its manufacturing partners into the creative process long before the formulas were developed. Many companies have also moved into open source product design through on-line wikis that invite in consumers as well as technicians. When an asset is understood to be part of a living system, this kind of cooperative and reciprocal use becomes possible.

In South Africa, Colgate worked with raw material suppliers from rural areas in the northern part of the country. It provided support for business development, ensuring not only a steady supply of raw materials for itself, but also vitally important new possibilities for economic activity in places where starvation and illiteracy were high. Colgate's ownership of a manufacturing facility and distribution system gave it the credibility, leverage, and resources it needed to persuade rural jurisdictions to improve the conditions that would make business development possible. By leveraging the power of its assets, Colgate was able to take responsibility for the entire flow of work of which it was a part, in the process regenerating dozens of rural areas that otherwise might have received no economic development assistance. It did this not through philanthropy, which would have been costly and relatively ineffective, but through the way it did business.

The Fourth Wealth-Generating Source—Ideas

The value of ideas as a wealth-generating instrument is apparent but often goes unnoticed. (This book, for example, provides a set of ideas about how to strategically integrate the working of a business.) Some businesses are built around selling a given idea or set of ideas again and again—publishers, film studios, or certain kinds of consulting companies are examples.

Ideas can generate value in three different ways. First, they can introduce something genuinely new. Second, they can be aggregated in ways that make them more useful. Third, they can be reshaped to serve modern times or a specific situation.

A closed system view of ideas attempts to hold and guard them as proprietary property. Many of the nonsensical court battles over who owns the right to a particular pop music hook, or which mystery writer owns a particular plot device, derive from this worldview. Even more insidious are lawsuits by biotech companies seeking to control ownership of proprietary genetic material that has escaped into and contaminated open pollinated crops. One of the characteristics of a closed systems approach is that very little consideration is given to an idea's ramifications. For example the media, when offering its products, generally fails to ask, "Will there be user impacts beyond those that are intended?" This sets the stage for ongoing battles, like those the video-gaming community faces over targeting children with violence-filled entertainment. A closed systems perspective forces such industries into narrow (and often fact-free) arguments over whether the impacts are real or lasting,

A company that adopts an open systems view of ideas operates in a world of shared intelligence legacy, where ideas arise from and contribute to the flow of human thought. At this level, businesses organize themselves around adapting that larger world of ideas to a specific purpose or situation. The work of a physician, coach, or attorney depends on the ability to draw from extensive education and experience, as well as a body of professional contacts and opinion, to serve a client's specific needs at a specific time and under specific conditions.

Red Hat successfully grasped the open system nature of a business built on ideas. The open source movement in the software industry provided a shared, free, and continually evolving legacy of well-designed ideas. The brightest and

best were volunteering their time and experience to build Linux, so that anyone who desired could access top-of-the-line software with very few downsides. Red Hat's founder, Bob Young, had the insight that this free-wheeling open source world would introduce the need for a new class of consultants to help businesses and individuals adapt it to their needs—and he assembled many of Linux's creators to offer the customization and maintenance support that were required.

From a living systems view, ideas are used to evolve whole communities or whole systems, rather than serve just a specific client or stakeholder. For example, the idea of integrative medicine—which brings together the best of “alternative” and “conventional” medicine—is intended to help everyone achieve better health, and to help all doctors, and the health care system as a whole, become more holistic in practice. At this level, corporate consultants view the whole stakeholder system as their client and work with a corporation to generate ideas that will enable it to operate accordingly.

In its work on community development, Regeneration uses the idea of place to help people understand the dynamic exchanges that are always occurring between people and nature in a specific community. The idea of place as a living whole provides communities with a means to reconcile what have usually been seen as intractable issues. It provides them with a foundation for economic development based on local realities and potential. It gives them a way to move into the future—through settlement, social programs, cultural endeavors, and business development—consistent with who the natural patterns and cultural stories that make them unique.

New forms for making ideas available, such as “creative commons licenses” that allow attributed use, are being developed by innovators like the photo-sharing site Flickr. Open source operating systems like Linux make possible many other offerings, thereby building a community’s capacity (including that of the creators) to generate wealth from the idea. The very idea of open source arose from a living systems view, creating more wealth-generating capacity for an entire field. Moving to the living systems level can be a challenge, but many leading edge thinkers suggest it is the way of the future.

The Fifth Wealth-Generating Source—Thinking Processes

Since the renaissance at least, city plans have included places for education^v. Community founders have known that an educated population was the key to generating wealth—for themselves and the community as a whole. Aristocrats have always educated their young as the means to maintain and extend wealth. William Colgate, when he co-founded Madison University (later renamed Colgate University), specifically observed that the businesses he wanted to build and the communities he wanted to grow depended on people’s ability to think and develop new ideas if they were to create wealth.

Newness is intricately woven into the process of wealth generation, since merely continuing to do what has always been done is unlikely to compound the value generated. In the craftsman era, programs to develop apprentices into journeymen, and then into masters, were designed to maintain and evolve the value and contribution of a craft and its position in society. Education lifts the apprentice, who understands how others have generated wealth, to the level

of journeyman, who can experiment and extend the craft, to the level of master, who can develop others in the creation of value.

Best Buy, in its attempt to cut costs, lost most of its technically knowledgeable sales force and became dependent on consumers being educated elsewhere. The same has happened in manufacturing organizations around the world, who have laid off their more expensive master craftsmen and have become totally dependent on outsourcing, even for small daily maintenance tasks. Without the capacity to think and discern, a business or a community becomes poorer—it loses the foundation of its wealth-generating ableness.

Tapping this source requires building an infrastructure that makes it possible to develop new processes and new ideas. Typically this takes the form of educational institutions—schools, universities, business incubators, business colleges. However, many of these institutions have become so narrowly focused on subject matter (the delivery of ideas) that they have neglected to actually build the capacity for ideation. This is unfortunate (and with regard to wealth-generating capacity, potentially disastrous) since the root meaning of the word education is to draw out and develop an innate capacity in the student.

The closed system perspective in this arena can be seen in academic disciplines, “schools of thought,” and the peer review journals that they spawn. These are often connected to particular universities—the University of Chicago is known for a conservative approach to public policy, while the Kennedy School at Harvard is more progressive. Isolated subjects or disciplines (e.g. public policy) become entrenched and sub-categorized into niches (e.g. specialists in nation

building, or local government.) Each develops its own language and publications. They become, in other words, closed systems.

The very potential for wealth generation may be limited from the outset if ideation is shaped by this closed system model. The process can become insidiously self-perpetuating. “Academic rigor” generally means that a group of peers can all agree. Research, and the best-selling books it produces, is limited by academic consensus. Senior faculty maintain a tight hold over what can be published and even what can be considered true, limiting both innovation and dialog.

Most business incubators are also established with a closed system view of ideation. They emphasize transfer of knowledge, and adoption of “tried and true” ways of thinking, rather than encouraging reflection on how thinking is being done. Thus, the very intention of an incubator as a process generator collapses before it begins. Most incubators, whether they are housed in traditional education settings or business development centers, have settled into being purveyors of ideas.

Given that educational institutions, and especially universities, are expected to be the primary developers of thinking as a source of wealth-generation for society as a whole, this closed, fragmented and compartmentalized approach to learning is actually destructive. A more open system does not require publishing everyone or considering all ideas no matter how far out. But it does require a mechanism that allows ways of thinking to be dialogically examined and engaged. Only by this approach can ideation improve and achieve its full contribution to wealth generation.

An open systems approach focuses more on helping people learn to think, rather than on acquiring a certified body of knowledge. The Antioch system of campuses around the U.S., as well as St. John's College in Annapolis, MD and Santa Fe, NM, are leaders in an approach where students work in cohorts and learn through a dialogic process with a faculty member. This has attracted a whole new class of students who want to be more active in their own learning and the examination and development of their thinking. Instead of transferring knowledge, faculty members stimulate deep and far ranging conversations that build the capacity of students to test and build their own ideas. Reciprocity (between student and teacher, and among students) is cultivated in this form of education, and can be extended into life after graduation. The resulting creativity and rigor of thinking generates far greater value for society and business than the commodity thinking produced by closed systems.

In late 2009, Seventh Generation formed a partnership with Kaplan, a division of The Washington Post, to improve creative thinking around sustainability and corporate responsibility. Through the program, the company seeks to share what it has learned, and to upgrade ideation for other businesses and sustainability professionals. The Bainbridge Institute in Seattle also offers graduate degrees with an emphasis on improving how to think about sustainability for the business practitioner. A number of public universities have created successful degree programs or specialty tracks for organizations and individuals wanting to improve their own ideation.

When education is seen from a living systems perspective, the focus shifts to whole systems. Learning and creating are no longer limited to the bound

knowledge of the closed system or the reciprocal agreement between student and faculty found in an open system. Learning becomes a window into life. The best example I know of (and there are very few to be found) is the Free University of the Environment in Curitiba, a city near Brazil's southern coast. In the last five decades, Curitiba has gone from extreme poverty to having one of the country's strongest middle classes, using thinking processes that are both highly sophisticated and commonsensical. To ensure that these processes were handed down within city staff, and promulgated throughout the community, Curitiba established a university for ecological thinking. Over the years, an extraordinary percentage of the population, including all the city's staff and most of its businesses, have experienced the program—wealth generation by design. The long term transformation has been so successful that leaders and planners from around the world travel there to learn the most advanced planning ideas available—the city has extended its educational influence to the world—and Jaime Lerner, the father of this living systems process is a much sought after speaker and thinker internationally.

Curitiba's success was based on many of the same principles and practices behind the Responsible Corporation. The planning team started with what was unique about the city and how one could build a sense of community and of vocation in the world from that story. Because the city was both poor and smart, it sought ways to make highly leveraged investments, and coined the term “urban acupuncture” to describe interventions designed to get mega-multiplier bangs from its scarce bucks. Every project had to meet rigorous criteria for being “fast, cheap, simple, and systemically effective.” The city had a strong orientation to improving the lives of every one of its citizens (its “customers”) and emphasized building self-determination and self-management

throughout the population. Ideas were expected to be obvious enough that people could readily see their relevance.

Just one of the thousands of creative programs the city put in place was designed to address sanitation in the favelas, or slums, that had grown up as rural populations poured into Brazil's cities in the 1960's. Favelas would emerge spontaneously, with no central planning and no utilities, built from whatever materials lay at hand. As a result, garbage collection was impossible, and disease, rats, and other problems became acute. The city offered to pay residents to separate their trash and bring it to collection and recycling areas on the periphery of the slums. Residents were paid in tokens that could be used to access the city's excellent public transit system, or to buy food at local farmer's markets. With this simple program, the city was able to clean up the garbage, build acceptance for recycling, provide access to good food and support for local farmers, and improve employment opportunities by enabling very poor people to use public transit. Not coincidentally, the children from these slums were able to use their bus tokens to spread out and clean up the rest of the city, becoming valued and contributing citizens at a time when street children were being shot by vigilante groups in other cities in Brazil.

The creativity and holism that Curitiba's leadership team brought to everything it did was remarkable, not only because the group was so innovative with such limited means, but because it was able to sustain its quality of thinking over decades and through many changes in political leadership. This required a significantly different way of thinking than that provided by conventional training for city planners or managers. It also required a continuous and ongoing planning process, rather than a single annual planning event. Every

morning for the last forty years, the city’s management team has met at the campus of the Free University of the Environment to “dream forward.” It spends its mornings in the world of ideation and possibility, and its afternoons managing day-to-day operations—and is very clear that it could not afford the costs of doing it any other way. This has nourished the spirit of the leaders, while generating an endless supply of ideas to be tested and implemented. The corporate world would do well to learn from Curitiba’s example.

The Sixth Wealth-Generating Source—Paradigm Shifts

The emergence of a new paradigm for what the world is and how it works has always been the most powerful, extensive, and enduring source for the generation of new wealth. But true paradigm shifts are rare and take time for their influence to be felt. They generally arise out of profound new insights from science or philosophy and are often spread through the arts long before they are taken up by business and educational institutions.

A shift in paradigm causes a move from one era to another in terms of how people think and learn —e.g. from a medieval to a Galilean world to an Einsteinian world, from pre-literacy to Guttenberg to the Internet. It’s about changing how people know what they know and therefore how they believe the world works. The Renaissance made possible a merchant class, and the industrial revolution made possible the availability of goods and jobs that grew the middle class. The information era has shifted the definition of value, elevating information over material, and global flow over place-based economies.

The sixth level of value generation works on the paradigm by which society defines and builds wealth. The interesting thing is that the people who create this shift rarely gain a personal return, because it may take decades or generations to make clear its value and significance. It can only come from a living systems view, because it is only concerned at the level of how the world really works, meaning how living systems really work. Those who see and grasp the shift prepare the way for the next evolution of each of the other five wealth-generating sources.

Evaluating Wealth Generation for Each Stakeholder

Wealth generation is a measurable pursuit. Finding performance indices for how well stakeholders are doing is a good way to evaluate progress in systemic responsibility. Since wellbeing can't necessarily be counted, these performance indices can be reflective and qualitative rather than numerical. For example, a business can reflect on whether its way of operating is advancing the wealth-generating capacity of all stakeholders.

A business can only be a Responsible Corporation if it takes on wealth-generating from a living systems mindset. Here is a living systems way of thinking about wealth generation for each of the stakeholders in a Responsible Corporation:

Generating Wealth for the Customers: Customers invest in a relationship when they buy a product or service, expecting the business to “have their back”. If the corporation lets them down, they count on recovery of the relationship through means that make it stronger. Customers have a deep hope that a business will genuinely care for them—that it will not embarrass them (I

have friends who are personally embarrassed by product recalls on cars since cars represent personal identity for many people) and will behave as a respectful member of their household.

Customers assess whether they are receiving an appropriate return on their investment based on the value-adding effects that the product or service delivers. Does it improve their lives in some way, making them richer, more successful, and more meaningful? Has the business done better by them in this regard than other choices they might have made? Has the business seen and created opportunities to make life better that they couldn't see for themselves? And when hazard strikes (such as tampering from outside or design failure from inside) is it there for them, willing to make them whole again?

These two sets of guidelines, what customers “put in” (their capital) and what they “reciprocally gain” (value-adding effects) indicate the way a Responsible Corporation would work to appropriately generate wealth for both company and customer. For example, a corporation in the “fooding” business (working in the value-chain of feeding humans and animals) would seek to improve the health of every part of system. Good growing and packing practices would prevent bacteria from entering the food supply. Soil would be improved so better nutrition was grown *into* the food. Farms and farmers would be improved so that the food supply was increasingly secure and farms increasingly viable. An Amish man selling his produce at the Dover Delaware Flea Market told me his community's rule for growing produce: “the food, the farmer and the farm should improve in every season.” He believed that the soil could be grown just as food could be, and that the practice of farming could be improved by mentoring the young farmers and inspiring their creativity. His

aim was to ensure that I could buy a more nutritious bell pepper every year. As a result, his Amish community was flourishing and so were the county residents they supplied.

Some permaculture farmers have taken this a step further, seeking to understand and imitate the wealth-generating strategies of ecosystems. Rather than creating monocultures, they grow guilds of plants and animals that work together much as a forest works together. The result is a farm that produces many different crops in space that would ordinarily have produced only one, and radically reduces the need for inputs (like fertilizer or drugs) in the process.

Generating Wealth for the Co-Creators: The co-creators invest in growing intelligence, wisdom and the ability to create a better future for themselves. They do this by being challenged to contribute their talents and motivation to meaningful work. They are most motivated when they are self-directed and well supplied with mentors and human development opportunities. Even for people who have been cut off from such a context for years, this deep human desire is a bit like trick birthday candles—it reignites. Given the opportunity for applied creativity coupled with personal development, co-creators will invest deeply to bring exciting ideas and practices into existence.

What they expect in return is the opportunity to contribute something unique to the lives of others. As mammals, humans find value in belonging and collaborating. Mirror neurons in the brain allow people to feel good when good happens to others—and to suffer when bad things happen. At the time, humans each have a unique essence and evaluate return in terms of their ability to reveal and express this essence. The Responsible Corporation knows that it can stretch its co-creators by extending its strategic reach with more demanding

offerings, creating mutual benefits in the process. It takes on the impossible—“a big hairy audacious goal,” as Jim Collins says.^{vi} Google has such a goal: “Organize the world's information and make it universally accessible and useful.”

These two forces—the eagerness to grow and create, coupled with the desire to make a unique contribution as worthy members of a team—indicate the wealth-generating potential for co-creators. It comes from asking them to make the business responsible for delivering value-adding effects to all stakeholders, through how they do their work. This creates a living incubator, waiting to explode with creativity. The work of the business continues, but how it is done changes. To invent a better way—within the constraints of technology, resources, and ethical considerations—invokes development of the human mind. This is just as true on a low-tech farm as it is in a giant high-tech corporation. People who report that they feel ethical about their work and that they can contribute in a meaningful way, also report that they love their work. That is not a bad return on their investment, and it creates a strong wealth-generating engine.

The current model of wealth generation creates a host of seemingly intractable problems—destructive mining, pollution, costs (environmental, social, and financial) of transportation, wasteful manufacturing, not to mention urban sprawl in city, social inequity, and wrong-headed economic development. Clearly, the world has failed to put the real power of the co-creators' minds to work. In most cases, hierarchical work systems prevent it. I almost feel sick when I see how often a manager seeks to scare people into his interpretation of what needs doing, diminishing the return that co-creators expect from the

investment of their life in that agency, ministry or company. That is why this book has an entire section—*Why Irresponsibility Happens*—dedicated to understanding what limits success in becoming a Responsible Corporation.

Generating Wealth for the Earth: The earth invests in aliveness. It harnesses life's tendency to differentiate. As life encounters the variations in landform, climate, soil, and available water that each landscape presents, it responds by evolving increasingly unique expressions. As a result, each place has a unique identity, and unique work to do in sustaining and evolving life on the planet.

But (and it is a big but) Mother Earth needs a return to keep making this investment. There's no place she can go for an unemployment or disability check—she needs to be continuously engaged in productive work or the whole enterprise spirals down. She needs humans as partners, not adversaries, in this work of evolving Gaia. Human activities generate a return when they understand and enhance the work and evolution of specific living systems in specific places. A good partnership is not made from promises to do as little harm as possible. (“I promise to beat my wife less severely and less often. I'll even restore her to a non-bloody state!” are not statements that are likely to inspire a lot of confidence.) Don't laugh—“How about we stop beating you so hard?” is the deal humans are currently seeking to make with Mother Nature in exchange for her continued investment.

The wealth generating capacity of the earth, arising directly from its work on differentiation and evolution, depends on realizing and actualizing the potential of a living whole. To play a part in this most fundamental and necessary of wealth-generating processes, humans must learn to think in terms of potential. This requires looking beyond existence—the world of “what is”—to see the

essence of things (people, places, living organisms, organizations.) This points to the role they could play in lifting systems to a higher order—of expression, complexity, intelligence, and wealth.

If potential is the focus then understanding the wholeness of something—its essence, role, and the systems it is part of—needs to come before examining its current existence. Current existence is understood from examining and assessing issues, trends, challenges, problems etc. Most ideas for planning, strategizing, training, educating, and even parenting start with “what is”, not with potential. Understanding essence, by contrast, comes from exploring the unique way a particular whole works.

Having begun with potential, it is much easier to discern which aspects of current existence are actually important or relevant. One can see what needs further study, what needs transforming. This prevents a shotgun approach to data gathering, which is always about "parts". It identifies possibilities based on what wants to come into existence, rather than on what is already fixed in place and difficult to move. By maintaining consciousness of the uniqueness and distinctiveness that makes something whole and coherent, it offers a clear lens through which to assess and develop strategies. By contrast, starting from current existence leads to trade-offs, competing priorities, and ventures and initiatives that divert energy from the pursuit of the best place to generate wealth—potential.

Generating Wealth for Communities: Communities invest in their unique identity, culture and landscape. This investment draws from the talent and resources of its people and natural systems. Community members seek to be a

part of a great place, where they can belong, participate fully and feel like they matter—in governance, culture creation and economic ventures.

Communities expect a return in the form of increasing opportunities for members to live up to their own potential, in a way that is consistent with and contributes to what makes a place good to live in. Communities charter their institutions—governmental, business, educational, and civic—to collaborate in designing structures, systems and processes that will promote the health and wealth of all. They hope for visionary leaders who can reconcile conflicting forces and ensure a vital, viable and enduring society. They aspire to elevate the principles by which society lives and governs itself.

The wealth generating capacity of communities is grown through partnering with place. This requires developing systems thinking capabilities throughout the community and applying them to evolving the potential of place. (This is a powerful role that a Responsible Corporation can play in a community.) When economic development has its roots in the native soil of place, and economic activity serves to enrich that native soil, then communities have the basis for an enduring and meaningful life.

Generating Wealth for the Investors: Investors invest in the ongoing efficacy of money as a means for developing the capacity for exchange and prosperity. They invest in steadily increasing their reach and effectiveness in the world. They also invest (to a greater or lesser extent) in their own integrity and credibility, which is connected to their faith that capitalism (in spite of its frequent failures) has the potential to create more just, equitable, and healthy societies.

The investments of most adults and most institutions are managed by others on their behalf. They expect that their money will be managed in a way that progresses the industry it is invested in—in terms of capacity, character, and asset value. The investor counts on the manager to understand the complex forces at play and leverage resources in a changing world to produce global effects and evolution of an industry. Ultimately, they expect those managing their investment to help evolve investing itself.

How does a business find the most leveraged way to engage its investors in wealth creation? I suggest that given the many corporations competing for the responsible investor, that a great contribution (and one where I have seen few examples) would be to restore investment to being a responsible endeavor, and the idea of capitalism back to its highest potential.

I don't always agree with Warren Buffet, but there are some arenas where he sets the standard—especially with regard to his insistence that wealth generation is about building capacity and releasing potential. I believe this foundational premise has led him to make generally good investment decisions—it has certainly earned him loyal followers who invest for life. The returns Buffet gets are based on standing for a couple of things. One is value investing—that is, “Buy what you know and what produces something of value.” In other words, he looks for what is truly value-adding, not just value-added. This is based in a deeper philosophy: “We have a system that works. It unleashes human potential.” For Buffet, this is the purpose of the capitalist system. It does get overwhelmed by fear or greed on occasion. But even with setbacks, it continues to progress. That is because there is always more human

potential to unleash.

Buffett is also aware of himself as an avatar for investing. He is mindful of his affect on markets and on the idea of investing itself. Though I might occasionally counsel him to proceed differently (e.g. I want him to consider the investment of more than just the financial stakeholders) I applaud him for stepping up to the role of improving what capitalism can represent when it works well—unleashing human potential. His transparency in educating all investors, not just his own, has been a real contribution. Buffet takes questions from the floor at shareholder meetings from shareholders and journalists. He encourages journalist to solicit questions from their readers and pick some tough ones. By doing so he opens up the question pool to the general public and becomes a humble steward not just for Berkshire but for the entire financial world^{viii}. Through this simple and courageous act, Warren Buffet is willing to be responsible for a significantly greater whole. I believe that if he would add the pentad to his thinking, he could make an even bigger difference for the financial industry and the future of capitalism.

Summary

True wealth generation is a systemic effect, and it requires engagement and development of a whole system. Investors cannot gain the durable value they seek from an industry that caves in on itself every other decade. Enduring companies need strong and vibrant relationships with their community of stakeholders. Communities could play a role in building that relationship by developing their own social responsibility report for business effects. At the same time, communities cannot achieve economic and cultural uniqueness without seeing themselves as special cases of natural systems—their identity

and vocation are bound together inextricably with those of the earth.

Human communities and activities have become such a powerful influence on the planet, that Earth cannot sustain her evolutionary work without their intelligent cooperation. Earth counts on co-creators to engage in way that are reciprocal, making people and planet healthier in the process.

Without being called on by customers, the co-creators have no meaningful role to carry out. A recession hits the pocket book, but it hits the spirit harder. Creating measurable wealth requires someone with a need, hope, dream, or aspiration that can only be fulfilled with the help of others. An ability to add value to those life events is what sets business into motion. How well it adds to these events are the measure of how well it is a true wealth-generator.

Free Download: Graphic Representation of the Six Sources of Wealth Generation

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And the Three Myths of Wealth Creation:

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Endnotes:

ⁱ Maslow, Abraham, *Toward a Psychology of Being*, Third Edition. Wiley. NY 1998

ⁱⁱ Gladwell, Malcolm, *Outliers: The Story of Success*. Little Brown and Co. NY 2008

ⁱⁱⁱ Bill Gates, Sr. Huffington Post. December 17, 2009 http://www.huffingtonpost.com/bill-gates-senior/strengthening-the-estate_b_396444.html

^v City Master Plans foster integrating education since the Renaissance

^{vi} Collins, Jim, and Jerry Porras, *Built to Last: Successful Habits of Visionary Companies*. A true BHAG is clear and compelling, serves as unifying focal point of effort, and acts as a clear catalyst for **team spirit**. It has a clear finish line, so the organization can know when it has achieved the goal; people like to shoot for finish lines. 1996

^{vii} Schwartz, Mattathias, *Harper's Review*. January 2010 P.28, The Church of Warren Buffett.