



CONFERENCE SUMMARY

2ND INVITATIONAL CONCLAVE ON CONSCIOUS BUSINESS

Big Sur, California, March 11 - 15, 2012

Executive Summary

In March 2012 a group of prominent business leaders—including CEOs from Whole Foods, REI, the Container Store, IDEO, and 1800Flowers.com—met at Esalen to promote a more conscious paradigm of innovation, entrepreneurship, and free market capitalism. Building on the platform of ideas already being advocated by the Conscious Capitalism movement, this was the second conference in an annual series at Esalen that is helping to catalyze a new paradigm for doing business, *Conscious Capitalism*, which advocates simultaneously optimizing the interests of all stakeholders including employees, customers, suppliers, investors, communities, and the planet, instead of maximizing shareholder value only. Recently, this new business paradigm has been gaining traction, as major companies realize that **the conscious business paradigm is not simply a morally uplifting way to do business but actually results in greater economic gains and well-being for all constituents as well.** Increasingly, this paradigm is showing that the embodiment of moral and spiritual values in the workplace also gives rise to greater employee productivity and customer loyalty.

In addition, during the second half of the conference the participants discussed new trends in innovation and design. Because governments cannot always solve troublesome social and ecological problems, creative design breakthroughs coming from the private, free market sector are likely to be applied more broadly in society. In particular, the cutting-edge innovation is revealing that open source and group collaborations often result in the smartest solutions that are most likely to endure.

Overall, **this conference series aims to restore the nobility of free enterprise, the integration of business with society, and the spirit of innovation as the true cornerstones of capitalism. A more spiritually integrated, value-laden, socially collaborative, and ecologically sensitive—that is, conscious—form of business practice is now emerging.** What follows is a summary of some of the best practices and emerging trends

Monday

On Monday morning, the Director of the Center for World Spirituality, [Marc Gafni](#), launched the week's conversations by suggesting that **the conscious business paradigm is effectively integrating the Enlightenment of the West (individual dignity and free enterprise) with the Enlightenment of the East (mystical apprehension of the transcendent unity of humanity and life)**. When brought together into a new synthesis, these two Enlightenments reveal that **one does not need to be separate from the concerns of others when living out one's "Unique Self"** (Gafni's term). As Gafni has put it:

When you realize that **your Unique Self is God having a You experience**, everything in your experience of your life changes. Once you understand that your uniqueness is not the haphazard result of your cultural, social or psychological conditioning but all of these are necessary conditions for the emergence of the personal face of essence which is you, which is part of the seamless coat of the universe, your essential experience of your life transforms. You move from a desperate need to escape your life to the radical embrace of your life. Fate is transformed to destiny. Desperation becomes celebration. Grasping becomes purposeful action and resignation becomes activism. **The contracted smallness of your frightened suffering self becomes expanded joyful realization of Your Unique Self.**

As this new vision of human selfhood continues to emerge, Gafni said an integral vision for humanity's future will be both evolutionary and pluralistic; it will balance the global unity of humanity with its diversity as well. Perhaps the phrase "the democratization of Enlightenment" best summarizes the essence of Gafni's message to the conference participants. In our historical moment, everyone is called to enlighten and aspire to the most creative expression of Unique Self. Gafni concluded by affirming **the conscious business vision in which our economic life and social structures are not seen as separate from spirit, value, and meaning but directly embody all three**. (See transcript of Gafni's interview below.)

Following Gafni, Whole Foods CEO, [John Mackey](#), surveyed the history of capitalism, observing that capitalism has lifted millions of people out of abject poverty in the past couple centuries—an unprecedented accomplishment. At the heart of capitalism are some core principles such as individual liberty, economic freedom, and voluntary exchange. Historically, countries that have applied such principles in their economic systems have moved toward much greater prosperity than before. In Mackey's view, the basic tenets of capitalism are moral because they are based on voluntary exchange. **The value created is not dependent on the exploitation of people, even though some capitalists have engaged in these practices. Due to abuses by capitalists functioning at a lower level of value motivation in the past, capitalism has a branding problem today. Thus, the new conscious business paradigm is helping to clarify the true moral potential of capitalism, which can be unleashed as long as it adheres to conscious practices.**

After describing a bit about the history of capitalism, Mackey said that businesses today need to shift their focus from profit maximization to purpose maximization. Entrepreneurs create the original purpose of a business, which then co-evolves with its customers, employees, investors, suppliers, and communities. **Working together in synergy, these stakeholders develop a shared purpose over time that can evoke higher levels of value motivation, complexity, and meaning.** Mackey cited three contemporary examples:

Southwest Airlines: “gives people the freedom to fly.”

Google: “organizes the world’s information and makes it easily accessible.”

REI: “reconnects people with nature.”

Mackey stressed that **under the old paradigm, most companies still confuse outcome (profits) with purpose. As a result, these companies deprive their employees of higher meaning and motivation.** By contrast, the new conscious business paradigm recognizes the interdependence of all stakeholders and aims to optimize value for all stakeholders involved, instead of maximizing the value for only one constituent, the shareholders. Interestingly, by taking care of all stakeholders, the shareholders end up with more value, as has been documented in the ground-breaking book, *Firms of Endearment*. Why is this possible? Mackey explained that a business is actually a community of people who

ATTENDEES

John Mackey, Founder and Co-CEO, Whole Foods Market

Doug Rauch, former President, Trader Joe’s; CEO, Conscious Capitalism Inc.

Kip Tindell, Founder and CEO, The Container Store

Betsy Sanders, former Nordstrom executive; former director of Walmart and WellPoint

Rinaldo Brutoco, Founder and CEO, World Business Academy

Mac McQuown, Co-Founder and director of Diversified Credit Investments

Jack Wadsworth, Chairman, Morgan Stanley Asia; director, Pixar Studios

Sam Yau, Chairman, Esalen Institute; former CEO, National Education Corporation

Raj Sisodia, Co-Founder and Chairman, Conscious Capitalism Institute; co-author, *Firms of Endearment*

Jay Ogilvy, Co-Founder, Global Business Network

Shubhro Sen, Co-Founder and Executive Director, Conscious Capitalism Institute

Tim Brown, CEO, IDEO

Sally Jewell, CEO, REI

James McCann, CEO, 1-800-Flowers

Fred Kofman, founder and Chief Spiritual Officer, Axialent, consultant on conscious business

Marc Gafni, spiritual teacher; Co-Founder, Center for World Spirituality

Johan Norberg, writer and activist; author, *In Defense of Global Capitalism*

Steven Johnson, writer on technology and innovations; author, *Where Good Ideas Come From*

Richard Barrett, Chairman, Barrett Values Centre; author, *Liberating the Corporate Soul*

voluntarily cooperate to create shared value. **The extent to which a business taps into the highest level of human potential and motivation is the extent to which it is conscious.** In this model, business can be a win-win-win-win-win enterprise, rather than a zero-sum game in which some win and others lose.

Mackey concluded by defining “conscious leaders” as those who foster conscious cultures that continue to sustain a company’s higher purpose and maintain harmony among various interests and stakeholders. Conscious cultures uphold the values of purpose, authenticity, empowerment, transparency, love, care, trust, collaboration, and innovation, etc. Lastly, **Mackey said that conscious leaders are on a life-long journey of personal growth. As he summarized, “Our greatest challenge as leaders is to manage and lead ourselves: to make wise choices, to learn and grow and evolve as human beings. First, we must become more conscious, and then we must share our wisdom with the world. That is the Hero’s Journey.”**

On Monday afternoon the author of *In Defense of Global Capitalism*, Johan Norberg, gave an insightful survey of how capitalism is currently functioning in China, Europe, and America. His main point: to show how **different versions of crony capitalism are distorting and inhibiting the spread of true capitalism, much less conscious capitalism.** In China, capitalism has lifted millions out of poverty and achieved such firsts as regular access to clean water. Despite this success, free market capitalism is still vying with state-controlled business activities in China today. In Europe, the euro currency had been effectively shielding Greece from the consequences of its own dysfunctional social-economic practices—until the crash of 2008 exposed Greece’s weakness. Norberg suggested that Greece had been implementing a system based on favoritism that is essentially the opposite of the stakeholder model practiced in conscious capitalism. In America, the structure of the financial-economic system has not changed much since the crash of 2008. Norberg believes the essential losses, failures, and bankruptcies involved in true capitalism were prevented by the government, thus postponing a potentially difficult reckoning in the future.

On Monday evening Sally Jewell, the CEO of REI (Recreational Equipment Incorporated), gave an overview of some of the conscious business practices being implemented by her company. For example, the kind of stakeholder model in which a business works to incorporate the concerns of all involved has been evident in REI’s business relationships. After the events of 9/11 resulted in a downturn in the luggage industry, REI purchased extra supplies from Eagle Creek Luggage to help them with their cash-flow. Such measures, in which one business will help out another, help generate an overall goodwill that is essential to conscious leadership. Jewell said that finding synergies is also part of REI’s business model. For example, REI’s goal of educational outreach can overlap and reinforce its profitability. While showing people how to rock climb and ride bikes, new sales in those areas are promoted. A similar example is REI’s coordination of millions of hours of service on hiking trails and public lands. As part of its overall mission of social outreach, REI is also cultivating a more

racially diverse customer base. Still further inspiring aspects of REI's conscious leadership include its vision of selling clothes that are made from recycled products and fabrics. Lastly, **Jewell shared a story of how she recently played a catalytic role in influencing the Secretary of the Interior in the Bush administration to take seriously the urgent need to expose America's youth to the outdoors. As she relayed this success story to some of her employees, they told her that that is exactly what makes them feel a sense of meaning and value at work.** Examples such as this have led REI to be consistently ranked as one of the best places to work in America.

Tuesday

On Tuesday morning Fred Kofman, the Chief Spiritual Officer (CSO) of Axialent, facilitated a group activity that emphasized a crucial feature of conscious business leadership: taking full responsibility for one's current circumstances regardless of how difficult or beneficent they are. Kofman stressed that our aspirations and visions of the future have causal power to influence the present moment. As humanity faces some challenging crises (global climate change, for example), if we take responsibility, rather than blame others or bemoan the situation, we will rise to the call of conscious leadership.

Richard Barrett, the Chairman of the Barrett Values Centre, followed Kofman with a presentation that situated conscious business in the broader sweep of the evolution of human consciousness. Drawing on the humanistic ideas of Abraham Maslow, who was influential on the founding mission of Esalen in the early 1960s, Barrett described his own model of an evolving hierarchy of needs and values, which are then mapped into **seven levels of consciousness from multiple levels of self-interest to multiple levels of common good. As the motivation of business leaders continues to evolve into the higher values on this scale, the business sector itself is increasingly becoming the pace-setter for the evolution of human consciousness. It is no longer saints and mystics who are the leaders of evolution** (an idea once suggested by Henri Bergson), **but conscious business leaders who are implementing higher values.** One of the key ways that Barrett is contributing to this evolution is through measuring what he calls "cultural entropy," which loosely means the amount of dysfunction and ineffectiveness in a given company, as indicated by the prevalence of limiting values and behaviors relative to positive values and behaviors. By accurately measuring the entropy in a company's internal culture and processes, the company can then embark on the necessary cultural and structural transformation to align with its desired values. Building on the old saw, "Whatever gets measured gets done," Barrett observed that whatever we measure carefully results in greater clarity and awareness, which can then spur the implementation of the most optimal changes. Through his consulting work, Barrett has helped dozens of global companies reduce their cultural entropy and increase employee satisfaction and productivity.

On Tuesday afternoon the CEO of the Container Store, Kip Tindell, profiled how a number of the themes addressed in this conference are apparent in his company, which has been named the best place to work by *Fortune* magazine in recent years. For example, the goal of finding synergistic solutions (meaning win-win or mutually harmonizing) has been at the heart of the way the Container Store has developed its business relationships over the years. Rather than squeezing suppliers with demands for the cheapest price (the Walmart model), the Container Store has cultivated high quality relationships and enduring trust with its vendors, leading them to grant favorable terms and deliver goods on a timely basis. In a similar manner, the Container Store has garnered a reputation for a high level of employee satisfaction. Guided by the philosophy that one great employee is worth three good ones, Tindell has spared no expense on training his team of dedicated and long-lasting employees. Indeed, Tindell noted that not a single employee has been laid off in the midst of the current economic recession. The success of this kind of investment in human potentials extends to customers as well. Tindell said that many of them feel an authentic and loyal emotional bond with the Container Store. One of the primary reasons for this is that the employees do not see themselves as salespersons of static products. Instead, they help co-create lifestyle solutions for people's home organization needs. Thus, **treating employees with dignity and value creates a ripple effect that extends out the door and into the homes of customers.** In response to hearing how well the Container Store is doing in the current economic climate and how it continues to embody conscious business practices, **Marc Gafni suggested that an implicit spirituality seems to pervade their operations. When business is conducted in this fashion, its seemingly mundane façade reveals that an authentic sacredness can shine through in every moment.**

Wednesday

On Wednesday morning Doug Rauch facilitated the group in brainstorming on five questions. The following is a synthesis of the results of the discussion by Jay Ogilvy:

1. The Problem

Business today has a bad brand (viz. poll numbers). **There's a need for a new narrative that tells the tale of how capitalism lifts people out of poverty through voluntary exchange (at the low end), while lending meaning and nobility to work (at the high end).**

2. Is Conscious Capitalism (CC) Scalable?

Not only is it scalable, it's inevitable. The question is whether the diffusion of CC is rapid or slow.

3. Who is the audience?

Three nested tiers:

- a. The audience for our Esalen meetings is necessarily small—an elite of CEOs who are ready for change.
- b. The larger audience addressed by the Conscious Capitalism Institute—**business leaders who may currently be unconscious of the fact that their behavior corresponds to the tenets of conscious capitalism, but they lack a narrative that guides and/or legitimates their behavior.**
- c. **A broader movement that includes, in order of diffusion: Business leaders, thought leaders, authors, magazine writers, academics (particularly business schools), institutes, future leaders, “grass tops,” and grass roots.**

The fact that these tiers are nested means that we do not face an either/or choice in devoting energies to one or the other. Tier 1 feeds tier 2; tier 2 feeds tier 3.

Movements typically grow from the ground up, but leadership and good messaging is required to facilitate that growth. Messaging options for Conscious Capitalism should include a variety of media from the aggregation and distribution of compelling content, to the teaching of online Conscious Capitalism classes, and the development of a “Conscious Business Simulation” game.

4. Membership/scope – currently 28 companies in the book, *Firms of Endearment*

There is an inevitable tension between inclusivity and orthodoxy. Inclusivity under a “Big Tent” comes at the risk of “consciousness washing.” Would an Enron be welcome under the tent? Maybe not. But hewing to a tight orthodoxy risks slowing the diffusion of Conscious Capitalism. The leadership of the CC Institute will need to maintain eternal vigilance in managing this tension, for which there will never be one right and permanent answer.

5. Metrics of Success

We will track quantitative, qualitative, geographic and socio-graphic measures of success. As Richard Barrett’s work shows, it is entirely possible to measure seemingly “soft” factors like values, even love. We can, of course, measure the usual inputs and outputs: EBITDA, stock prices, numbers of companies within the fold. And we can identify leading indicators of qualitative change. Further, we can map the geographical spread of Conscious Capitalism and, less literally, construct a social graph of its reach.

On Wednesday afternoon the group transitioned to the themes of design and innovation. Tim Brown, the CEO of IDEO, defined design thinking as an inter-disciplinary approach that blends art, craft, science, business savvy and an astute understanding of customers and markets. In applying design thinking, one can create new innovative products with attractive aesthetics and seamlessly integrated functions, resulting in an emotionally satisfying user experience (think Apple). Tim then described how society is moving from a consumer economy to a creator economy, where consumers participate in

the design of products they buy. This involves moving away from a static view of design and toward an ever-evolving and ever-adaptive approach to design. Just as evolution itself is always tinkering to find the most successful fit between an organism and its environment, so too can contemporary design implement an approach similar to life itself. Increasingly, design is becoming participatory and is applied to business processes as well. For example, IDEO facilitated a project at Kaiser Permanente hospital in which some nurses are contributing to the ongoing re-design of how their care is implemented. What the Kaiser nursing team accomplished was neither a sudden breakthrough nor the lightning strike of genius; it was the result of hard work augmented by a creative human-centered discovery process and followed by iterative cycles of prototyping, testing, and refinement. Those who will work or live in a designed environment are participating in its ongoing creation. Brown echoed Gafni's call to democratize Enlightenment. We also need to democratize design thinking. Such websites as Wikipedia are good examples of this new paradigm of multiple creative inputs from all stakeholders and the ever-evolving nature of the product through constant tinkering, improvisation and experimentation.

Thursday

On Thursday morning Steven Johnson, author of *Where Good Ideas Come From: The Natural History of Innovation*, contributed some useful insights to the conversation. Since the Industrial Revolution, many innovations have been driven by capitalism, science, and urbanization. But Johnson sees a **general trend in history away from solo innovators toward network-based innovation, regardless of whether innovation is being spurred by market or non-market environment.** Looking back, the Enlightenment era's Encyclopedia of the mid-eighteenth century, which sought to make public all the currently existing knowledge, was a proto-type for today's web-based open source model of innovation. While researching his book, Johnson isolated out some of **the key factors that are spurring innovation today: open exchange, collaboration, peer-to-peer networks, decentralization, density, and diversity.** In addition, the most robust areas of innovation operate according to a Darwinian logic of selection, in which the best ideas win out and proliferate. Johnson suggested this new paradigm has a loose adage: "diversity trumps ability," which might be paraphrased as the group is nearly always smarter and more creative than the brilliant individual. Johnson also referenced the company Kickstarter as one of the world's largest funding platforms for creative projects. It is embodying this new model of innovation.

Following Johnson, Sam Yau shared his view and experience on why many companies who are successful in executing their current business model still fail to adapt and innovate for the future. The main reason is that success in the present requires a different mindset and skill set than planning for the future with its uncertain needs and potentials. Organizations that are adaptive have top managers that are open to new experiences and possibilities, not "locked-in" in to their current mental model

that is rooted in past experiences and success. To overcome mental rigidity, the leader must be acutely aware of his or her own mental models, and typical psychological projections and biases. **Conscious leaders have a dose of humility coupled with self-awareness that enables them to really “see” what is emerging in the marketplace and take actions to adapt and innovate. Highly adaptive and innovative companies adopt norms that encourage trust, reciprocity and shared purpose, which results in increased employee autonomy, empowerment, self-accountability, and the willingness to collaborate across functions and with outside partners.** Yau also stressed that an organization must be good at executing its current business processes and must value both the consistency and reliability of those processes. Based on Yau’s experience, hierarchical command and control is still needed to maintain discipline, accountability, productivity, and profitability, all of which finance the adaptive and innovative side of the organization. An organization that is strong in both capabilities will manage the tension between the two, thus leading to greater success. Lastly, Yau said that conscious businesses are inherently more likely to create conditions for adaptations and innovations because they value human potential as well as employee empowerment and engagement.

Addendum

The following is the transcript of an interview with Marc Gafni on the narrative of conscious business.

The Narrative of Conscious Business

Marc Gafni

The world of business is becoming one of the great cathedrals of spirit. Businesses are becoming places in which meaning can be created, in which mutuality begins to happen, in which intimacy and trust become core values, in which the expression of one’s unique self as part of a larger context becomes a reality.

Capitalism is the force that has lifted humanity out of poverty through voluntary exchange. Communism tried to lift people out of poverty through coercion, but wound up killing 17 million collective farmers in the Ukraine and countless millions elsewhere. Business has lifted more people out of poverty than any other force in history. That sentence is so shocking and so powerful that it makes you sit up in your chair and say “Oh my God! Could it be that evil corporations are actually responsible for lifting more people out of poverty than any other single force in the history of consciousness and the history of the planet?”

What does it mean to lift people out of poverty? It means babies not dying, it means mouths being fed, it means girls going to school and getting educated, it means a response to slavery that never existed in the world before. It means that all the values of the great traditions get enacted on two levels: by ending the physical oppression of poverty and by opening a gateway for human being to be able to experience genuine growth with spiritual, emotional and personal evolution.

We need to bow deeply to business, which initially did all this unconsciously. Lifting people out of poverty was never the conscious intention of business; it was the by-product of a business well enacted. Now business is awakening to itself and becoming conscious. It is recognizing that it is a force with enormous power and responsibility. By becoming conscious, it can do what it does even better, creating a tide that lifts all boats. It can create more community, more mutuality, and paradoxically, more profit, by engaging everyone in the system. That is exciting!

Business and the Great Traditions

Business is the force in the world that is actually accomplishing the goals of all the great traditions. What a paradox! Every major value of the great traditions is fulfilled in business: intimacy, trust, a shared vision, cooperation, collaboration, friendship, and ultimately love. After all, what is love at its core? It is the movement of evolution to higher and higher levels of mutuality, recognition, union and embrace.

The core principle of capitalism is the expression of mutuality between people – the voluntary exchange of value. That mutuality is the cultural force of transformation and healing that is lifting people out of poverty in a way that the great traditions were never able to do. Business enables large bodies of people in voluntary mutuality to work together for a higher purpose, which is to create the prosperity that enables people to live, to love their children, to create a context to grow morally, spiritually and socially.

The great traditions, which are beautiful and from which we have received so much, thought in terms of charity, which is a one way gift from the haves to the have-nots. That was essentially the technology of the great traditions. Business moves us beyond the arbitrary split between the haves and the have-nots, between giving and receiving. Business understands a deep truth of evolutionary mysticism, which is that giving and receiving are one; at their core, they are the same. Business enables a mutuality in which the giver is receiving and the receiver is giving; there is no split between giving and receiving. That deep momentous leap in consciousness has created the most potent force of social transformation in history.

Enriching the Narrative of Business

Narratives are the stories that infuse our life with meaning. The narrative of business matters greatly, not only to the business community, but to virtually every human being. The majority of people on planet earth are working in some form of business. But the dominant narrative about business is that it is greedy, exploitative, manipulative and corrupt. Since that is the story being told, the majority of human beings on the planet experience themselves as furthering and supporting exploitation, greed, corruption and manipulation. When people experience themselves that way, they actually begin to become that way. They think, "I've sold out. This is what I am. Isn't it a shame that I didn't open a soup kitchen? Isn't it a shame that I didn't become a volunteer worker in Sudan?"

But the true narrative is that by participating in business, they are creating prosperity through productivity and lifting people out of poverty. They are creating stable conditions for families to be raised, they are helping build communities that can create schools, they are creating places for people to exchange value and meaning and relationships and intimacy and trust. When people realize that they are part of the largest force for positive social transformation in history, their self-perception changes.

We must awake to the reality that business has the ability to change the self-perception and the self-narrative story for most of the human beings on the planet. We thought that was role of psychology, but it's not. Psychology can only deal with the broken pieces of people living in a society which pathologizes their core activity, which is business. We must change the essential narrative of business to make it an accurate reflection of the transformative impact of business, its true identity as the great healer. This is not a kind of Shangri-La vision; it is an accurate narrative of conscious business which should become internalized by the majority of citizens of the planet who are engaging in business. It is a huge and dramatic paradigm shift that actually shifts the very source code of our self-understanding.

This summary was prepared by Frank Poletti, Sam Yau and Jay Ogilvy. The interview with Marc Gafni was conducted and summarized by Raj Sisodia.
