SPIRITUAL CAPITAL
Building Vibrant Businesses
That Serve
Shareholders and Humanity

by Darwin Gillett
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Suggested Readings


Articles & Pamphlets


Palazzi, Marcello and George Starcher, Corporate Social Responsibility and Business Success, EBBF, 1997.
Acknowledgement

This booklet is based on years of working with clients in expanding the knowledge and practice of the leadership of human-centered companies. These clients and participants in IHE have all contributed to the continual refinement of the concepts in this booklet.

Institute for Human Economics

The Institute for Human Economics is an international, educational, nonprofit organization dedicated to researching, developing and communicating new models of management science that unlock the full potential of the human component to enhance individual development, organizational performance, and societal evolution. IHE brings companies and their leaders together in membership and public conferences—leaders who are also committed to this vision—in order to expand their collective knowledge and support one another in applying these new policies in their organizations. Corporate (and other work organization) members are dedicated not only to furthering their own organizational success, but also to contributing to the growing knowledge base of Human Economics and human-centered leadership.

The Institute is founded on the belief that a fundamental shift is taking place in the nature of business, and that to be effective, organizational leaders need to recognize and capitalize on this shift. This shift involves human capital replacing other forms of capital as the source of competitive advantage. By focusing on human relationships and the energy that flows through them, drawing out individual talents and passion toward organizational goals, companies can create true and sustainable competitive advantage.

The Institute is guided by an International Advisory Board which includes business owners and CEOs who have led their companies to new levels of performance, thought leaders from related fields, and directors of executive development and related non-profit organizations.

To learn more about the Institute, its members, advisors and activities - and opportunities to get involved, please visit our website at www.HumanEconomics.org or contact us at 207-443-3400 in the U.S.
Darwin Gillett

Dar Gillett is an economist by academic training, a business strategist and Director of Corporate Planning in a Fortune 500 company by early corporate experience, a leader of several privately held business organizations, a business consultant, executive mentor and facilitative leader of management conferences and project teams, and a corporate futurist and speaker on Human Energy Capital and Enspirited Leadership.

Dar’s firm, Gillett Associates, founded in 1981, provides assistance to CEOs and their companies in energizing human capital to achieve dramatic leaps in corporate performance. Clients include large multinational corporations in pharmaceuticals, paper, chemicals, electronics, finance and publishing, as well as privately owned companies, especially in professional services and high tech industries.

Dar is also founder and Executive Director of the Institute for Human Economics, an organization dedicated to developing and disseminating new insights about the unique role of the human component in the future of a global business culture that honors, empowers, and taps the human mind and spirit.

Dar holds a BA in economics from Yale and an MBA from Chicago Business School, has published a number of articles and spoken widely in North America and Europe on leadership, business strategy, human capital and corporate social responsibility. Dar is a member of several business and non-profit boards, including the Association for Spirit at Work.

This booklet is drawn largely from his forthcoming book “Human Energy Capital: Building and Leading the Energized Corporation.”

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SPIRITUAL CAPITAL

How do today’s CEOs energize their companies for the greatest growth and profitability? And how do they do this in a way that simultaneously enables participants to achieve self-actualization, shareholders to achieve superior financial returns, and society to advance?

Traditional economics focuses on optimizing the utilization of financial and physical capital. Our research and experience with leaders and their companies point to an emerging form of human economics that focuses on building and utilizing human capital.

With the knowledge worker ever more central to corporate success, human capital has become the source of wealth in today’s companies. The challenge facing leaders now is how best to attract and nurture human capital and put it to best use.

In this age of human economics, intellectual capital has taken center stage. But equally important is Spiritual Capital because it energizes all of the company’s resources.

Making human economics work is a new kind of insprited leader who not only extracts superior performance from given resources, but also attracts and energizes human capital to infuse the organization with vital energy.

Our purpose here is to look at the nature of Spiritual Capital and its role, together with financial and intellectual capital, in building vibrant, profitable companies that serve all their constituents, producing superior returns for providers of all forms of capital.
What do we mean by “Spiritual”?  

People often ask if we are talking about some kind of religious dogma. Is this an attempt to impose a religion? No. We use the word “spiritual” simply to differentiate from the “material” dimension.

The spiritual perspective, as compared to the material perspective, 1) sees a higher purpose in life beyond just our own individual material well being, and 2) experiences the deep interconnection of all life, rather than our merely being individual players isolated from others in a game of material acquisition.

This viewpoint, always present in small numbers of enlightened business leaders, has recently spread wider in Western business culture – and with good reason. As we move beyond the challenge of meeting just the physical needs of customers, employees and communities, we come face to face with the bigger questions relating to the goals of our evolving human culture, the role of individuals in serving those goals, and the role of business corporations as a vehicle for that.

Spiritual capital plays a central role in this. In brief, Spiritual Capital is the energy of the human spirit – a spirit that sees and acts from an appreciation that: 1) individually, we each have purposes in life beyond just the accumulation of material wealth, and that 2) collectively, our lives are intricately intertwined with others. This Spiritual Capital is the energy that enables one company and its people to perform far beyond its competitors financially, and in other important ways too.

Conclusion

Spiritual Capital will play a central role in fueling the success of companies in the twenty-first century. With Spiritual Capital at their core, these companies will attract the talent and spirit needed to grow, the kinds of customers needed to thrive, and the spiritual as well as intellectual and financial resources needed to fuel that success. The beneficiaries of this inclusion of Spiritual Capital, alongside intellectual and financial capital, will be not only the financial shareholders of the companies that make this shift, but also all their other stakeholders – employees, customers, vendors, and the larger communities in which they operate.
company alive, vibrant and growing. Financial capital is attracted by opportunities to generate financial returns. When financial returns are sub par, financial capital flows to opportunities promising greater financial return.

Similarly, Spiritual Capital is attracted (and developed) by opportunities to express, apply and further develop the Soul—and serve a higher purpose than merely self. Where Spiritual Capital is starved or misdirected, it leaves - just as does financial and intellectual capital - to seek greater opportunities to be put to effective use. It is not merely the opportunity to make more money that has inspired many to leave the corporate world and establish their own companies. In large part it is the desire to fully invest their intellectual and Spiritual Capital, which they may have felt was not fully welcomed or rewarded with their prior employer.

The Business Return:

In the AT&T Canada example cited throughout this booklet, a rejuvenated Spiritual Capital became a key to corporate revitalization. This new found spirit, in concert with fresh investment of financial and intellectual capital, powered a remarkable corporate transformation. The company improved dramatically on all fronts: new products, higher service quality, increased market share – with the financial value of the company increasing over four hundred percent in just three years.

The return to those providing the Spiritual Capital was partly financial: the company survived, they retained their jobs, and increased their compensation. But the return was not just financial.

The return to Spiritual Capital was the opportunity to work together collaboratively, courageously and creatively, to serve customers—and to save a company. Morale rose from one of the worst of 500 North American companies tracked by an independent firm, to one of the best, all in just three years.

SPIRITUAL CAPITAL: Energizer of Human Capital

Human spirit is increasingly being recognized as a crucial ingredient - both in the human psyche and in the corporation. Large numbers of people in business - from CEOs to entry-level employees - seek to express their spiritual dimension. They seek meaning and purpose in their work and deeper connection with others and with Life.

Physical needs are largely being met, as Nobel economist Robert Fogel documents in The Fourth Great Awakening. What then is next as a motivator? Increasingly, many people seek career opportunities and employers where they can take more of themselves to work. They seek to realize their full potential and to express their spirit in their work.

Spirit is a form of energy. It comes from the deepest part of the human psyche and has tremendous power to fuel successful business endeavors. Just as knowledge is the core of intellectual capital, this spirit is the core of Spiritual Capital.

If intellectual capital is the stuff of the mind, then Spiritual Capital is the energy of human spirit - the juice whose power and flow make all the other ingredients come together and work effectively. Spiritual capital, like financial capital, is a true source of wealth.
Three Forms of Capital
Fuel the Sustainable Corporation

Every business is fueled by capital, which is used to fund its start-up and to keep it healthy and growing. A well-capitalized company has the wherewithal to attract and purchase other resources it needs to conduct its business. Historically, the business world has focused primarily on financial capital and its central role. Human capital, however, has become increasingly important as the source of innovation, creativity and ultimately business success. In the last decade, the intellectual component — intellectual capital — has moved to center stage. Increasingly, however, companies are recognizing human spirit as an equally important dimension.

All these forms of capital are needed to fuel the sustainable corporation. The challenge for management is first to determine how much of each form of capital is needed, then to attract, protect and build those forms, and finally to utilize them.

Generating a “Return” to Spiritual Capital

“Return on investment” is an important and well-developed concept in the realm of financial capital. In return for investing their financial capital, investors seek an attractive rate of return on that investment, at an acceptable risk level, with some degree of liquidity (should the need to sell their investment arise) or ability to sell their investment to someone else.

While there is not a direct parallel between financial and Spiritual Capital, there are some similarities. Investors of Spiritual Capital seek these kinds of returns:

- The opportunity to contribute to causes greater than their individual selves, including the opportunity to serve others - customers, but also vendors, employees, the community - even the world;
- an awakening of the power and spirit within people, and the full expression of that spirit;
- the development of community - a greater expression of unity and connection;
- the expanding of consciousness - helping people and the larger world become aware of deeper truths - and the reality of the world in which we live.

These are objectives in and of themselves for Spiritual Capital. These are the “bottom line” measures for Spiritual Capital. They are not just means to a financial end (though they often enhance financial return). They are ends in themselves to generate a “return” to the Spiritual Capital invested, which also helps keep a
At the core of any serious attempt to attract and build Spiritual Capital is an Enspirited Leader, a leader who “gets it” as Fast Company magazine observed in a cover story article, not merely as a strategy but as a way of seeing, being and acting.

One such leader, Andy Pearson, now of Tricon Global Restaurants, a boss whom Fortune magazine cited in 1980 as one of America’s ten toughest bosses, has tempered his style to inspire his employees rather than to create fear. Reflecting on his new style, Pearson observes, “Ultimately, it’s all about having more genuine concern for the other person. There’s a big difference between being tough and being tough-minded. There’s an important aspect that has to do with humility. But I’ve been modestly disappointed at how hard it is to get leaders to act that way.....You say to yourself, If I could only unleash the power of everybody in the organization, instead of just a few people, what could we accomplish? We’d be a much better company.”

**FINANCIAL CAPITAL**

Financial capital is the money invested in a company. It is provided by owners, lenders (such as banks, equipment lessors and vendors), and also from the company’s own retained earnings.

Financial capital is used for:

1. **Physical assets**, like land, buildings, manufacturing equipment, office equipment.
   
   Companies in industries like natural resources (mining, forest products), fabricated raw materials (steel, paper and lumber), and transportation (railroads, shipping and autos) required large amounts of financial capital to acquire and build needed tangible assets. These tangible assets are also frequently called physical capital.

2. **Start-up operating costs** required to build the organization and to establish market presence before revenues grow large enough to cover operating costs.

3. **Working capital**, needed to finance normal operations. This includes “current assets”- i.e., cash, comma, accounts receivable from customers, “inventories” of raw materials, finished product and work-in-progress - net of current liabilities owed to vendors, for example. This applies for professional service firms as well as manufacturing companies.

4. **Expansion funds**, required to pay for costs associated with entering a new market, developing and starting up a new product line or production facility, or expanding an existing market.
When heavy industry was the norm, financial capital was the scarce resource. Strong financial capital allowed companies to purchase the resources they needed to start up or expand. Attracting, investing and managing wisely the company’s financial capital and, by extension, its physical resources has historically been a central role of management in an industrial era. Corporate management focused extensively on the management of tangible assets, reflecting the climbing relative importance of those assets in industrial companies.

Even today, despite the relative decline in the role of financial capital, many companies still have far more elaborate procedures for making decisions about the management of money and tangible assets than they do for the human component.

**HUMAN CAPITAL**

Throughout the twentieth century and accelerating in the last several decades, a dramatic shift took place in the Western economy from industries based on physical assets to industries based more on technology and knowledge. Even within manufacturing industries, however, the human ingredient has become increasingly important. Milton Friedman, Nobel Prize winning economist, put it this way in his 1981 book *Free to Choose*:

“The accumulation of physical capital...has played an essential role in economic growth....But the accumulation of human capital - in the form of increased knowledge and skills and improved health and longevity - has also played an essential role. And the two have reinforced one another.....Both physical and human capital must be cared for and replaced. That is even more difficult and costly for human than for physical capital - a major reason why the return to human capital has risen so much

bring their whole selves to work.

A long time employee of **Marriott** was asked (for a story in *Business Week*) why he proudly wore his Marriott shirt - and why he stayed with the company for so many years. He explained that, years earlier, his supervisor gave him the day off to go to his mother’s funeral – and also shut down the entire laundry department so that all his co-workers could be there to support him.

**Self-Actualization As Reward**

Many companies still rely heavily upon financial rewards to attract and reward staff. Even elaborate health and retirement plans are still primarily a material and physical reward mechanism. Are financial and material rewards really what motivate people, or is there more to motivation than just the fulfillment of material goals?

In a technological world, corporations create intellectual rewards. Generation Xers told their employers, “Give us skills and experience.” Corporations began building the “learning organization” to attract and grow employees as well as to strengthen the company’s competitive position.

Moving up Maslow’s hierarchy of needs, companies that recognize the motivational power of spiritual needs and goals provide opportunities to nourish the soul in a community with like-hearted people. They attract people who want to serve, to grow, to make a difference, in service to higher goals with the opportunity to use their talents and their spirit in constructive ways.

**Tom’s of Maine** in its mission statement, says its purpose is “to provide meaningful work, fair compensation, and a safe, healthy work environment that encourages openness,
Inspiring Purpose

One of the most powerful ways to attract and energize Spiritual Capital is through a company mission that serves a higher purpose. Good people and their spirit are attracted to big purposes serving humanity in ways that uplift people, bring them together and make them better.

Southwest Airlines says its mission is a “…dedication to the highest quality of Customer Service delivered with a sense of warmth, friendliness, individual pride, and Company Spirit.”

An executive recruiter told Catucci, after he retired as AT&T Canada’s CEO, “Despite being able to offer exciting opportunities in an industry with all kinds of opportunities to move to other companies, some with ownership participation, we were never able to get anyone out of your company.” This despite the fact that employee surveys showed that employees felt no better about their compensation than did employees on average in 500 other companies. Something far greater than income motivated people to stay and participate in the revitalization of this company.

People with spirit want to work at companies like this. After the September 11, 2001 terrorist attacks, the U.S. airline industry laid off over 100,000 employees. Southwest Air and Jet Blue—both mentioned in this basket—did not lay off employees. Imagine what that did for an already energized Spiritual Capital in those companies!

Deep Community

When people feel part of a caring community, honored for who they are, as well as what they do, they become energized and

more rapidly than the return to physical capital.”

With the decline of heavy industry, and the rise of service and knowledge-based industries a strong human component has become essential. A whole host of technology-based industries from biotech to internet companies are building their companies, not on a foundation of financial capital, but rather on technology and the mind, in the form of a skilled workforce and core competencies. Here’s how Jack Welch, former CEO of GE Corporation, described the relative importance of financial vs. human capital:

“We are trying to differentiate GE competitively by raising as much intellectual and creative capital from our work force as we possibly can. That is a lot tougher than raising financial capital, which a strong company can find in any market in the world.”

To understand human capital, we need to recognize its two dimensions: first, the domain of the mind - what is now being called Intellectual Capital—and second, the domain of human spirit - what we are calling Spiritual Capital.

Intellectual Capital

Knowledge, so important to corporate success, constitutes a form of capital, namely Intellectual Capital. During the early 1990’s, Skandia Corporation began exploring the concept, appointing a VP of Intellectual Capital. Fortune magazine’s cover story article in 1995 by Thomas Stewart titled

INTELLECTUAL CAPITAL: A definition

“Intellectual capital is the sum of everything everybody in a company knows that gives it a competitive edge…. Intellectual capital is intellectual material—knowledge, information, intellectual property, experience—that can be put to use to create wealth.”

Thomas Stewart, Intellectual Capital (1997)
Spiritual Capital: A Resource of Wealth” describes the role of intellectual capital in fueling corporate success. Stewart and others have since written books explaining intellectual capital in greater detail. Indeed, intellectual capital has driven the wealth creation process for far longer than we have had a name for it.

**Apple Computer** was launched in the early 1980’s with only $500 in financial capital, but with a huge idea. Within a short time, it had joined the ranks of the Fortune 500—a far cry from the financial resources and time required to make it into the Fortune 500 for companies of the first half of the twentieth century.

As intellectual capital has risen in importance, financial capital receded as a driving force. Money in essence has become a commodity that can be purchased by technology. The diminishing importance of financial capital has, in part, been caused by the very success of the wealth creation process. Business has been so successful in generating profit, some of which has become more financial capital to be invested, that providers of financial capital now need to bring something more to the table than just money in order to invest in a new business opportunity.

Companies built on intellectual capital have learned how to attract, build and utilize that capital.

A leading international accounting and consulting firm, recognizing that its true capital is intellectual, created a database of solutions and approaches to client goals that its people had developed in their client assignments. Now their consultants can more readily access the knowledge base of the firm to serve their own individual clients. Part of the performance scorecard of each consultant is the extent to which (s)he has contributed to the firm’s knowledge base. Billing hours to generate profit are no longer the only relevant performance criteria.

Intellectual capital is attracted by opportunities to explore,

**Reverence for Life**

Spiritual Capital is attracted to companies—and CEOs—who hold a deep respect for each person and all life, and who act from that deep connection.

**Interface**, a leading provider of commercial and institutional interiors, says, “We will strive to create an organization wherein all people are accorded unconditional respect and dignity, one that allows each person to continuously learn and develop......We will honor the places where we do business by endeavoring to become the first name in industrial ecology, a corporation that cherishes nature and restores the environment. Interface will lead by example, leaving the world a better place than when we began.”

At **AT&T Canada**, Catucci accompanied two sales representatives to a meeting with a potential large customer, an automotive parts manufacturer. After developing rapport with and interest on the part of the potential client in doing business with AT&T, he left his sales reps there to carry on the discussions further with the company’s purchasing agent. Once back in his office, Catucci received an emotional call from one of the sales people asking his advice on how to handle the purchasing agent, who was berating them and the company. He told them to pack their briefcases and return immediately to the office, saying, “We will not do business with a company like that.” News of this event spread rapidly through the previously demoralized sales force, giving them living proof of their new Chief’s deep respect and care for them, that he would put their welfare before gaining a new customer and increasing current profits.
declining market share, fleeing customers, and financial losses. Its turnaround was accomplished on all fronts: a transfusion of financial capital, development of new technology, rebuilding of market share, and a dramatic growth in financial value of the company.

Yet powering that was the rebuilding of morale, which rose steadily DURING the period of revitalization, not merely afterwards.

Attracting & Building Spiritual Capital

With Spiritual Capital so important, it is imperative that we learn how best to attract and nurture it, just as we have become adept at attracting and managing financial capital, and increasingly intellectual capital. If we fail to do that, other companies who do learn the art of managing Spiritual Capital may leave us behind.

What does it take to attract and build Spiritual Capital? Not surprisingly, our research indicates that financial incentives are only a small part of the motivation for Spiritual Capital, more in fact of a satisfisor than an incentive. Rather, it is the opportunity for people to express their human spirit in service to customers, society and the environment that attracts Spiritual Capital. Many of the characteristics described above as the manifestation of Spiritual Capital at work are also just what people with spirit seek out, to participate in and contribute to the success of such a company.

Each company needs to find its own ways to attract and build Spiritual Capital, but here are some ways that both large and small companies can attract and build the Spiritual Capital of their organizations:

1. Discover and apply knowledge and technology. When those opportunities diminish, intellectual capital flows to other situations where there is greater return. A recent study by the Hay group found in a survey of 1 million people worldwide that the major reason that some one third of those surveyed were planning to leave their current employer within two years was that: “their skills were not being adequately used.” (Pay was ranked next to last.)

Returns on intellectual capital have been large and often rapid, prompting larger and larger investments in intellectual capital. With the proliferation of technology, however, investments in intellectual capital do not yield all that they might. Hence, some companies now find that success requires not only solid financial and intellectual capital, but also recognition of another dimension of the human ingredient besides the mind.

Spiritual Capital

Beyond the definition of Spiritual Capital provided earlier, people still ask, “What is Spiritual Capital made of?” Here are three important components:

- Emotional Energy
- Heart Power
- Will Power

The most readily apparent dimension of Spiritual Capital is Emotional energy. This is the enthusiasm, fun and spontaneity that can fuel creativity and a higher energy level. When emotions are high, people put more energy into their work, express themselves with authenticity, have more fun and produce more. In all too many business settings, however, those emotions are stifled. Everyone loses because the opportunity to be emotionally invested in one’s work and
to be creative in turn builds emotional satisfaction and energy.

People seek a place to work which is fun. Customers seek business relationships that are enjoyable as well as financially profitable. Emotional energy is the source of social relationships that people seek in their work.

The Primus call center in New Brunswick, Canada, instituted a number of ways to make the work place fun, winning awards for its success. The manager of the center reports that residents stop her on the street to marvel that “every one of your employees walks around with a smile on his or her face.” She observes, “That’s no accident. That’s by design.”

Emotions, nonetheless, can also be a double-edged sword. While positive emotions, like enthusiasm and pride, can pump up an organization, negative emotions, like fear, resentment and rampant ego, can drown a company in paralysis or wasted energy. This may partly explain why management often hesitates to unleash Emotional energy.

There’s more to Spiritual Capital than just Emotional energy. It also includes the energies of heart and will.

Heart Power

“Great hearts send forth steadily the secret forces that incessantly draw great events.” - Ralph Waldo Emerson

Mistrusted and misunderstood in business, the heart has often been seen as weak, misguided, and easily duped. “The road to failure is paved with kind hearts.” “Nice guys finish last.” The phrase “business like” seems to be the antithesis of “heart centered.” That is because business has been viewed and “played” by many as an adversarial game where the strongest

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case. During the firm’s handling of the case, one member of their staff took it upon herself to go the extra mile and treat the client with the utmost care and respect. As a result, despite the firm’s losing the case, the woman referred three other new clients, whose fees amounted to over $600,000.

A lesson from this story: even in an industry in which the product is increasingly seen as a commodity (and priced that way) and where clients assume their lawyers already possess the legal expertise needed, what is increasingly providing competitive advantage is just this kind of caring relationship formed with clients.

Superior Business Performance

Not surprisingly, the companies cited above have achieved superior business performance, including strong brand positioning, solid market share, customer loyalty, sustained revenue growth and profitability.

Some would ask: which causes which? Does strong market position and profitability allow companies the luxury of tending to the higher needs of employees and even customers? Or does it work the other way around?

The AT&T Canada example is instructive, because the story starts with a company with low morale, poor quality,
We led them through a process of assessing the relative importance of several key profit drivers, and their own performance on those drivers. The partners easily assessed the strength of their legal expertise and experience (to win cases), the higher billing rates they could command for some types of work (for higher revenues per hour), and the internal operating performance of their staff (to minimize the costs of each case).

**Bose**, a manufacturer of high-end audio equipment established retail stores to sell its product. If this were a traditional retail sales setting, the primary objective for the sales people would simply be to make as big a sale as possible to as many people who walked into the store as possible. By building its values into its policies and practices, those objectives for its sales force were different from those of the traditional sales organization. The sales organization went through a process of clarifying and prioritizing the organization’s values as they related to their interaction with customers.

The number one objective became the safety and comfort of the customer. The second objective became the education of the customer. Making the immediate sale was lower on the priority list. What a refreshing experience for a customer to be honored and treated in this way! Extensive customer surveying measured how well the sales staff were educating their customers. Sales levels rose (though not necessarily from a first visit) and referrals rose.

Because they rated client service relatively less important as a profit driver, I told them a story that came from their own firm (through my earlier interviews) about a woman who came to the firm with a sexual harassment case. Though they put their best legal minds to work on this case, and conducted the work efficiently, they lost the

survive by using their wits, their cunning, and their rational mind to defeat the competition.

Thus, Heart energy is one of the most underutilized of corporate resources. At present, however, Heart power manifests in a desire to serve others, a sense of connection with others that enhances teamwork and strategic alliances, and courage to persevere even when others are paralyzed by fear. Heart energy, when it has tremendous power to fuel companies’ success.

Heart power manifests in many ways:

- **Passion** – the energy of authentic motivation, one based on the drive toward self-actualization and service, rather than just security and status. In an interview in FastCompany magazine, the young managing director of one of Silicon Valley’s top technology venture capital firms, reflecting on the highly successful companies they have funded, says, “The founders of those companies absolutely want to change the world. We look for that kind of passion in every deal that we do. We ask founders, ‘Why are you doing this company?’ If they say, ‘We want to build something that we can sell quickly,’ we’ll walk away from a deal.”

- **Integrity** – consistently acting from a high set of values. Bill Catucci, former CEO of AT&T Canada, and finalist for Canadian CEO of the year in 1998, reflected on his successful turnaround of that company: “As CEO, I was often asked, ‘What’s the most important value?’ I had an easy answer: ‘Integrity.’ If you’re not honest, if you don’t meet commitments, if you don’t keep your word, you’re not going to be successful.” John Roth, CEO of Nortel, says, “A reputation for integrity is a significant corporate asset.”

- **Caring** – for customers, for employees, for the
environment. Caring builds powerful working relationships that can be the basis of true competitive advantage. Herb Kelleher, CEO of Southwest Airlines, just an upstart airline a generation ago and now one of the most successful and admired airlines in the US, described what is different about his formula for success: “I’ve tried to create a culture of caring for people in the totality of their lives, not just work.” In their hiring process, they look for people who want to serve others. They hire for attitude and train for skills—a clear recognition of the importance of Spiritual Capital.

Countless small businesses, threatened by larger competitors with lower prices, succeed in carving out a niche for themselves by building caring relationships with customers.

- **Courage** – the ability to make the tough decisions, to stay the course when others might stray, to act even when all the data isn’t in yet, or when you’re not sure of HOW you will get there, but just because you know you MUST get there. When Jim Burke, former CEO of Johnson & Johnson, faced the Tylenol tampering crisis, he could have taken the course proposed by his advisors - to remove the product only from retail stores in the isolated area in which the tampering showed up. Instead he courageously took the higher road, recalling all Tylenol in ALL stores throughout the country. The immediate impact was to incur a huge financial cost. On the other hand, his action courageous action rebuilt goodwill and customer trust.

- **Trust & Faith** - in your people, in your business partners, in your customers, as contrasted with the attitude prevalent in so many organizations that focus only on problems, thus engendering a climate of fear and paralysis. This faith often becomes a self-fulfilling through a Balanced Scorecard approach, and used to monitor the company’s performance on its Mission. To encourage collaboration, he created a bonus system that rewarded all executives equally based on total corporate results. The councils became places of exploration, creativity and collaboration, as the executives worked together successfully to turn their company around.

A collaborative approach unleashes the power of the individual in concert with others, where one plus one truly equals more than two.

**Powerful Customer Relationships**

As it grows increasingly difficult to differentiate based on quality, technology and service, some companies are discovering the power of strong relationships with customers and business partners. Some studies show that leading-edge companies spend three times as much time with core customers as do other companies. More than just time, it is the forging of a relationship based on shared business philosophy, strategy and values that drives joint success. Customer loyalty is high, with revenue growth and larger profit margins the result.

Spiritual Capital provides the energy and intent that creates strong business relationships with customers.

**Tom’s of Maine**, a manufacturer of socially responsible personal care products, made from natural ingredients, describes its mission: “to build relationships with our customers that extend beyond product usage to include full and honest dialogue, responsiveness to feedback, and the exchange of information about products and issues.”

A **small law firm** specializing in labor law asked us to help them improve their operations and raise profitability.
fear and resentment which that engenders.

All too often organizations are rife with conflict and destructive competition. Shifting internal energy to cooperation can generate big leaps in performance. But how to create that collaboration? It starts with strong Spiritual Capital. Often it is teams that provide the vehicle for generating and unleashing Spiritual Capital. Why? Because these teams, less encumbered by the hierarchy's constraining mentality, unleash members’ creativity and excitement—with innovation and productive change the result. Whether they are multi-disciplinary project teams, senior executive strategy teams, or business teams, they function better when they build their working relationships not just on shared project goals, but rather on a deeper connection, based on shared purpose and values.

Countless numbers of companies have discovered the power of a team approach with mutual respect, people drawn together for a common purpose, and working collaboratively. Some companies even seek to apply the project team approach in designing the entire organization.

An entire US company, Gore-Tex, was created a generation ago with an organizational philosophy of teams because the founder had experienced the power of small project teams at his prior employer, DuPont. In those teams, he had felt alive and energized, and the teams had achieved considerable success for the company. Contrary to the dictates of traditional material economics, he set a policy of keeping the size of factories at no more than 100 people. In this way, a sense of community, and thus collaboration, remained high.

In the AT&T Canada example, Catucci asked his top executives to devote part of their time to serving on strategic councils, each of which regularly addressed a key business driver such as service and quality, human resources, and growth strategies. Measures were created

prophecy, as it inspires others to live up to positive expectations. Catucci of AT&T Canada, recalled, “I asked the employees what they wanted our values to be, while asking myself, ‘Do I trust them? Are they going to come up with values like ‘We want to make a lot of money?’ Here’s what they came up with: integrity, customer delight, respect for people, innovation, teamwork, and risk taking. So we said, ‘Great! Those are our values.’” Catucci and his organization then built those values into company practices, such as performance evaluations and bonuses.

Will Power

Viktor Frankl with his logotherapy claims that the Will to Meaning is the greatest motivator of the human spirit. When athletes, adventurers and survivors are labeled as having “Heart,” it is actually about their determination, persistence and ability to complete a task despite obstacles and fatigue. Will Power focuses energy on purpose to make it happen. This kind of energy is often seen in response to a crisis. The urgency of the situation compels people to pull together with a keen sense of Will.

Gary Hamel and C.K. Prahalad, in an article “Strategic Intent” in the Harvard Business Review in May-June 1989, point out that those companies that lack will power just go through the motions of planning and strategy development. Without the necessary will - the “strategic intent,” their strategies are not powerful and their actions are indecisive.

Will Power is the power to act. It activates people to move ahead, even when there is uncertainty and risk. It puts intent into action. In its highest form, it is the will to serve a higher purpose than merely one’s own individual gain. When individuals and their organizations have intents that are in line with the highest good,
then their efforts come together in a powerful collaboration.

When Will energy is active and effective, it is focused on just one or a few key purposes. It channels power and energy to get it done. The absence of Will causes a sense of powerlessness, scattered energies and helpless feelings that pervade many organizations. They may jump into action, even getting the little goals accomplished, but the really big goals paralyze the organization.

When we seek to serve a Higher Will, not just our personal ego Will, then a blending of Will occurs, creating the energy that powers our endeavors for spiritual, as well as material good. Will then becomes the force that puts Heart - and Wisdom - into productive action.

When we tap the energy of Higher Will, our creativity rises, our willingness and ability to cooperate with others increases, and productivity rises. Will pulls forth our other energies in service to our goals.

These then are the major components of Spiritual Capital. Looking merely at the components, however, does not tell the whole story. When we try to define Spiritual Capital merely by breaking it into pieces, we run the risk of missing its essence.

Reductionism, so central to Western scientific thinking since the seventeenth century, seeks to understand things in terms of their parts. An alternative scientific approach, “contextualism,” seeks to understand an organism or entity by studying its behavior in its environment, its context, rather than just looking at its inner parts. For example, we cannot fully understand humans and human behavior merely by studying brain cells and their connections. We must also study human culture and how people act within that culture, and how that culture has evolved.

Thus we can gain a greater understanding of Spiritual Capital by seeing it in action. Spiritual Capital engenders trust, cooperation,

Vibrant, Collaborative Organizations

Utilizing the power of Spiritual Capital, companies find new ways of creating competitive advantage.

Southwest Airlines created a strong market position largely through its light-hearted, human-centered approach. Herb Kelleher, Southwest’s CEO, put it this way, “Someone can go out and buy airplanes from Boeing and ticket counters, but they can’t buy our culture, our esprit de corps.” A company’s culture can provide a sustainable competitive advantage, one that competitors are slow to see and cannot easily copy.

Over a three-year period in the early 1990s, I designed and led strategy working conferences of groups of Pfizer field sales and marketing managers and professionals from all over the world. In each of these conferences, participants learned and applied strategic concepts to their own businesses.

During one session, participants grappled with the question: What is your company’s competitive advantage? They readily listed the traditional answers like: superior research capabilities, ability to translate needs into pharmaceutical products, efficiency, etc., I asked them if their collaborative culture might actually provide a hidden competitive advantage that their competitors might not even see, therefore not copy. I had observed a quality in their group discussions. As an outsider, I could see a rare quality in their culture that few companies equal: a nearly non-existent competition of egos, but rather a deep respect for and connection between each of them. A collaborative climate extending beyond employees to include customers, suppliers and others, can provide a powerful cultural competitive advantage in a world where the norm is internal bickering, jockeying for political gain, plus the
Nortel’s code of conduct says, “we recognize the importance of credibility, integrity and trustworthiness to our success as a business. We are committed to upholding high ethical standards...We believe in the principles of honesty, fairness, and respect for individual and community freedoms.”

The traditional business model puts the shareholder first, then the customer, and finally the employee. David Neeleman, CEO of highly successful JetBlue Airways, explains the strategy of his company this way: “We take care of our people, who take care of our customers, who take care of our shareholders.” Measures of employee morale, customer satisfaction – and profitability – attest to the power of this strategy.

The founder and owner of a firm providing project planning and management services for owners of high-value residential and hospitality buildings asked us to help him build the Spiritual Capital of his new firm. This involved discussions with each member of the firm and several gatherings of the whole firm to develop the company’s purposes and values—and to ground them in specific company policies. The group decided that “treating others, especially clients, with respect and making the building process enjoyable” would be one of the firm’s primary purposes. Translating this into actionable policies, they decided that they would design and conduct each of their meetings with clients, architects and contractors so that all participants felt honored, involved and respected. It was no longer enough to achieve the traditional objectives of completing a project within budget, on time and within quality specifications. The objective now became larger, calling for clients to enjoy the process—a tall order in such a stressful and confrontational profession. Nevertheless, by building their values into their work and relationships, they grew steadily, developing a strong reputation with clients.

commitment and caring – all ingredients that corporations so desperately need and increasingly seek. In a 1998 (?) cover story, Business Week article about “the Growing Presence of Spirituality in Corporate America” quotes a business professor who says, “Spirituality could be the ultimate competitive advantage.”

Indeed, leaders and their organizations tap Spiritual Capital to build new businesses, to turn around failing companies, and to break into new markets. This well of energy is a key resource for any business. Without this spirit, companies eventually wither and die, even if their death seemingly comes through waning technology or weak balance sheets.
Determining and Managing the Right Capital Mix

In the industrial world with its focus on material economics, the management of capital was simpler because the focus was on just financial and physical capital. The objective was to maximize the return on financial capital, largely by optimizing the return on physical capital – i.e., plant & equipment and working capital.

In a paradigm with multiple forms of capital, however, managing capital gets more complicated. What, for example, is the interplay between financial/physical, Intellectual and Spiritual Capital? And what are the trade-offs that leaders must manage?

Optimizing the Capital Mix

First of all, what mix of capital do we need for our company? The answer depends partly on the nature of the industry in which the company competes. For example:

♦ A predominantly financial company, with a relatively small human capital ingredient - such as a financial investment company - focuses on raising financial capital and generating optimum returns on that capital. While it needs a high quality intellectual capital to do this, its major resource is financial capital, and thus its goals and performance measures are primarily about returns on financial capital.

♦ A predominately knowledge-based company - a professional firm, such as in law, engineering, biotechnology, or business consulting – is most concerned about attracting the best intellectual capital, applying that capital for clients, and getting the best return on that capital. Performance measures focus on financial flows, but in terms of per person and per hour. The focus is on building and utilizing proprietary

This new broader purpose helped attract and retain employees, and became the rallying cry for driving up quality, winning back customers, and ultimately stimulating dramatic gains in employee moral, revenues, profitability and shareholder value. The company received external recognition for its accomplishments in serving all four of its constituencies.

2. Serving the Highest Needs of Customers

Even companies selling everyday products can attract talent – and customers – by recognizing and serving customers’ needs that are not merely material or intellectual, but that are also spiritual.

Readers Digest has viewed its mission - to inform, to entertain - and to uplift its readers.

Honda Motors says, “It is our mission to improve the lives of customers and communities where we all live, work and play.....Our established directions for the 21st century provide a balance of fun for the customer and responsibility for society and the environment.”

Stonyfield Farm, a US manufacturer of natural yogurt, includes as part of its purpose: “to educate consumers and producers about the value of protecting the environment and of supporting family farmers and sustainable farming methods.”

Living Values

The values that a company builds into its decisions, its culture, and its relationships express the underlying Spiritual Capital of the company.
1. Serving a Broad Constituency—Multiple Stakeholders

Maximizing the financial return to shareholders, which is obviously what investors seek, has been the primary objective of corporate management. But increasingly, experience is showing that to be a successful company long-term, other stakeholders must be served. Serving their needs is part of the company’s purpose, not merely the means of serving financial shareholders.

This broadening of purpose, often called the “multiple stakeholders” approach, reflects the reality that long-term survival requires these constituencies to be served. Moreover, dedication to serving these multiple stakeholders attracts and motivates better employees. It even attracts investment from socially responsible investors, a growing presence on the investment scene.

Marriott states that it “… is dedicated to providing exceptional services to customers, growth opportunities for associates, and attractive returns to shareholders and owners.”

When Catucci took over the helm of Unitel, AT&T Canada’s predecessor company, he inherited a telecommunications company losing one million dollars a day, suffering poor “product” quality, low service levels, lost customers, a disillusioned workforce, and decimated management ranks. Rather than follow the traditional financial turnaround approach of further cost cutting, he first created a new vision of becoming “the leading full-service telecommunications company in Canada” with a high-tech, high-touch strategy for getting there. This new mission statement made commitments to major stakeholders: customers, employees, shareholders and the community.

Avoiding Extremes

Every company needs some of each form of capital, but too often the devotees of one particular form of capital overemphasize the importance of their favorite form of capital.

♦ Similarly, companies that rely heavily on human relationships, such as retail and service firms, concentrate on attracting employees and customers with shared values. That becomes the driving force for their business, and thus the asset that they must create and manage most wisely.

♦ Wall Street, with its focus on the financial bottom line, views the financial dimension as the ultimate, and any other dimensions as merely means to that end. In this view, the spiritual dimension is rarely acknowledged, or becomes just another means of eking out more current profit. This alienates those who see the importance of the spiritual dimension as capable of achieving so much more for a company. The focus only on financial capital misses the fact that spiritual (and intellectual) energies are also forms of capital, and that returns on financial capital are just one of several important measures of long term corporate health.

♦ Conversely, some on the spiritual side see the spiritual dimension as the ultimate and only reality. They argue that the corporation exists only to serve spiritual goals, forgetting the crucial role of financial capital and the interests of the providers of financial capital. They may also argue that the spiritual dimension is all that a company needs in order to succeed. They focus only on lofty purpose and high ideals, ignoring the realities and demands of the material world. Since we live in a world that is both spiritual and material, however, we must deal with both dimensions of reality.
Balancing Objectives

Goal setting and performance measurement increasingly must reflect the roles of the three forms of capital.

♦ Blindly focusing on maximizing the return on financial capital, for example, may starve intellectual and Spiritual Capital, thus causing customer goodwill and employee morale to decline and Intellectual and Spiritual Capital to move to other opportunities. This has been a common result of overzealous downsizing motivated only by the financial dimension. Much of the small business growth in the US has come from people who have set up their own companies after leaving large corporations where their talents and their spirit languished.

♦ Over-investment in Intellectual Capital may create great technology, but if it is not applied to real human needs and organized efficiently, then it may fail to yield new products and services for which there is a real need and demand.

♦ Overemphasis on Spiritual Capital may create sand castles in the air, without the financial foundation and practical discipline to get anything done. A company launched with lofty goals may well attract Spiritual Capital, but if it lacks necessary financial and technological ingredients, it will likely flounder.

Spiritual Capital at Work

Just as there are countless ways to invest financial and Intellectual Capital, so too Spiritual Capital can be utilized in a variety of ways to build strong companies. Spiritual Capital enables companies to address age-old business challenges in new ways that strengthen the company and position it for long-term success. Here are a few of the ways that Spiritual Capital works:

Higher & Broader Purpose

Profit maximization, a cornerstone of the purely financial company, has increasingly been replaced with more balanced corporate purposes, serving multiple constituencies, and often serving the higher needs of customers.

In fact, blind profit maximization, to the exclusion of other goals, actually can weaken companies, as it drains the other capital to accomplish that goal. Research shows that downsizing weakened many companies despite its intent to increase profits. Sustainable profitability, so essential to corporate health, is the result of building and utilizing human capital, as well as financial and physical capital.