

June 2016

THRIVING MICHIGAN UPDATE

The Monroe County Chamber of Commerce is participating in a three year program that is intended to catalyze a state-wide shift to conscious capitalism as a “new business normal”. The initiative aims to reach a “tipping point” of involving 15% of Michigan Chambers, 15% of participating Chambers members and 15% of the incorporated businesses in Michigan.

Michigan can lead the nation on this effort of creating Thriving Businesses. In companies that Thrive, employees are more content and thus, behave differently at home and in the community. People that love their jobs feel fulfilled and can be more impactful when they leave work. When people and businesses Thrive, communities Thrive. In the “New Business as Usual” model, there is a higher bar; our goal is to make it the new bar for all Monroe County - One business at a time.

Conscious Capitalism recommended Reading: Firms of Endearment by Raj Sisodia, David B. Wolfe and Jag Sheth. This book outlines how world-class companies profit from passion and purpose. The authors explain how disciplined dedication to the well-being of all stakeholders separates holistic and humanistic firms from their competition. These firms, viewing their stakeholders as true partners, create a more cohesive relationship with all parties eagerly contribute and help each other reach higher levels of productivity, quality, and profitability. More so, these firms are able to satisfy investors because they treat their employees better, have profitable suppliers, offer superior value to customers and invest heavily in their communities.

Here is how the companies featured in the book: Firms of Endearment (FoEs) were selected.> The process can be described as "organic and analog" rather than "mechanistic and digital." Authors were interested in identifying a representative sample of firms that met our humanistic criteria. They had no interest in conducting a statistical analysis of a plethora of companies in search of those whose financial performance supported the FoE hypothesis that companies can do well while doing good. Also, they did not want to exclude private companies from our analysis; as some of the best-managed companies from a stakeholder perspective are privately owned.

Whereas many companies selected are well-known national and international players, others came to our attention because their names kept coming up when we asked people, "Tell us about some companies you love. Not just like, but *love*." They left the *reasons* for loving up to them, and asked for nominations from thousands of people all over the world, including business professionals, marketing professors, MBA students, and about 1,000 consumers. Hundreds of candidate companies were generated, many that are household names and many that we had never heard of. The companies were put through a screening process that assessed the quantitative and qualitative performance of each company for each of the stakeholders. They were probed for vulnerabilities, asking questions such as these: Would most people say that the world is a better place because this company exists? How extensive a track record have they built? Do they have intensely loyal customers? How well do they treat their part-time employees? How high is their employee turnover? Do they have a reputation for squeezing their suppliers? Do communities welcome them or oppose them when they try to enter or expand? Do they have a record of environmental violations? Do they follow uniformly high standards of conduct worldwide? How have they responded to industry downturns or crises of confidence? Do they waste money on unproductive activities (such as advertising sales every week)?

Most studies of corporate exceptionalism (or "greatness," to use Jim Collins's term from the all time best selling business book: "Good to Great") start with financial performance and work backward. These researchers started with humanistic performance—meeting the needs of stakeholders other than shareholders—and worked forward.

How FoEs were selected>They took the most promising 60 or so of the companies that bubbled up through exploratory research and assigned teams of MBA students to research them; then directed the teams to conduct secondary and primary research (through interviews with executives, employees, customers, analysts, and others) on the companies, covering all major stakeholder groups: customers, employees, suppliers, communities, governments, and investors. When each project was completed by its assigned team, the other research teams assessed the results to gauge the extent to which a company qualified as a company loved by its stakeholders (that is, was qualified to be called a firm of endearment). The projects were completed over a two-year period. Some companies were investigated multiple times.

It is important to point out again that what is in this book is an *illustrative* list of firms of endearment, not an exhaustive or definitive one. In fact, if you would like to nominate a company that should be considered incorporating into this ongoing research project, please visit their website (www.FirmsOfEndearment.com).

It is also important to point out that none of these companies is perfect; each has areas in which it is relatively weak or somewhat vulnerable. Generally, these weaknesses are confined to one or at most two stakeholder groups. On the whole, however, these companies are quite exemplary in significant ways. **They do not claim that when a company adopts the business model that characterizes FoEs, that company will forever more be a great investment.** Even the fortunes of FoEs rise and fall due to any number of conditions. However, research suggests (at least anecdotally) that FoEs tend to have quicker responses to challenges and weather changes in market conditions with less disruption.

At the end of this stage of the research process, they went through the findings again and selected 30 companies that best exemplify a high standard of humanistic performance. Then, and only then, they conducted a detailed comparative analysis of these companies from an investor viewpoint. **The Firms That Made the Final Cut**

Amazon	Honda	Southwest
BMW	IDEO	Starbucks
CarMax	IKEA	Timberland
Caterpillar	JetBlue	Toyota
Commerce Bank	Johnson & Johnson	Trader Joe's
Container Store	Jordan's Furniture	UPS
Costco	LL Bean	Wegmans
eBay	New Balance	Whole Foods
Google	Patagonia	
Harley-Davidson	REI	