

# Getting to the beating heart of well-led business

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On the evening of 12 January 2005, when Jeff Swartz had finished delivering his lecture on "The Purpose of Profit", more than 200 people in the RSA's Great Room gave him a standing ovation - something I have never witnessed in nearly twenty years of association with the RSA.

The lecture was full of Jeff Swartz's conviction that profit and product must be purposeful, and that by connecting profit and product to human beings and human need, he has been able to unleash in his colleagues an unstoppable energy that feeds back into saving and building a great business.

Two weeks after Jeff Swartz gave this lecture, *The Economist* published a long feature about corporate social responsibility [CSR] replaying all the old arguments. The essence of journalist Clive Crook's argument, like David Henderson and Milton Friedman before him, is that the purpose of business is to use its resources to make profits while playing by the rules that society sets - not to try to solve society's problems directly.

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This is a well-trodden line of argument, and it is quite logical as far as it goes. It reads well in *The Economist* and in academic textbooks. It's just that it goes nowhere near to describing the beating heart of a well-led business; and few of capitalism's outstanding achievers were ever that logical. It is pointless to argue against the argument in its own terms. It is rather like statements about parenting that say "you must be firm with children". Of course, you'd think, but that's not the whole story.

Early in his lecture Jeff Swartz talks about the danger of clinging to theories that "constrain our imagination and limit our action". That is the real divide exposed by this lecture. Not the divide between people who believe business is for shareholders and people who believe business exists to serve society. That is an easy divide to bridge, because to most people the answer is clearly a combination of the two.

The real divide is between people who are slaves to a theory, and people who feel free to change the rules of business by sticking to their convictions and trying new things.

As John Neill, CEO of Unipart, put it to me when we were involved in the first Tomorrow's Company Inquiry: "you cannot think your way into a new way of acting. You act your way into a new way of thinking."

In this lecture Jeff Swartz uncovers a hidden source of energy - the energy that bursts from a business whose people truly believe that "while you earn a living you have to be about creating liberty and justice for all". While that may be too American for some of us, it resonates for me in seeing the search for an individual and collective purpose within each company - people want a purpose and the companies that can communicate theirs will reap the benefits.

During and after the lecture people reacted, saying 'it's all very well for Jeff, but his family own a lot of the stock and his business has a very special family tradition'. There are two answers to this. One was given by BP's John Manzoni, who chaired the evening, when he said "For Jeff it's the path of service; for BP it may be something else, but provided we can unlock a level of passion and a level of constancy and value, maybe we can find a way in big companies and small companies of making the world a better place"

The other is the answer given by Jeff, when his company was losing money and facing a liquidity crisis in 1994. The investors were prepared to give him another chance, but insisted there be "none of this painting fences and hugging trees". Read his response: it is the reaction of a leader whose courage about his convictions was strengthened, not weakened, in a crisis.

What does this mean for you, for your work in your company? In the UK, employee volunteering is already on the rise, and a visit to the websites of Volunteering England and CSV provide a wealth of information and guidance for both companies and employees. See [www.csv.org.uk](http://www.csv.org.uk) and [www.employeevolunteering.org.uk](http://www.employeevolunteering.org.uk). For Tomorrow's Company, Jeff's conclusions reaffirm what we stand for and what we seek to explore in the leadership of companies: the central role of purpose and inclusivity. I know that Jeff's thinking will have an effect on the way we work and the impact we have - as long as we acknowledge that there are motivations beyond the rational and theoretical.

To start with we are going to take up the offer from Timberland to experience and contribute to one of their Path of Service days, confident in the belief that it is through experience that we ultimately change ourselves and inspire our colleagues.

Allan Willett was our founding patron and I would like to take this opportunity of thanking the Allan Willett Foundation for their sponsorship of the lecture. I look forward to working with them again in future years. I would also like to thank John Manzoni for his thoughtful and open-minded chairmanship of the event. You will find his reactions on page 27.

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