

**Editorial:** *On the Path to Greater Trust While Going Through a Major Transformation*

In December 2013, *William George*, Professor of management practice at Harvard Business School and former Medtronic CEO (a board member of ExxonMobil, Goldman Sachs, and the Mayo Clinic; previously he served on the boards of Novartis AG and Target etc.),<sup>1</sup> highlighted *three aspects*: companies exist to create value for the customers, and by doing that they create value for society; we need global leadership in this current period when capitalism is going through a major transformation; we need to reorient our way of thinking concerning capitalism and the way we think about the investor's role in capitalism. In his distinguished opinion, to put a strategy in place today, when the capital becomes global and the resources have to be moved globally in a flexible way, in order to avoid going out of business you have to buy time (seven - to ten - year time frame) to get it done. Professor George also argued that there is a real need to rightly understand the shareholder value, and the right commitment to long-term value, to values, and to the customers, while going for the long term.

Looking at the arguments of Professor William George, it came again to my mind the comments made two years ago by *Gary Hamel*: (starting from the growing consensus that rampant consumerism debases human values) *the real threat to capitalism is the unwillingness of executives to confront the changing expectations of their stakeholders*, considering that in the way of creating a conscientious, accountable and sustainable sort of capitalism is standing a matrix of deeply held beliefs about what business is for, whose interests it serves and how it creates value (*„Capitalism is Dead. Long Live Capitalism”*, September 2010<sup>2</sup>); inventing an innovative business model (*“Who's Really Innovative?”*, November 2010<sup>3</sup>) is often mostly a matter of serendipity (when someone finds something that they weren't expecting to find), and recommended *a fundamental retooling of a company's management processes* (the way it plans, budgets, allocates resources, measures performance, hires and compensates), *by re-engineering them so they facilitate rather than frustrate bold thinking and radical doing* (training employees as business innovators; ensuring the access of their employees to the sort of customer and industry insights that can help spur innovation; adequately constructing the metrics for tracking innovation (inputs, throughputs and outputs; finding a proper way of comparing innovation performance across teams and divisions and so on).

But as the final „really important recommendation” of Gary Hamel (the author of the foreword) was to „dig deeper” into „The New Capitalist Manifesto: Building a Disruptively

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<sup>1</sup> Kirkland, R. - Bill George on rethinking capitalism, December 2013, Video Interview, McKinsey Publishing, McKinsey's New York office, [www.mckinsey.com/Insights/Leading\\_in\\_the\\_21st\\_century/Bill\\_George\\_on\\_rethinking\\_capitalism?cid=other-eml-alt-mip-mck-oth-1312](http://www.mckinsey.com/Insights/Leading_in_the_21st_century/Bill_George_on_rethinking_capitalism?cid=other-eml-alt-mip-mck-oth-1312)

<sup>2</sup> Hamel, G. - Capitalism is Dead. Long Live Capitalism, September 21, 2010, <http://blogs.wsj.com/management/2010/09/21/capitalism-is-dead-long-live-capitalism/>

<sup>3</sup> Hamel, G. - Who's Really Innovative?, November 22, 2010, <http://blogs.wsj.com/management/2010/11/22/whos-really-innovative/>

Better Business”, Harvard Business Press, Jan 4 2011, written by Umair Haque, let’s remember that just a month before the publication of the book,<sup>4</sup> Umair Haque underlined that *the fundamental challenge of 21<sup>st</sup> century economics is creating more value of higher quality*, not just low quality value in greater quantity, *next-level advantage being constructive* (Constructive Capitalists redrawing the boundaries of disruptive outperformance, taking a quantum leap beyond industrial age efficiency, productivity, and effectiveness), not just competitive, while profit is an effect, a reward, and not a cause, not the accomplishment – which are the stuff of purpose. And to create the „thick value” (considered as being *the foundation of 21st century economics*) we’ve got to do meaningful stuff that matters the most, to people, society, and the future. One of the five new sources of next-level advantage (loss advantage, responsiveness, resilience, creativity, and difference), the loss advantage is seen by Umair Haque as minimizing a deadweight loss, the sum total of potential gains that are foregone in a given transaction, allocative inefficiency. That is why, at the end of 2011, we were launching the question if we are really ready to create the „thick value” and to use this source of next-level advantage which is „loss advantage”? And this within the context of highlighting the conclusions of „2011 Edelman Trust Barometer Findings”<sup>5</sup>: Business must align profit and purpose for social benefit; current media landscape plus increased skepticism requires multiple voices and channels; demand for authority and accountability set new expectations for corporate leadership; *trust is a protective agent and leads to tangible benefits; lack of trust is barrier to change*.

And, as we are now at the end of 2013, let us take a look at the 13th annual Edelman Trust Barometer, the largest exploration of trust in institutions, industries and leaders.<sup>6</sup> The authors consider that this year Edelman Trust Barometer uncovers some universal truths that can be *the first step on the path to greater trust*, *16 trust building attributes* being further advanced with the identification of *five trust performance clusters* (*engagement*: listens to customer needs and feedback, treats employees well, places customers ahead of profits, communicates frequently and honestly on the state of its business; *integrity*: has ethical business practices, takes responsible actions to address an issue or crisis, has transparent and open business practices; *products and services*: offers high quality products or services, is an innovator of new products, services and ideas; *purpose*: works to protect and improve the environment, addresses society’s needs in its everyday business, creates programs that positively impact the local community, partners with NGO’s, governments and 3<sup>rd</sup> parties to address societal needs; *operations*: highly-regarded and widely admired top leadership, ranks on a global list of top companies, delivers consistent financial returns to investors).<sup>7</sup>

As the capital becomes global and the resources have to be moved globally in a flexible way, as we have seen at the beginning of this presentation, as globalization is no longer what it used to be, as unfair competition is considered to be one of the causes of distrust in the corporate

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<sup>4</sup> <http://thenewcapitalistmanifesto.tumblr.com/>

<sup>5</sup> <http://www.edelman.com/trust/2011/uploads/Edelman%20Trust%20Barometer%20Global%20Deck.pdf>

<sup>6</sup> <http://www.edelman.com/insights/intellectual-property/trust-2013/>

<sup>7</sup> <http://www.edelman.com/insights/intellectual-property/trust-2013/building-trust/>

sector, and business must meet (according to the last Edelman Trust Barometer) expectations on engagement and integrity, being on the way from the knowledge economy towards the conceptual economy we need better rules and people, by developing social virtues and responsibilities.<sup>8</sup> We also need to become integrative thinkers, to produce knowledge for wisdom, maturing interdisciplinary dialogue, becoming architects of conversations generating responsible action, while travelling through time to the destination where our judges are the future generations.

Theodor Valentin Purcărea

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<sup>8</sup> Purcărea, T. - Confidence crisis and exiting naive realism through integrative thinking, Romanian Economic and Business Review, Summer 2009, Volume 4, Number 2, pp. 45-58.