



BUSINESS SUCCESS BY MIMICKING LIVING SYSTEMS

BY ANN MCGEE-COOPER



**Profit for Life:
How Capitalism Excels**
by Joseph H. Bragdon

How do you measure the value of servant leadership in business? How can we know it works? These have been two of the most frequently asked questions in our consulting practice over the past 30 years.

In *Profit for Life*, Jay Bragdon provides us with some compelling answers. He does this by setting aside much of the linear cause-and-effect thinking that drives business these days and adopts a more rounded, holistic approach that gives us deeper insight into the firm.

The book is based on the experiences of 60 companies—Bragdon’s “learning lab”—that broadly represent the industry/sector diversity of the world economy. Throughout the text, he describes 16 of these pioneering companies, called the Focus Group. The distinguishing feature of all these firms is their effort to mimic living systems—in the ways they organize, manage, and add value. This mental model is radically different from the traditional one that views the firm as a money-making machine.

TEAM TIP

As a group, examine the ways in which your organization manages living assets (people and nature) and non-living assets (buildings, equipment, and financial reserves). How might those practices change if your organization were to adopt a “living asset stewardship” approach?

Although it may seem counterintuitive, the living system approach yields vastly superior results than the traditional one. For example, the average equity return of learning lab companies was nearly double the S&P 500 over the past decade; their excess performance continues as this review is written. Bragdon expects such premium returns will diminish over time as the more effective methods of the living system model become copied and enter the mainstream. Nevertheless, these results are a strong affirmation of the milieu in which servant leadership normally operates.

Relational Equity

Servant leadership, to Bragdon, is all about relationships. He says “relational equity” is the foundation on which companies build financial equity. When companies care about people and the things people care about, employees become inspired and their inspiration cascades into everything they do, including their relationships with customers, suppliers, and other key stakeholders.

The raison d’être of these servant-led firms is *value creation*—value that permeates all relationships. Companies that excel at such value creation pursue a strategy Bragdon calls “living asset stewardship” (LAS). The fundamental premise of LAS is: Profit arises from life and must therefore serve life if it is to be sustainable.

To understand the strategic value of living asset stewardship, Bragdon makes a critical distinction between living assets (people and nature) and non-living capital assets (buildings, equipment, and financial reserves). We see this in three contexts. First, people are closely bonded to nature—genetically, physically, and spiritually—in

ways that capital assets are not. Second, living assets are the source of non-living capital assets. And third, because living assets are inherently creative and emergent, their value grows over time rather than depreciating as capital assets do.

The operating leverage in the learning lab and the 16 Focus Group companies resides in the human heart rather than in mechanistic financial gearing. This is supported by the fact that they generate consistently higher returns on equity while carrying substantially lower debt ratios.

Although traditionally managed companies have been adopting some stewardship practices in the past decade, Bragdon finds their approach differs fundamentally from those in his study. In the mechanistic view of these firms, stewardship is an add-on that is subservient to their drive for profit. By contrast, in companies that have adopted the living system model, LAS is deeply woven into the value creation process—reflecting the fact that they see themselves as “living” and therefore integral to, rather than separate from, nature and society.

An Ongoing Paradigm Shift

Profit for Life builds on the brilliant work of Arie de Geus, former coordinator of Group Planning at Royal Dutch/Shell, and Harvard biologist Edward O. Wilson. De Geus’s classic, *The Living Company*, noted that long-lived companies had a collective consciousness, were sensitive to their environments, tried to work in harmony with the world around them, and strove to leave a legacy to future generations. Wilson tells us this collective consciousness is an expression of humanity’s deep affinity for life, which he calls “biophilia,” and that our bio-

philic instincts have evolved over thousands of generations of natural selection.

In my work as a teacher of servant leadership, I would highlight the paradigm shift Bragdon describes. The mission of leaders in LAS organizations is to serve and grow their people because that is the source of the firm's liveliness

and capacity for growth. As Robert K. Greenleaf said: "The first order of business is to build a group of people who, under the influence of the institution, grow taller and become healthier, stronger and more autonomous." That seminal quote is used twice in the book to describe the power and generative capacity of LAS. ■

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