CONVENIENTLY CONSCIOUS: HOW CONSCIOUS CAPITALISM CONSTRAINS INTRINSIC VALUE CREATION IN BUSINESSES

Aafiya Jamal

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Dr. George Christian
Department of English
Supervising Professor

Dr. Robert Prentice
Department of Business, Government & Society
Second Reader

ABSTRACT

Author: Aafiya Jamal

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Supervising Professor: Dr. George Christian

Many firms have operated based on Milton Friedman's views on capitalism, namely that a business has a responsibility to "use its resources and engage in activities designed to increase its profits," exclusively. There has been significant discussion in recent years regarding whether a business has obligations beyond maximizing the bottom line, such as engaging in socially responsible activities. In this thesis, I seek to evaluate Conscious Capitalism, a theory proposed by John Mackey and Raj Sisodia that discusses how businesses can create value intrinsically and benefit multiple groups of stakeholders.

Mackey and Sisodia identify four tenets in the Conscious Capitalism model: higher purpose, stakeholder integration, conscious leadership, and conscious culture and management. I will begin my thesis by analyzing each of the tenets in a comprehensive manner and determining their significance. Ultimately, I hope to determine if firms must fulfill all of the tenets proposed by Mackey and Sisodia in order to be considered conscious or whether there are specific tenets that are more important than others.

Additionally, I seek to analyze prominent examples of companies that are considered to be conscious and evaluate whether they fulfill the tenets of Conscious Capitalism. I will begin my analysis with Whole Foods Market because it makes up a significant part of Mackey and Sisodia's argument. *Conscious Capitalism* was written before Amazon's acquisition of Whole Foods Market in 2017, and I am particularly interested in analyzing if the acquisition has changed the company's touted business model. I will also determine whether Patagonia can be considered to be a conscious firm, not only because it is discussed in *Conscious Capitalism*, but also because it proclaims to be a socially responsible firm.

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Introduction: What is Conscious Capitalism?

In 2013, John Mackey and Raj Sisodia published a book about a unique business model, one that challenged traditional business practices, such as bottom line maximization, and encouraged intrinsic value creation. Conscious Capitalism "is a way of thinking about businesses that is more conscious of its higher purpose, its impacts on the world, and the relationships it has with it various constituencies and stakeholders" in order to create multiple sources of value and well-being for all stakeholder groups (Mackey and Sisodia 32). Mackey and Sisodia believe that Conscious Capitalism "will lead to a better world for all" and thus, wrote the book "to inspire the creation of more conscious businesses" (Mackey and Sisodia 8).

Additionally, Mackey and Sisodia are keen to separate Conscious Capitalism from corporate social responsibility (CSR). They claim that these two concepts are distinct because CSR is "based on the fallacy that the underlying structure of business is either tainted or at best ethically neutral" (Mackey and Sisodia 37). Firms seek to maximize their profitability in traditional business models. They do not aim to create value for all stakeholder groups and instead feature social or environmental programs in order to "enhance the firm's reputation or as defensive measures to ward off criticism" as needs for positive public relations arise (Mackey and Sisodia 38). CSR is an ethical burden required by businesses in times of crises and often completely independent of the business objective; however, firms that adopt the Conscious Capitalism model believe that creating value for stakeholders is critical for the success of their respective businesses. They consider the interests of all stakeholder groups when making decisions in an effort to achieve the higher purpose of the firm.

Mackey and Sisodia begin *Conscious Capitalism* by describing many changes that society has experienced over the past century. They emphasize that people today "care about different things and are better informed, better educated, and better connected than in the past," primarily because of the invention and adoption of the World Wide Web (Mackey and Sisodia 29). There is an unprecedented amount of transparency in society. People today have a level of "information egalitarianism," meaning that they can quickly access information on any topic of their choice, including the actions of governments and corporations (Mackey and Sisodia 28). Therefore, Mackey and Sisodia suggest that as individuals become more educated and informed about issues in society, they are more aware of the impact that their everyday actions. Mackey and Sisodia describe this trend as "rising consciousness," meaning that humans have a "greater commitment to the truth and to acting more responsibly according to what [they] know to be true" (Mackey and Sisodia 29). Individuals have a better understanding of the consequences of their actions, as well as the repercussions of the behavior of others, and have formed value systems, based on their beliefs. They believe that their behavior has an impact on the world and therefore, they are more likely to support companies whose values and actions align with their own, which serves as the foundation for Conscious Capitalism.

Chapter I. Achieving a Higher Purpose

While Mackey and Sisodia do not emphasize the importance of one tenet of Conscious Capitalism over another tenet, they describe a higher purpose as the “starting point of what it means to be a conscious business” and define it as being “self-aware, recognizing what makes the company truly unique, and discovering how the company can best serve” (Mackey and Sisodia 42). Purpose is something which must come first in the formulation of a conscious business, arguably before formulating a business strategy, because it conveys the difference that a company is trying to achieve in the world and gives relevance to a company. Purpose also aligns stakeholders, or individuals with an interest in the company, such as customers, employees, and suppliers, and gives them something to strive for beyond their own self-interest.

Mackey describes the purpose of Whole Foods Market, which is to “teach people that what they put into their bodies makes a difference, not only to their health and to that of the people who supply the food, but also to the health of the planet as a whole” (Mackey and Sisodia 48). Purpose has been critical to Whole Foods Market since its inception in 1978 and explains much of its continued success, primarily because it gives stakeholders an idea to rally around. For example, Whole Foods primarily does business with organic farms, dairies, and ranches, as well as with other businesses which are committed to sustainable agriculture (Mackey and Sisodia 48). Both share similar values – a commitment towards products that avoid the use of genetically modified organisms and methods of environmentally sustainable production – which allow them to work together as business partners. Customers are also deeply driven by the purpose of Whole Foods. Many align with the company’s values and as a result, are also willing to pay premium prices in order to enjoy high-quality, organic foods (Cheretis and Mujtaba 11).

i. Categories of Higher Purposes

Purposes can vary significantly among companies. Mackey and Sisodia introduce the four categories of great purposes – the Good, the True, the Beautiful, and the Heroic – as a way to group and better compare companies. Companies that express a *Good* purpose are committed to service to others based on empathy with the needs and desires of customers. Companies dedicated to a *True* purpose search for knowledge in order to advance the human condition. For example, Google adopts a *True* purpose because it seeks "to organize the world's information and make it universally accessible" for all. Google has been committed to this purpose since its early days as a search engine, allowing users to quickly search for and find information on the World Wide Web. It has also expanded its scope to include other internet applications such as a global positioning system (Google Maps), a translation system (Google Translate), and a web browser (Google Chrome), along with other products such as the Chromebook and Google Home. These developments, over the years, are all consistent with Google's purpose, which is to organize information and make it easily available for users around the world. Google has significantly contributed to Mackey and Sisodia's idea of "information egalitarianism," getting information in the hands of individuals quickly.

Companies that adopt a *Beautiful* purpose tend to "pursue perfection in their chosen field" and focus on offerings which make the lives of consumers more enjoyable (Mackey and Sisodia 62). Apple, arguably, has been a company which has adopted a *Beautiful* purpose. It develops products which are not only aesthetically appealing, but also simple and user-friendly. Individuals can communicate more easily and interact through a variety of applications while having fun at the same time.

Companies can also have a Heroic purpose, in that they are motivated “to make the world better, to solve insoluble problems, to do the really courageous thing even when it is very risky, and to achieve what others say is impossible” in order drive change around them (Mackey and Sisodia 63). Mackey and Sisodia cite Grameen Bank, a microfinance entity in Bangladesh, as an example of a company with a heroic purpose as it has sought to tackle one of the world’s greatest challenges – poverty (Mackey and Sisodia 63). Companies change over time and as a result, their purposes evolve too. This is not necessarily a bad thing, as it makes companies more aware of their reason for existence. It is, however, important for companies to determine their new higher purpose so that they do not becoming preoccupied with making money and instead, can continue to flourish by having a higher ideal to strive towards.

Mackey and Sisodia emphasize that organizations should not take their purpose for granted and keep it as a priority in decision-making at all times. Organizations can often forget about their purpose, especially when the desire to make money begins to drive decision-making and changes the interests of a company. They especially emphasize that the financial sector has lost sight of its apparent purpose, which is “to provide people with attractive alternatives for saving and growing their money by investing that money in ways that are maximally beneficial to society” and has instead, become “increasingly profit obsessed and short-term oriented” (Mackey and Sisodia 50). They mention the “ridiculous heights” of compensation levels for top executives in financial services, as well as a tendency for these organizations to engage in risky behaviors, and claim that the purpose of these companies has been compromised.

However, I found the analysis of financial institutions to be weak and rather superficial compared to the content in the rest of this section of the text. First, Mackey and Sisodia assign a generalized purpose to the entirety of financial institutions without considering that there are a variety of financial institutions, which perform vastly different services for consumers, from setting up a savings account to investing in a hedge fund. Many of these financial services not only have varying levels of risk, but also intend to meet different goals, depending on the investor and therefore, embark on various strategies. They also emphasize that financial institutions have been providing excessive compensation to executives, but do not mention that this trend has been persistent and resonates across several, if not most companies in the S&P 500 (Larcker and Tayan).

Finally, it may surprise Mackey and Sisodia, but there are several financial services firms that have a clearly defined purpose beyond the scope of making money, including USAA. I interned at USAA in the past and experienced the company's commitment to its purpose on a daily basis through its Mission Statement, which is to "facilitate the financial security of its members, associates, and their families through provision of a full range of highly competitive financial products and services; in so doing, USAA seeks to be the provider of choice for the military community." Employees are encouraged to learn and understand the importance of the mission statement from their first day of training. Most employees also included the mission statement as one of the first slides in presentations, an unofficial way of recalling the purpose of the company throughout daily activities. While I had no personal connection to the military prior to the internship, I felt highly motivated to come to work on a daily basis because I understood the importance of the organization's objectives and felt that I was striving towards a higher ideal on a daily basis. There is no doubt that financial institutions played a major role in in the Great Recession – this is not something that should be downplayed; however, Mackey and Sisodia grossly overgeneralize the motivations and behavior of the financial sector because they do not consider the fact that most financial services companies perform a variety of functions for consumers and as a result, have different purposes.

Chapter II: Managing Stakeholder Interests

Next, Mackey and Sisodia discuss another tenet of Conscious Capitalism – stakeholder integration, which is the idea that "all major stakeholders are aligned with the purpose of the organization and with each other" (Mackey and Sisodia 70). They emphasize that traditional businesses often make trade-offs among stakeholders, in which one group achieves gains at the expense of another. Companies traditionally prioritize shareholders, or individuals or institutions that own shares of stock in a corporation, because they are the legal owners of a company. Mackey and Sisodia, however, argue that certain stakeholders should not have precedence over other stakeholders. Conscious firms take a more holistic approach when treating stakeholders, keeping in mind that they can usually find synergies across stakeholder groups (Mackey and Sisodia 70). These firms understand that treating one group in isolation leads stakeholder groups to adopt self-interested attitudes and has the potential to destroy the harmony which brings the organization together in the first place. Stakeholders are interdependently linked, and as a result, conscious firms make decisions based on the purpose and core values of the organization, which maximizes the benefits to all stakeholders and not any one constituency in particular.

i. *Customers*

Businesses must consider many stakeholder groups when making decisions, such as customers. Whole Foods Market consider customers to be the most important stakeholders because they "know that without enough satisfied and happy customers, [they] have no business at all" (Mackey and Sisodia 75). Customers usually have the option of spending their dollars elsewhere, especially in a competitive industry such as the consumer goods sector. Businesses can often retain loyal customers by starting with a purpose, because this allows them to attract customers who have the same mindset and values. This refers again to the notion of a "rising consciousness," where consumers process information and behave based on their values. They are, thus, more likely to support companies whose values and actions align with their own. Companies can also serve their customers by leading and educating them in a manner that is consistent with their business purpose. Whole Foods Market, for example, is committed to educating the public about ways to incorporate healthy eating into their lifestyles in order prevent lifestyle diseases and improve their quality of life (Mackey and Sisodia 64). Mackey acknowledges that this has been a challenging task because consumers ultimately have the freedom to make their own lifestyle choices. Whole Foods Market, however, continues to remain dedicated to its purpose. It launched a Wellness Club program to educate customers about the importance of dietary choices and expanded its organic products inventory over the years (Mackey and Sisodia 78). In this manner, Whole Foods subtly suggests what it considers to meet healthy standards in its product offerings and thus, has gained the loyalty of many customers who share the same values that Whole Foods espouses and trust the selected product offerings.

ii. *Employees*

Businesses must also consider employees as another important stakeholder group when making decisions. In his book titled *The Coming Jobs War*, author Jim Clifton (CEO of the Gallup Group) argues a "good job" is something that everyone in the whole world wants, one that has a steady hours and a regular paycheck from an employer (Clifton 2). Conscious firms take this one step further. Employees should feel a sense of value and fulfillment from their work. It should be something that they are passionate about, which is something that companies can contribute towards. Firms should strive to make "as many people as possible engaged in work that feels like a calling," as opposed to simply a job (Mackey and Sisodia 88). In his book *Drive: The Surprising Truth About What Motivates Us*, David Pink argues that businesses rely heavily on extrinsic rewards, such as cash bonuses, in order to motivate employees. They should, however, be focused on intrinsic factors – mastery, purpose, and autonomy – as these have been linked to long-term performance improvement (Pink). Work has become far more complex today and often does not consist of a series of mundane and repetitive tasks anymore. It requires a greater deal of thoughtfulness on the part of employees and therefore, humans respond more powerfully to intrinsic motivations than extrinsic ones (Pink). Companies, therefore, should not only find meaningful work for their employees to complete, but also should motivate them appropriately, depending on the nature of the task. Companies can also put in time into the hiring process to find candidates who are a good fit with the organization, or share similar values with the company and believe in its purpose, which can also be a contributing factor to the future success of an employee in the workplace.

iii. *Investors*

Investors are an important group for businesses to consider, as businesses require capital resources in order to succeed and grow, even as a company matures. Shareholders, however, are often characterized by a "collective reputation in society by wearing their identity as no-nonsense, bottom-line people as a badge of pride" (Mackey and Sisodia 100). Most businesses focus on satisfying the interests of investors – by maximizing the bottom line – instead of focusing on delivering holistic value to all stakeholders.

iv. *Suppliers*

Suppliers are also an important stakeholder group because they produce and supply the products that customers want to purchase. Business, however, do not treat suppliers with the importance that they deserve and often take them for granted by squeezing them to generate discounts (Mackey and Sisodia 115). This can be problematic, not only because suppliers cannot financially sustain such deep discounts in the long run, but also because it hurts the relationship between the supplier and the business and can result in negative consequences for the business in the future (Mackey and Sisodia 115). Negotiations can be tough because each side seeks to maximize its monetary gain and secure the best deal possible; as a result, Mackey and Sisodia argue that this win or lose mentality threatens the relationship between both parties. Suppliers are often "squeezed" and may concede to discounts in the short-term, but can also respond by supplying lower quality products and reducing customer service, which can ultimately be harmful for the purchasing firm. Developing long-term, beneficial partnerships with suppliers represents an important area of opportunity for conscious firms (Mackey and Sisodia 115). Mackey and Sisodia describe many features of cultivating long-term relationships with suppliers, including "lower costs over time, higher quality, a better fit with the company's requirements, greater resilience in bad times, reduced risk for both parties, and more opportunities to innovate" with products (Mackey and Sisodia 114).

v. *Local Communities*

Firms should also be aware of their impact on the social communities in which they operate. Mackey and Sisodia assert that "too many people equate social responsibility with philanthropy," whereas "philanthropy is actually just a small part of the social responsibility of business" (Mackey and Sisodia 123). Businesses have the ability to help communities solve problems on a local, national, and global scale by using their infrastructure and human capital. Firms often engage in such philanthropic activities with the intent of improving their reputation, especially in the face of a public relations crisis, rather than genuinely seeking to solve an issue in the community. Mackey and Sisodia discourage this for kind of behavior and argue that the intent with which firms approach community involvement matters in order to maximize value. Conscious firms naturally integrate social responsibility into their business model and treat the communities in which they operate as stakeholders, even if they are charitable institutions. There are many ways for businesses to engage in conscious philanthropy, such as working with nonprofits that perform activities related to that of the business (Mackey and Sisodia 125).

Firms can also encourage employees to work on service projects in the community. Employees can resent giving up their time for such activities, especially when such projects occur on the weekend. Therefore, Mackey and Sisodia suggest that projects "should come out of genuine, ongoing, shared concerns, rather than being dictated to team members from the top down" (Mackey and Sisodia 126). Employees should be aware of the issues that the service project address, which is possible if the firm regularly engages with the charitable institution and if it engages in activities related to those of the firm. Firms should also organize these service projects on workdays (Mackey and Sisodia 126). This not only respects the time of their employees, but also demonstrates a significant contribution from the firm and its genuine interest in the project.

For example, Whole Foods Market created the Whole Kids Foundation in 2011 in an effort to provide more nutrition food to children in schools (Mackey and Sisodia 133). The Whole Kids Foundation performs various activities, from installing salad bars to funding grants for gardens in schools with the goal of increasing the availability of fresh fruits and vegetables to children (Mackey and Sisodia 133). It evaluates and awards grants on several criteria, including the socioeconomic status of the community, as well as "the ability to financially sustain the garden beyond the one-year grant period," in order to ensure long-term benefits (Corporate Philanthropy Report). I believe that this project demonstrates conscious philanthropy, not only because it involves activities related to the core business of Whole Foods Market, but also because of its consistency with the purpose of the firm. Whole Foods Market seeks to "teach people that what they put into their bodies makes a difference, not only to their health and to that of the people who supply the foods, but also to the health of the planet as a whole" (Mackey and Sisodia 48). Children learn how to grow, prepare, and enjoy healthy snacks and meals, and therefore, Whole Kids Foundation directly reflects the purpose of the firm in many ways.

vi. *Environment*

Firms should also consider the environment as an important stakeholder. It is often forgotten about, as it is a "silent stakeholder," unable to raise issues on its own behalf (Mackey and Sisodia 139). The environment plays a different role for each company as it develops and produces a good or service, but should be recognized as a major stakeholder. Environmental harm often occurs unintentionally, as companies engage in operational activities, such as purchasing materials from suppliers and producing goods and services for customers (Mackey and Sisodia 142). Conscious firms, however, take tend to responsibility when it comes to potential environmental concerns and proactively seek creative solutions, often before an environmental problem fully emerges.

For example, Whole Foods Market considers livestock production to be an important environmental issue. The *Livestock's Long Shadow*, a report produced by the United Nations Food and Agricultural Organization (FAO), documents the considerable consequences of global livestock production, from significant land usage to considerable water pollution (Steinfield et al., 2006). Humans also face consequences from the excessive consumption of animal foods, as demonstrated by "high correlations with obesity, diabetes, heart disease, and cancer" (Mackey and Sisodia 144). As a result, Whole Foods Market educates customers about the advantages of eating a significantly plant-based diet, which consists of primarily consists of fruits, vegetables, legumes, and nuts, a significant part of their product selection (Mackey and Sisodia 144). It also seeks to source animal meats from non-factory farm conditions in order to minimize environmental damage and the impact on human health (Mackey and Sisodia 144). These examples of environmental consideration reflect the purpose of Whole Foods Market, namely, "to help evolve the world's agricultural system to be both efficient and sustainable" and "to raise the public's collective awareness about the principles of healthy eating" (Mackey and Sisodia 64). This not only demonstrates the importance of a firm's purpose, but also emphasizes the importance of consistency between a firm's actions and its purpose.

Chapter III: The Critics Strike Back

Academics have criticized Mackey and Sisodia's approach in defining the second tenet of Conscious Capitalism. David Vogel and James O'Toole contest Mackey and Sisodia's claim that firms should treat all stakeholders equally, a laudable goal, but one that cannot be realized in practice. They acknowledge that many business decisions certainly create value for multiple stakeholders, which should be considered; however, it is naïve to believe that all business decisions can maximize value for all stakeholder groups. Shareholders truly hold a great deal of influence at publicly traded corporations because they have invested their money and expect to see results from the firm. Managers, therefore, often have to prioritize the interests of shareholders, or shareholders may withdraw their investment in the company (usually by selling shares), which sends a bad signal to other prospective investors and consumers.

i. *Conflicts between Stakeholders*

Companies may also face cases in which the interests of stakeholders can conflict. Vogel and O'Toole describe a scenario in which a company can lower its cost of production by outsourcing labor and production to developing countries. Consumers would benefit from this decision; it would most likely lower the price of the good and drive consumption up. Employees, on the other hand, would not appreciate this decision, as they would most likely be laid off. Businesses face difficult situations like the one described above on a frequent basis, especially in an increasingly interconnected world, and often have to outsource production in order to improve their financial performance. Conscious Capitalism "provides no guide to help managers recognize, let alone manage, the kinds of painful trades-offs firms must periodically be prepared to make in order to survive" in the future (Vogel and O'Toole 67). Businesses frequently have to make tough decisions, which do not always benefit all stakeholder groups, yet ultimately ensure the continued existence of the company. Vogel and O'Toole acknowledge that Conscious Capitalism creates a new perspective for businesses to adopt and reflect on, but may not be widely adopted because it creates "unrealistic expectations for corporate performance that could serve to undermine other strategies that are needed to reconcile corporate practices and social needs," thus titling their piece, "Two and a Half Cheers for Conscious Capitalism" (Vogel and O'Toole 62).

ii. *Stakeholder Integration vs. Trade-Offs*

Furthermore, Danai Cheretis and Bahaudin Mujtaba also offer their perspective about the business model and the idea of stakeholder integration. Cheretis and Mujtaba acknowledge the advantages of the Conscious Capitalism model. They emphasize that globalization requires businesses to stand out in unique ways and that acting in a socially responsible manner can help businesses retain customers (Cheretis and Mujtaba 7). Customers have also changed in the sense that their values are evolving from a materialistic attitude towards a more socially and environmentally conscious outlook. Whole Foods Market has achieved tremendous success with stakeholder groups because it "listens to employees and customers for valuable input that will help them adapt to these changes instead of ignoring and resisting" their ideas (Cheretis and Mujtaba 7). It has also demonstrated commitment towards its purpose and values, which also drives loyalty from employees and customers and results in a willingness to pay premium prices for products. However, Cheretis and Mujtaba also offer a critique of Conscious Capitalism. Firms that try this model must first, be willing to forgo profit maximization in the short-term. They incur higher costs associated with being socially conscious, such as compensating employees with above-average wages, offering high quality, but expensive products, and striking fair, but not deeply discounted deals from suppliers. Companies must be interested in a bigger-picture, long-term approach and willing to forsake profits in the short run, which is a difficult approach for leadership in many companies to support (Cheretis and Mujtaba 9).

Ultimately, I believe that stakeholder integration is one of the strongest tenets presented as part of the Conscious Capitalism model. Mackey and Sisodia present a thoughtful and convincing case for the interdependence of stakeholder groups, which aligns the long-term interests of stakeholders towards the purpose of the company. Academics have been critical of the idealistic nature of stakeholder integration because they do not believe that the fair and equal treatment of stakeholders is possible. They agree that "meeting the interests of other stakeholders is ideally the best strategy for creating profits for owners," but "the interests of stakeholders can and often do diverge" (Vogel and O'Toole 67). They believe that Conscious Capitalism does not address the "kinds of painful trades-offs firms must periodically be prepared to make" in order to remain in business (Vogel and O'Toole 67).

However, I think that the key word here is "periodically." Firms certainly make decisions on a daily basis. There is no doubt that many of these decisions can be difficult, even contentious, as accordance may not always occur. I assert that a normally functioning firm should not have to make "painful trade-offs" on a frequent basis. Nonetheless, I acknowledge the fact that situations can arise in which trade-offs have to be made, especially in a highly competitive industry or during challenging economic times. Mackey and Sisodia argue that stakeholders should be treated equally and fairly; I agree with the latter part of that statement because while a company cannot always treat stakeholders equally, it can certainly make an effort to treat stakeholders fairly in order to align them with the purpose of the organization, as well as with each other.

iii. *The Customer is Always Right?*

There are certain major stakeholder groups that must always be immediately considered during decision-making: customers and employees. Mackey and Sisodia acknowledges the importance of these stakeholder groups himself to the growth of the business, arguing that "most conscious businesses consider either their customers or their team members their most important stakeholder, but whichever one they consider their highest priority, the other is almost always a close second" (Mackey and Sisodia 75). This only makes sense, even for businesses that do not embody any other tenets of Conscious Capitalism. Customers wield an incredible deal of power. Customers decide where to spend their money and have the option of purchasing goods and services elsewhere if they are not satisfied with a business. Mackey and Sisodia discuss this in the context of "rising consciousness," or the idea that individuals are more aware of the impact of their actions. Individuals, therefore, have a "greater commitment to the truth and to acting more responsibly according to what [they] know to be true" (Mackey and Sisodia 29). They act in accordance with their values, which has the ability to significantly dictate behavior and drive spending patterns (Mujtaba and Cavico 58). Consumers are loyal to Whole Foods because they feel a sense of connection to the company's core values and believe that they are making a positive effect in the world (Cheretis and Mujtaba 7).

This is a significant achievement for Whole Foods Market, especially when it is part of a competitive industry and sells products at expensive prices. Research indicates that "consumers with high ethical standards make up a distinct segment in many markets, with a willingness to pay higher prices for ethical products" because the producer or retailer demonstrates values that align with their own (Cheretis and Mujtaba 7). Whole Foods has been successful in seeking out such customers and building loyalty, even increasing revenue during the recession (Cheretis and Mujtaba 11). This ultimately demonstrates the connection between the first and second tenet of Conscious Capitalism. Companies that have a strong purpose and demonstrate commitment to a set of values attract loyal customers, an important stakeholder group. Skeptics may not believe that customers always consider the consequences of their actions and behave in accordance with their values. It is important for businesses to remember that consumers can unprecedented level of transparency in the 21st century due to the World Wide Web, also known as "information egalitarianism" (Mackey and Sisodia 28). Individuals can quickly gain information on the topic of their choice, including the actions of a corporation. It may not even be something that they are searching for, but rather a topic that emerges in the news or a social media feed. This certainly also has the potential to affect their decision making and spending choices. Firms, therefore, must develop genuine customer relationships and attract customers who share the same values, all while staying true to their respective purposes.

iv. *Employees: How Much Autonomy is Too Much?*

Employees are another significant stakeholder group whose importance cannot be overstated. They are a physical representation of the company. Employees control where they want to work, as well as the efficiency and quality of their work, to a significant extent. They can always be fired for their work, for example, if it does not meet the performance guidelines expected by the company. They also, however, have the option of leaving the company and starting a career elsewhere if they do not feel satisfied in their role. There may be other unsatisfied employees who continue to work at a company, but they may not produce efficient and high-quality work if they do not feel stimulated by the work they are doing or if they do not feel like they are treated well by the firm or another related reason. Companies do not want this, especially if there is potential for employees to produce outstanding, high-quality work. Therefore, I believe that firms should attend to the needs of their employees in the same way that they care for their customers, for employee satisfaction can have a significant effect, not only on the operations of a company, but also its reputation.

Firms can do this by considering what motivates employees, as discovered by Daniel Pink. In a highly fascinating book, Daniel Pink suggests that the “carrots and sticks” approach can only go so far in motivating an individual. Companies must start by providing individuals with an adequate baseline compensation. Individuals will not be motivated if they are not compensated fairly. Additionally, Pink also acknowledges that extrinsic motivators can be useful “for routine tasks, which aren’t very interesting and don’t demand much creative thinking” on the part of employees. Research has found that bonuses have resulted in better employee performance when performing rudimentary tasks, such as data entry. Many jobs today, however, consist of unique, challenging tasks, requiring some level of creativity and analytical skills in order to solve business problems. Therefore, Pink suggests that intrinsic factors lead to better employee performance and satisfaction – autonomy, mastery, and purpose. Autonomy means "acting with choice,” or feeling self-directed. It does not synonymous with independence, but rather prevails when employees feel that their opinions matter. Management can encourage this in many ways, from considering issues from the perspective of staff members to providing employees with some level of control over a task or assignment and offering meaningful feedback.

Mastery refers to an employee's ability to get better and better at something that matters for the organization. Companies must provide employees with engaging and challenging tasks, perhaps a "notch or two beyond [an employee's] current abilities" in order for them to feel motivated and ultimately perform efficiently. Finally, Pink suggests that the most motivated employees are those which can "hitch their desires to a cause larger than themselves." These employees have values and beliefs that resonate with those of the firm and therefore, feel a deep sense of connection to the purpose of the organization. Employees experience significant motivation when they have interests that align with those of the firm, as long as the company does not lose sight of its purpose. Therefore, I believe that firms should prioritize the interests of customers and employees because these stakeholder groups not only experience the most impact from company behavior and decision-making, but also wield extensive power in dictating their spending patterns and work ethic, respectively.

Furthermore, while I believe that conscious firms should consider customers and employees their highest priority, I do not think that they should disregard the interests of other stakeholder groups and should at least treat them fairly. Companies often have certain stakeholder groups, whose input cannot be ignored. For example, Patagonia, which will be later discussed in depth, has the following mission statement: "build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis" (Patagonia). Patagonia has been dedicated to producing athletic apparel while minimizing the harm that results from engaging in business activity, such as synthetic microfiber pollution and climate change. Patagonia concerns itself with the impact of business activities on the environment and consequently, considers the environment to be a major stakeholder. This does not mean that Patagonia disregards the interests of other stakeholders. It has clearly defined its mission statement and makes an effort to attract other stakeholder groups, such as customers, employees, investors, and suppliers, who share concerns about the impact of production on the environment. They have aligned interests with various stakeholder groups; however, I believe that the Patagonia consider the environment at the forefront of all major decision making because the purpose of the firm revolves around it. Therefore, I do not believe that conscious firms have to necessarily treat all stakeholders equally. Firms should assess the impact of major decisions on customers and employees first, given their incredible importance to all businesses, but other stakeholder groups should be treated fairly, in accordance with their importance to the company.

Chapter IV: Conscious Leadership, or Can Businesses Exert "Moral" Leadership?

Then, Mackey and Sisodia discuss conscious leadership as the third tenet of Conscious Capitalism, describing it as the most important element of the theory (Mackey and Sisodia 178). Mackey and Sisodia describe conscious leaders as individuals "who possess exceptional moral courage and are able to withstand constant scrutiny and criticism" from others outside the company (Mackey and Sisodia 179). These leaders seek to preserve the company for future generations, meaning that they have a long term vision for the company and will not make decisions that result in temporary benefits, but have the potential to cause long term harm. Mackey and Sisodia compare the historical model of companies to leadership structure of the military. Corporations historically attracted leaders who were motivated to exercise power in the workplace. Employees were expected to be comfortable with and respect the rigid hierarchy of leadership in order to succeed in their positions and eventually have a chance to climb up the corporate ladder.

i. *"Mercenary" vs "Missionary" Leadership*

Mackey and Sisodia also discuss the idea of stock options as a form of compensation for corporate executives. Companies provide this kind of compensation in an effort to "give managers strong incentives to become personally wealthy by increasing the stock price of the company" (Mackey and Sisodia 178). Managers would ideally work harder because a significant part of their salary would be tied to the performance of the company. This form of compensation continues to be popular among executives today, but often results in several challenges. Executives have an incentive to concentrate on the interests of shareholders because the share price has a strong relationship with the value of their stock option. Leaders that have stock options as a part of their compensation may set objectives with short term horizons in an effort to drive the stock price up (and consequently, their compensation); however, as a result of this process, leaders can unintentionally disregard the interests of other stakeholders, which violates the second tenet of Conscious Capitalism. Consequently, Mackey and Sisodia amusingly label such incentives as a component of “mercenary leadership,” which describes leaders who somehow spur companies to exceed performance expectations and increase market value, but can only sustain such performance for a short period of time (Mackey and Sisodia 178).

Therefore, Mackey and Sisodia propose that conscious leaders should be “emotionally and spiritually mature leaders” motivated by the idea of achieving the purpose of the business and serving the interests of stakeholders and not pursuing leadership for the sake of power or monetary compensation (Mackey and Sisodia 179). This does not mean that conscious leaders do not embody traditional, masculine traits. There are certainly times when personality components, such as ambition and competition, can be valuable in pursuing business goals and fulfilling the purpose of the business; however, Mackey and Sisodia suggest that conscious leaders, both male and female, should exemplify traits of “caring, compassion, cooperation, and more right-brain qualities” in their behavior and mindset (Mackey and Sisodia 179). Leaders who demonstrate this blend of masculine and feminine personality traits can be described as “missionary leaders,” according to Mackey and Sisodia.

I am not particularly fond of several of the many of the phrases used to describe conscious leaders in this section, including “missionary leadership.” What does it mean to be a missionary leader? We are never told, at least in meaningful manner. Mackey and Sisodia casually insert this phrase into the text (only to never repeat it again) and seem to regard it as synonymous with conscious leadership. This does not make sense and conflicts with many of the points that the authors have made earlier in the text. For example, Mackey and Sisodia have repeatedly mentioned, rather pragmatically, that "profits are essentially to the long-term survival and flourishing of all businesses" (Mackey and Sisodia 19). Profitability is necessary in order for businesses to perform basic functions, such as make payments for necessary expenses and invest in the research and development of new products, which ultimately allows the company to adapt in an increasingly competitive marketplace. Now, when I think of the word "missionary," I think of an individual who seeks to educate others about a religion in an attempt to convert them. Missionaries also tend to be rather austere and do not overly concern themselves with material needs or desires, such as appearances and wealth, and rather are passionate about their beliefs and practices. This may have been the idea that Mackey and Sisodia were going for, namely that conscious leaders should also be passionate and strongly believe in their respective companies. However, I believe that it is virtually impossible to overlook the religious connotation associated with the word, "missionary leadership." Leaders can be passionate about their respective firms, but at the end of the day, firms must consider profitability and other material needs, in order to ensure survival. Therefore, I struggle to understand what "missionary leadership" exactly means, as well as how it is relevant for conscious leaders.

ii. *The Metrics of Intelligence*

Next, Mackey and Sisodia discuss the types of intelligence necessary for conscious leaders to develop, namely emotional intelligence (EQ), spiritual intelligence (SQ), and systems intelligence (SYQ). These terms were adapted from the research of Harvard professors Robert Kegan and Howard Gardner, who believe that human beings have different types of intelligence, in addition to analytical intelligence (measured by IQ tests). It is important for company leaders to have analytical intelligence in order to evaluate problems and make decisions, but conscious leaders consider the purpose of the organization and the impact of on stakeholder groups in the decision making process, which "analytical intelligence by itself does not equip leaders to handle," at least on its own (Mackey and Sisodia 184). Leaders also develop and enhance their emotional, spiritual, and systems intelligences throughout their lives, whereas analytical intelligence (IQ) does not change much after adulthood, meaning that emotional, spiritual, and systems intelligences may reflect an individual's recent and more relevant experiences.

Individuals with a high emotional intelligence have a strong understanding of themselves, as well as a strong understanding of others – intrapersonal and interpersonal awareness (Mackey and Sisodia 184). They recognize their own thoughts and feelings, but also take into account how others are thinking and feelings. Leaders with high EQ are especially important for conscious firms because they are conscious of the needs of various stakeholder groups and seek to align them towards the purpose of the company. SQ can be defined as the "intelligence with which we access our deepest meanings, values, purposes, and higher motivations" and gives individuals "an innate ability to distinguish right from wrong" (Mackey and Sisodia 185). Leaders with a high level of SQ ensure that their companies are aligned with purposes and have an "uncanny discernment to sense when things are beginning to go off track" (Mackey and Sisodia 185). Finally, SYQ refers to the ability to see the bigger picture for an organization and understand how different aspects of the organization function and change over time (Mackey and Sisodia 186). Individuals with a high level of SYQ can pinpoint the roots of problems, understand the consequences of actions, and design unique, effective solutions to organizational problems instead of "applying symptomatic quick fixes" (Mackey and Sisodia 186). Individuals with especially high SYQ may even be able to prevent problems from occurring by identifying early signs of an issue. Leaders of many organizations have high analytical intelligence, which has been emphasized and appreciated in many corporate cultures, but conscious leaders also demonstrate high emotional intelligence, spiritual intelligence, and systems intelligence.

Additionally, Mackey and Sisodia discuss a whole host of attributes and mindsets that conscious leaders to embody. Conscious leaders seek to make a positive difference in the world in a significant way and should attract individuals to strive towards the same ends, not force them into doing things (Mackey and Sisodia 190). They should also "embed a shared purpose," in the sense that they "constantly engage their colleagues around questions of identity and purpose" (Mackey and Sisodia 190). Leaders, in other words, check in on the engagement levels of employees in an effort to ensure that employees within an organization are working to fulfill its stated purpose. Leaders often face their strongest test when they must make a choice between compelling decision alternatives – a right and a right – where neither of the options is clearly wrong and can be considered right from various perspectives. These decisions may involve a great deal of thought, but at the end of the day, a conscious leader chooses the course of action that is most consistent with the company's purpose and core values and generates the most value for stakeholder groups (Mackey and Sisodia 191).

iii. *Developing Conscious Leadership*

Finally, Mackey and Sisodia discuss ways in which one can develop a conscious leadership style. They start off by emphasizing the importance of following your heart when building a career. Individuals should reflect on their values and passions – things that they care about the most – and find a career or company that embodies these elements. Mackey and

Sisodia acknowledge that this is not easy for most people to do, but offer two ideas to consider in determining whether one is truly following their heart. Individuals should first “enhance their self-awareness so they know when they are truly following their hearts,” and can also recognize “when they’ve lost their way” (Mackey and Sisodia 196). Individuals typically have increased energy and creativity when they are doing what they love and find a sense of joy and purpose to their lives; however, when a person stops following their heart, they will experience the opposite feelings – namely, decreased energy and creativity and a lack of purpose or fulfillment (Mackey and Sisodia 196). It is important, therefore, to be in touch with one’s feelings and emotions on a frequent basis so that one can identify whether he or she is following his or her heart as changes can occur, even in the middle of a career. It is never too late to “reconnect with your heart,” according to Mackey and Sisodia.

Secondly, Mackey and Sisodia consider the importance of dealing with fear. Fear often prevents individuals from following their passion and reaching their full potential. Fear often relates to events that may happen in the future. Individuals, therefore, should “use the energy that fear creates to focus the mind more intently on the present moment – where fear doesn’t exist” (Mackey and Sisodia 197). This can prevent one from thinking about various situations that may happen and instead, considering the ways in which one can connect with his or her higher purpose.

Furthermore, Mackey and Sisodia discuss the ways to develop emotional intelligence (EQ) and systems intelligence (SYQ). Individuals should try to be aware of their emotions, a first step in developing emotional intelligence (Mackey and Sisodia 201). This, then, allows one to understand why such emotions occur in the first place and can prevent impulses and desires from controlling decision making. Mackey and Sisodia also acknowledge the fact that negative emotions are often natural responses to situations, but do not improve life. It is important, therefore, to “be more conscious of [emotions], take responsibility for them, learn from them, and transcend them when appropriate” in order to enhance one’s well-being and that of the company (Mackey and Sisodia 201). Mackey and Sisodia also emphasize the importance of empathy in developing emotional intelligence. Empathy often starts at the family and friends level, but can be displayed towards larger communities and beyond. I believe that this is a meaningful point as it relates to stakeholder integration, the second tenet of conscious capitalism. It is important for leaders to regard multiple stakeholder groups and treat them in a fair manner. This is a challenging task, especially because it requires leaders to balance the interests of various stakeholder groups which have the potential to conflict; however, I think that Mackey and Sisodia correctly state that empathy can be key when trying to align the interests of stakeholder groups and especially important in the rare cases when trade-offs have to be made and difficult conversations held.

In fact, Mackey and Sisodia relate this to the development of systems intelligence by noting that “a good way to develop SYQ in the business context is to practice thinking in terms of the stakeholder system,” as described above (Mackey and Sisodia 203). Leaders should think about how business decisions affect and create value for stakeholder groups. They can reflect on the benefits that stakeholders would receive, as well as the potential harm that may be caused and if that harm results from trade-offs between stakeholder groups (Mackey and Sisodia 203). By developing SYQ, leaders can consider alternate strategies that may avoid the trade-offs, or at least minimize the harm that they cause, especially if the impact on the stakeholder system is considered before any major business decisions are made.

Finally, Mackey and Sisodia discuss the final component of developing a conscious leadership style – by taking care of physical health. There is significant stress associated with being a CEO in a large company and therefore, leaders "need to be physically very healthy to deal with it effectively" (Mackey and Sisodia 210). They start by remarking on the importance of a wholesome diet and recommend "four principles of healthy eating" to future leaders – whole foods, plant-strong foods, nutrient-dense foods, and healthy fats. Individuals who adopt this kind of diet can lose weight to an appropriate level, strengthen their immune systems, and prevent health problems including heart disease and diabetes, which have a high incidence rate in the United States (Mackey and Sisodia 210). They assert that "bodies are capable of healing themselves fairly rapidly once we stop poisoning them and provide them with the health foods that they need" (Mackey and Sisodia 211).

Exercise is another important component of maintaining physical health. Leaders should incorporate this into their schedules even when travelling by using the hotel exercise room or doing yoga in their hotel rooms (Mackey and Sisodia 211). Additionally, Mackey and Sisodia assert that leaders should be aware of the toxins they put in their bodies, including nicotine products, alcohol, and caffeine. Businesspeople often use such products as a way to relax, manage stress, or increase energy, but they are "addicting toxic poisons that systematically undermine health" and should be avoided (Mackey and Sisodia 212). Leaders also often underestimate the importance of sleep, which may help individuals avoid the regular use of nicotine products, alcohol, and caffeine (Mackey and Sisodia 213).

Chapter V: Revisiting Weber: Mackey's "Spirit of Capitalism"

I took issue with many aspects of Mackey and Sisodia's discussion of conscious leadership, specifically with their vague definition of the term, as well as the overall structure of their argument. Mackey and Sisodia include several words and phrases in their discussion that either lack clarification or a logical explanation. This includes phrases such "missionary leadership," as discussed earlier, as well as "spiritual intelligence." Mackey and Sisodia draw on the work of psychologists Kegan and Gardner in their discussion of spiritual intelligence and extend their theory to assert that spiritual intelligence is a component of conscious leadership. Leaders with SQ can "access [their] deepest meanings, values, purposes, and higher motivations," giving them "an innate ability distinguish right from wrong" (Mackey and Sisodia 185). These leaders are somehow able to make sure that the company works towards fulfilling its purpose; however, Mackey and Sisodia do not provide additional insight related to spiritual intelligence and fail to make a clear point.

Spirituality relates to the well-being of the human spirit in contrast with material or physical contentment and often has a religious context. Again, I struggle with the word choice here because spiritual intelligence does not necessarily seem to be enough to ensure the performance of a company and fail to understand how satisfaction with one's spiritual condition directly impacts his or her ability to make successful decisions in a corporate environment. In fact, Mackey and Sisodia assert that leaders with high SQ have the ability to align the organization with its higher purpose, simply by exercising "goodness, truth, beauty, and compassion" in daily actions and results in an "innate ability to distinguish right from wrong" (Mackey and Sisodia 185).

This is another example of a vague choice of words. In fact, Mackey and Sisodia fail to provide ways in which one can seek to develop spiritual intelligence. I found this to be odd, even inconsistent, considering that they include methods to improve emotional and systems intelligence. SQ is rather naïvely accessed by those fortunate enough to have it, despite the fact that it can supposedly be "developed and enhanced all our lives" (Mackey and Sisodia 184). This also seems to contrast with the subsequent statement that spiritual intelligence provides individuals with "an innate ability to distinguish right from wrong" (Mackey and Sisodia 185). How can spiritual intelligence be an "innate ability," yet also something that one develops and enhances throughout life? This goes back to an earlier problem in the text when Mackey and Sisodia present the idea of conscious companies treating stakeholders equally and fairly without acknowledging or providing a solution for potential trade-off situations. They believe in the likelihood of idealistic situations, where the interests of stakeholders conveniently align; in the cases that a conflict exists, the ability to discern right from wrong is supposedly inherent from birth. Ultimately, I argue that Mackey and Sisodia do not clearly explain or develop the idea of spiritual intelligence for it to be considered a requirement for conscious leadership and ultimately, necessary for a firm to be conscious.

There are also issues with the way that Mackey and Sisodia present some of the other characteristics of conscious leadership. They discuss some of the qualities that conscious leaders should seek to hold, such making a positive difference in the world, embedding a shared purpose, and making tough moral choices, but do not organize these mindsets in a systematic or thoughtful manner and instead, present them together in a random and meaningless order. Mackey and Sisodia do this several times in this section of *Conscious Capitalism*, selecting reasonable, but unrelated ideas and discussing them together without establishing the connection between the concepts (with the exception of the discussion of various types of intelligence).

Many of these ideas, themselves, make sense by themselves and connect to the previous tenets of Conscious Capitalism, namely a higher purpose and stakeholder integration. For example, Mackey and Sisodia discuss the idea of "embed[ding] a shared purpose" in which leaders "constantly engage their colleagues around questions of identity and purpose" (Mackey and Sisodia 190). By checking in on the engagement levels of employees, leaders not only demonstrate their commitment to employees, a valuable stakeholder group, but also seek to ensure the company continues to actively work towards fulfilling its higher purpose. However, Mackey and Sisodia fail to organize these ideas in a systematic manner, making it difficult for readers to understand how the ideas collectively lead to the development of conscious leadership.

Finally, I struggled with determining how maintaining one's physical health relates to the development of a conscious leadership style. Conscious leaders are "primarily motivated by service to the purpose of the business and its stakeholders, and not by the pursuit of power or personal enrichment" (Mackey and Sisodia 179). In fact, Mackey and Sisodia dedicate a bulk of their discussion on the emotional maturity of conscious leaders, which allows them to align the interests of various stakeholder groups and work towards the higher purpose of the company. It is, therefore, hard to determine exactly how eating a wholesome diet and exercising regularly will affect whether an individual has a conscious leadership style. This does not mean that leaders should not pay attention to their physical health. In fact, I think that everyone, regardless of their position at a company or organization, should take care of their physical well-being; however, many of the suggestions that Mackey and Sisodia provide are too optimistic for leaders to adopt, especially when such choices do not directly impact one’s ability to serve as a conscious leader.

Chapter VI: The Role of Management in Developing a Conscious Culture

Finally, Mackey and Sisodia present the final tenet of Conscious Capitalism, which consists of two components – conscious culture and conscious management – which are discussed separately. They mention that the development of a conscious culture helps firms in achieving their higher purpose and managing the interests of various stakeholder groups. Employees view many companies as a "great place to work," but often only because employees are "pampered" (Mackey and Sisodia 218). This may not necessarily be a bad thing, as employees serve as an incredibly important stakeholder group; however, Mackey and Sisodia assert that a conscious culture goes beyond a "great place to work" because it "imbues the work with a deeper sense of meaning" (Mackey and Sisodia 218). Companies that have a conscious culture strive towards the achievement of a higher purpose and seek to align the interests of stakeholders, fulfilling the first two tenets of Conscious Capitalism.

There are seven key characteristics of conscious cultures, which can easily be remembered by the acronym, TACTILE. This term, TACTILE, carries some meaning, as "conscious cultures are so strong that they have a tangible, almost physical presence" (Mackey and Sisodia 218). TACTILE is broken down into the following characteristics below:

T – Trust

A – Accountability

C – Caring

T – Transparency

I – Integrity

L – Loyalty

E – Egalitarianism

i. *Characteristics of Conscious Cultures*

Trust is the first characteristic of a conscious business, which exists “both vertically (between the leadership and frontline team members) and horizontally (within the leadership team as well as within and across teams at all levels)” in the company (Mackey and Sisodia 219). There is also a high level of trust between a company and other stakeholder groups, including customers, suppliers, investors, and others, as this aligns the interests of stakeholders. Accountability is also an important characteristic in conscious cultures. Employees fulfill their commitments in an effort to drive the company towards its higher purpose and serve customers. There is also a deep regard for caring in conscious cultures, which are “marked by genuine heartfelt love and care for all stakeholders” (Mackey and Sisodia 219). Individuals tend to be thoughtful and considerate and exhibiting this level of care tends to ease the management of stakeholder interests.

Transparency is also a key component of conscious cultures. Companies should not have to intentionally hide information from stakeholders and the general public. This characteristic also relates back to “information egalitarianism,” which is the idea that people have an unprecedented ability to gain information on any topic of their choices (Mackey and Sisodia 27). It is futile to try to purposely hide information from the public, as “information of genuine significance soon becomes known,” in spite of attempts to hide it (Mackey and Sisodia 219). There is also an emphasis of behaving with integrity in conscious cultures. They have a high regard for “truth-telling and fair dealing,” which goes hand in hand with transparency. (Mackey and Sisodia 219). Loyalty is another important attribute in conscious businesses. Stakeholders are loyal, both to the firm and each other. This results from believing in a higher purpose for the company and being treated fairly by the firm. They are also “more patient and understanding with each other when short-term blips or unusual situations occur," which seems to indirectly acknowledge instances where trade-offs have to be made (Mackey and Sisodia 220). Egalitarianism is the final characteristic that conscious firms embody and refers to the relationship between leaders and employees in the firm. Leaders treat all employees with respect and dignity, follow the same standards and employees, and do not enjoy special privileges because of rank. Leaders also seek the input of employees, especially when major decisions about the company are made, and often adopt an open-door policy in an effort to communicate with employees in a relaxed manner (Mackey and Sisodia 220).

ii. *Managing Consciously*

Next, Mackey and Sisodia discuss conscious management, the final component of the Conscious Capitalism theory. They explain that conscious culture and conscious management are related in the sense that conscious management should not only seek to embody characteristics of conscious culture, but also should promote and incorporate them in organizational practices (Mackey and Sisodia 235). Management, in the traditional sense, consists of roles such as organizing, planning, and directing resources in an effort to achieve organizational goals. Workers, then, simply fulfill the tasks required by management. Mackey and Sisodia, drawing upon the work of Dan Pink, state that this kind of management style only works when workers perform basic, routine tasks. Humans typically require some form of motivation; therefore, in settings in which workers complete mundane tasks, management can motivate employees using "carrots and sticks," or extrinsic motivators. These kinds of jobs have become increasingly rare due to the automation of many functions and therefore, another kind of motivation is needed for employees that perform jobs requiring creativity and thought (Mackey and Sisodia 236).

Dan Pink contends that intrinsic motivation, or the "joy of work for its own sake," must be the factor that not only inspires employees to complete their jobs, but also results in long-term performance improvement (Pink). Managers, therefore, should "create, sustain, and strengthen the conditions whereby team members operate primarily from intrinsic motivation" (Mackey and Sisodia 236). One of the first ways to facilitate intrinsic motivation is by spending time in the hiring process in an effort to find candidates who share similar values with the company and therefore, are a good fit with the organization. Companies can also find meaningful and relevant work for their employees to complete. Managers should, therefore delegate tasks to employees so that they can utilize their respective strengths and skills and ultimately help the firm fulfill its purpose (Mackey and Sisodia 237).

iii. *Decentralization*

Finally, Mackey and Sisodia discuss the four key elements of conscious management, including decentralization, empowerment, innovation, and collaboration. Decentralization refers to allocating power and decision making authority to more employees compared to a centralized management structure, where this privilege is only given to a small group of individuals in the company. Decentralization has many benefits, as it "empowers the team members who interact with customers and have a good understanding of their needs" (Mackey and Sisodia 238). Companies can use these insights to make strategic decisions about product offerings that are consistent with customer preferences. It may also motivate employees to work harder, knowing that they are able to serve and make decisions for the customer. There are some ways to ensure order, even when organizations are decentralized.

For example, Whole Foods Market "has 329 stores divided into twelve distinct geographic regions" all around the world (Mackey and Sisodia 238). However, at the end of the day, Whole Foods "locates decision making at the lowest possible level unless there is truly compelling evidence the organization would be better off making decisions at a higher level" (Mackey and Sisodia 239). Decisions that impact global operations and the company as a whole are made at the global support office, while regional teams and individual stores have a great deal of authority to make decisions that specifically affect the region or the store, respectively (Mackey and Sisodia 239). This is not described in depth, but Whole Foods Market attempts to disperse decision making authority because it results in innovation and empowers employees, serving as a perfect segue into the next element of conscious management – empowerment.

iv. *Empowerment*

Empowerment means "giving people the authority to make decisions that affect how they do their work" and is very closely related to decentralization (Mackey and Sisodia 240). Employees should have a certain amount of freedom when it comes to completing work or performing research and ultimately results in a sense of comfort in their work environments, as well as an ability to experiment and try out new ideas. Companies should "trust the members to act intelligently and thoughtfully in service of the firm's overarching purpose and its stakeholders" and ultimately results in a virtuous cycle (Mackey and Sisodia 24). Employees feel better connected to the firm's higher purpose and stakeholders when they exercise a certain degree of freedom in their daily activities and are able to make decisions. This, hopefully, results in better employee performance, which impacts the well-being of the firm and its ability to achieve its higher purpose.

Empowerment also “encourages creativity and innovation and accelerates the evolution of the organization” to achieve its higher purpose and meet customer needs (Mackey and Sisodia 241). It is incredibly important to empower employees, as they usually have far more detailed insights into various company functions that leadership lacks, and for good reason. Leadership makes significant decisions that are “big-picture,” meaning that they affect the company or significant divisions of it in the long term. Employees, however, are responsible for performing a very specific role in the company, which ideally results in a detailed understanding of the function and the ability to make informed decisions in that area. They may even have insights on how to make their performance more efficient or streamlined, but it certainly helps if are able to make that decision for themselves. Therefore, it makes sense that by giving employees a certain amount of authority to make decisions affecting their particular functions results in better performance on specific tasks and ultimately, benefit for the company as a whole.

v. *Innovation*

Innovation, too, is another important element of conscious management. This is something that conscious management seeks to be aware of because “no innovation bestows permanent advantage” (Mackey and Sisodia 245). Products can go in and out of use quickly, depending on the industry that a company is part of. Whole Foods Market is not a particularly innovative industry, as companies in food retailing typically tend to be concerned with efficiency and cost-cutting; however, Mackey notes that the fact that Whole Foods seeks to be creative and innovative in this industry is the strongest competitive advantage that the company has over others. It does this by fostering an environment in which all team members have the ability to innovate, an ability that is not simply in the hands of the R&D team. Mackey and Sisodia advise that all team members "should be enabled, empowered, and challenged to unleash their entrepreneurial energy and their creativity to help improve their team, store, and company" (Mackey and Sisodia 246).

It is often difficult to balance a company's needs for stability and control against entrepreneurship. Companies, especially in the 21st century, often take off due to their ability to generate new ideas, but struggle to maintain the spirit of entrepreneurship as they grow larger in size and have to implement rules and controls in place. It is, however, possible to facilitate an innovative environment without relying exclusively on R&D or an external group. Companies can encourage their own employees, at any level, to contribute their insight and develop new ideas in order to maintain an innovative environment (Mackey and Sisodia 247). This can be done individually, as well as in group settings, and leads to the final element of conscious management.

vi. *Collaboration*

Collaboration "enables successful ideas and innovations to be shared and spread rapidly throughout the organization" (Mackey and Sisodia 247). Innovation is certainly valuable, as previously mentioned, but collaboration allows for individuals to recognize the untapped potential in the ideas of others, as well as to expand on and enhance them. Technologies today also allow for ideas to be quickly implemented throughout an organization, which ultimately benefits the entire firm. Mackey discusses the rapid spread of taprooms and bars in Whole Foods stores after the Northern California region implemented a bar concept in a new store (Mackey and Sisodia 247). Executives were hesitant to add this new concept to the store, but it turned out that customers loved the Tap Room because they consider Whole Foods to be a "third place," a place to hang out besides home or work (Mackey and Sisodia 248). Other stores began to open up Tap Rooms within a matter of months due to the convenience of technology and the ability to share the projects plans and results so quickly. Mackey notes that over seventy-five Tap Rooms opened in stores within two years due to the spirit of innovation and the subsequent ability to make such decisions without global directives in the company (Mackey and Sisodia 248). It was also a result of the collaboration amongst stores and their ability to work together that ultimately made this initiative a significant part of store operations.

Chapter VII: Does Conscious Culture and Management Work?

Mackey and Sisodia's discussion of conscious culture and management is relatively short and easy to follow for readers. They organize the discussion of the two sub-tenets in a systematic manner, unlike the somewhat random arrangement of ideas in the conscious leadership tenet. They start by providing an overview of each, and then considering the characteristics or elements of each sub-tenet; however, I found the analysis to be almost too easy to follow and in many places, naïve and underdeveloped.

For example, Mackey and Sisodia discuss the seven characteristics of conscious cultures which can be easily remembered using the acronym, TACTILE. Firstly, I find it rather too elementary to simply put together an acronym for businesses to easily remember the qualities of conscious cultures. While I do not mean to suggest that the characteristics were arbitrarily chosen in order to form an acronym, Mackey and Sisodia offer no method for businesses to objectively verify whether they embody the qualities of conscious cultures. They briefly provide generic suggestions and examples of each of those characteristics and often only elaborate by using the experiences of Whole Foods Market, which are certainly interesting, but not necessarily relevant for all firms that seek to follow Conscious Capitalism.

For example, in their discussion of conscious management, Mackey and Sisodia describe the Tap Room, a bar concept that started in Whole Foods store, but quickly became improved upon and implemented in stores across the country – one of the benefits of collaboration; however, they do not elaborate with examples that are relevant for other industries. There are sometimes no examples provided at all. Mackey and Sisodia consider the importance of innovation at great length and emphasize how Whole Foods Market is innovative and creative company by "encouraging internal entrepreneurs, recognizing them, giving them opportunities to implement their ideas, rewarding them for successes," but never completely describing their initiatives in length (Mackey and Sisodia 247). I certainly felt very skeptical after reading this section, unsure of the methods used by Whole Foods to spur innovation in the company. Furthermore, I think this actually would have been a relevant opportunity to bring in an example from Whole Foods, as the methods by which it encourages, recognizes, and even rewards innovators may be transferable to other companies.

Chapter VIII: How Conscious Capitalism is Conveniently Conscious

Academics have mixed responses to the Conscious Capitalism theory. Danai Cheretis and Bahaudin Mujtaba discuss many of the advantages of the Conscious Capitalism model, such as the receptiveness of conscious firms to feedback from stakeholder groups and their ability to make changes in order to keep up with market trends (Cheretis and Mujtaba 7). Whole Foods seeks input from employees and customers and has demonstrated a willingness to make changes based on suggestions received. They also acknowledge that people now "tend to care about many things and are generally better informed, better educated, and better connected than in the past," an idea shared by Mackey and Sisodia in the term "rising consciousness" (Cheretis and Mujtaba 7, Mackey and Sisodia 29). It makes sense, therefore, that employees and customers who share the same values as those of Whole Foods are attracted to working at or purchasing from the company, respectively. Whole Foods has also demonstrated a long-term commitment towards its purpose and values, which has resulted in tremendous loyalty from customers. This is significant, as Whole Foods sells higher quality products – which consequently come with premium prices. Globalization requires businesses to stand out in unique ways and acting in a socially responsible, conscious manner can help businesses retain customers in the long term (Cheretis and Mujtaba 7).

There are, however, criticisms of the approach too. Companies that choose to be conscious may experience a "short term potential loss of profits" and therefore, in order for the approach to work, "companies must focus on being ethical, not profitable" (Cheretis and Mujtaba 8). This sentence truly encapsulates a significant challenge that is associated with adopting Conscious Capitalism – a willingness to forgo profit maximization in the short-term in the hope of increased benefits in the long run. This is a mindset that most businesses simply don't have. Firms that seek to be conscious will probably "compensate employees with above-average wages, supply customers with organic food, avoid cheap outsourced labor" and incur countless other costs greater than those sustained by a traditional business (Cheretis and Mujtaba 9). This is not something that management can easily support, especially if the business is starting up and focused on making it through the next quarter – in other words, interested in short-term profits.

It is also difficult to sustain conscious capitalism or really any kind of specific business model, over the long run due to changes in company leadership, competitive pressures, and even accidents due to a lack of attention to quality control. For example, James O'Toole and David Vogel cite the example of Johnson & Johnson in their critique of the theory. In the 1940's, Johnson & Johnson was famous for its credo, which was that its primary responsibility was to "the doctors, nurses and patients, the mothers, and all others who use our products" (London 10). Shareholders, notably, were not considered Johnson & Johnson's first priority. In 1982, Johnson & Johnson experienced a major scandal when a "psychopath placed poison cyanide in packages of the company's most successful consumer product, Tylenol, leading to the deaths of seven people" (London 10). Johnson & Johnson took immediate action, recalling all Tylenol packages and even offering customers full refunds for purchased product. While Johnson & Johnson suffered a major financial hit from the incident, estimated at more than $100 million dollars, it minimized the reputational damage and regained most of its mark share in the year following the crisis (London 10). Johnson & Johnson not only acted decisively, but also clearly demonstrated its commitment to the interests of customers over shareholders – an action that has served the company well in the long run. It is difficult, however, to think of more companies that have or would have maintained their commitment to the tenets of conscious capitalism in the face of a major crisis.

Academics also expressed skepticism about stakeholder management, or the commitment of conscious firms to treat all stakeholders equally and fairly. It is a laudable goal and certainly brings attention to the fact that the best business decisions benefit multiple stakeholders. It is, however, very difficult to put into practice because not all business decisions can benefit multiple stakeholders. It is critical to satisfy investor expectations at publicly traded corporations because of the attention that stock price movements receive, not only the investment community, but also in the eyes of the general public. Managers sometimes “have no choice but to put the interests of the shareholders first” because they own the company (O’Toole and Vogel 67).

Mackey and Sisodia also fail to acknowledge the fact that “the interests of many stakeholders can, and often do, compete or diverge,” even in the most conscious businesses (Rauch 93). Businesses, therefore, need to identify and focus their attention on certain key stakeholder groups, as “not all stakeholders have the same demand upon, or even value to the business” (Rauch 94). I believe that businesses should prioritize the interests of customers and employees in decision-making, as these stakeholder groups are most involved with the day-to-day operations of the business; however, I also believe that business should, at minimum, treat all stakeholder groups fairly in order to align them with the higher purpose of the organization.

Finally, Conscious Capitalism is not the only successful business model in recent times. In fact, “the problem is not that Conscious Capitalism isn’t a viable business model,” but rather that “it is not the only viable business model” (O’Toole and Vogel 66). There are many companies that have been successful without practicing Conscious Capitalism, including Apple, E-Bay, and Microsoft (O’Toole and Vogel 66). In his piece titled “The Long History of

Conscious Capitalism," Kirk O. Hanson lists out groups of companies that will be seen in the future. This consists of "an active CSR subculture in niche markets where CSR is rewarded, a large group of ethically clueless companies, a large bottom feeder class of companies, a group of temporarily responsible companies led by enlightened CEOs, and a group of very large and responsible companies still dominated by a founder or a founding family" (Hanson 80). Hanson acknowledges that a "bottom feeder class of companies" typically seeks to "increase their profits by pushing minimum legal standards" and not behaving like conscious firms (Hanson 80). There are, however, many kinds of business models that enable companies to succeed, so it is not reasonable to expect all businesses to prescribe to the Conscious Capitalism model.

Overall, I found *Conscious Capitalism* to be a unique and worthwhile read. Mackey and Sisodia bring attention to many ideas that firms either fail to take into consideration or lose sight of in the long-run. "Many businesses over time become so preoccupied with surviving, growing, reacting to marketplace changes, or just making money" and as a result, forget their higher purpose (Mackey and Sisodia 65). Firms can certainly evolve in their higher purpose over time; Mackey and Sisodia do not dispute this idea. It is important, however, to rediscover and articulate the new purpose of the firm in order for stakeholders to have the same understanding of the firm and future decisions. Furthermore, Mackey and Sisodia bring attention to the idea of stakeholder management and integration. Mackey and Sisodia argue that conscious firms should treat all stakeholders equally and fairly (Mackey and Sisodia 72, O'Toole and Vogel 67). This certainly sets the bar high, almost unrealistically high, but also emphasizes the importance of making decisions that benefit multiple stakeholder groups in order to generate the most value. Businesses can also align the interests of stakeholders around a common goal – ideally the higher purpose of the firm – in order to prevent as many trade-offs as possible (Mackey and Sisodia 70).

There are, however, other times when Mackey and Sisodia make unsubstantiated or naïve claims, especially in the context of discussing the last two tenets, Conscious Leadership and Conscious Management and Culture. There is a discussion on spiritual intelligence, one of the types of intelligence recommended for leaders of conscious firms to demonstrate; however, Mackey and Sisodia not only fail to impart a clear definition of spiritual intelligence, but also do not provide strategies for leaders to develop their spiritual intelligence. This omission implies that Mackey and Sisodia may not know what it means to be spiritually intelligent. Additionally, Mackey and Sisodia emphasize the importance of eating a wholesome diet and prescribe the four principles of healthy eating for leaders of conscious firms – whole foods, plant strong foods, nutrient dense foods, and healthy fats (Mackey and Sisodia 210). Leaders should also incorporate contemplative practices, such as yoga and meditation, into their daily lives (Mackey and Sisodia 212). Cultures, too, should emphasize very specific characteristics, including love and care, the "strongest of all human traits" (Mackey and Sisodia 225). Organizations should, thus, allow love and care to be expressed more openly and celebrated (Mackey and Sisodia 227). These are only some of the examples of naïve claims made by Mackey and Sisodia and demonstrate an overall disregard for the preferences of others in making rather personal decisions, as well as a dependence on Whole Foods Market as the only company that can truly embody Conscious Capitalism.

First, I think that it is not realistic to expect conscious leaders to follow a prescribed diet and adopt specific contemplative practices, simply on the recommendation of John Mackey and Raj Sisodia. Conscious Capitalism would no longer be a business model, but rather a lifestyle choice for individuals to adopt. Organizations also vary in their specific cultures. Many of the characteristics described in the TACTILE acronym make sense for conscious businesses to incorporate in their company cultures, such as trust and accountability, but others vary from company to company, including love and egalitarianism. Ultimately, Conscious Capitalism is far too conveniently suited for John Mackey's own company, Whole Foods Market, and cannot be completely embodied by other companies because many of the requirements are based on the culture and leaders of one specific company.

Thus, I titled my thesis, *Conveniently Conscious*, because a significant part of Conscious Capitalism, particularly in the last two tenets, depends on the adoption of Mackey's personal life philosophy and not objective criteria. However, I do not completely disregard the theory, as Conscious Capitalism makes several important points, specifically about the importance of articulating a higher purpose and attending to the interests of all stakeholder groups. These are ideas that can be implemented across companies in many different industries and thus, can have some variability from company to company, but must also follow a set of objective criteria outlined in the business model. From this point, I will conduct a case study analysis of several companies to determine whether they embody the requirements of Conscious Capitalism as stated in the first two, relevant tenets of the model that I can measure, objectively. I will consider several companies mentioned by Mackey and Sisodia, including Whole Foods Market (after the acquisition by Amazon) and Patagonia, in an effort to demonstrate how companies can either completely disregard or religiously abide by the tenets of Conscious Capitalism.

Chapter IX: Case Study: Whole Foods Market & Amazon

On June 16, 2017, Amazon announced that it would acquire Whole Foods Market for a whopping $13.7 billion, the retailer's largest acquisition to date. Individuals were certainly surprised by this news, as Amazon was (and continues to be) best known for dominating the e-commerce market, whereas Whole Foods Market primarily sold groceries and had strong brick and mortar presence. Nonetheless, Amazon had many motivations for completing the acquisition, including expanding its food delivery service, using Whole Foods Market as a distribution hub, and penetrating the "affluent yuppie market" (Thompson, "Why Amazon Bought Whole Foods").

Amazon understands that "customer convenience" has driven a significant part of its growth as a e-tailer (Thompson, "Why Amazon Bought Whole Foods"). Individuals are living increasingly busy lives and therefore, simply do not have time to buy groceries or "don't want to leave the couch to buy stuff," hence the growth in both in e-commerce, as well as food-delivery businesses (Thompson, "Why Amazon Bought Whole Foods"). Prior to the acquisition, Amazon already had its own grocery and food delivery services, AmazonFresh and Amazon Restaraunts, respectively; however, by acquiring Whole Foods Market, Amazon can expand these services by offering delivery on basically all the items offered in Whole Foods Market store without a customer having to step in a store. It even has the ability to offer deals and promotions to new and existing members because it owns the company from which final products are sourced.

Next, Amazon can use Whole Foods Market locations as distribution hubs (Thompson, "Why Amazon Bought Whole Foods"). Amazon has other distribution centers located throughout the country, but these are not necessarily on the best real estate – and for good reasons. Customers do not frequent distribution centers, but simply receive their purchases in the mail. This has certainly saved Amazon a significant amount of money in the past, but has raised some challenges as it seeks to grow in the food and grocery delivery business. Thus, Amazon will now gain access to prime real estate, as Whole Foods Market stores are typically located in urban and suburban areas. Analysts have mentioned that the physical retails locations are "so valuable for Amazon's delivery business that the deal could be worth it even if the grocer all but stopped selling food" because it will be significantly closer to its targeted demographic – specifically, customers who do not have the time or energy to buy their own groceries and meals because of their busy schedules (Thompson, "Why Amazon Bought Whole Foods").

Finally, Amazon hopes to gain increased e-commerce business from Whole Foods Market customers. Customers of Whole Foods Market are known to be affluent individuals or families, who "regularly spend $500 a month" on groceries and other products at Whole Foods stores (Thompson, "Why Amazon Bought Whole Foods"). Amazon, therefore, has "high margin upsells opportunities" with this acquisition because many customers at Whole Foods are already Amazon Prime members (Petro, Amazon's Acquisition of Whole Foods Is About Two Things: Data and Product). Data suggests that "more than half of American households with income over $100,000 are already Prime subscribers, and they spend more than $1,000 a year" on purchases from Amazon (Thompson, "Why Amazon Bought Whole Foods"). Amazon knows that many Whole Foods Market customers are not very price-sensitive and thus, hopes to become their primary retailer for all purchases. Furthermore, Amazon can even grow its customer base by urging Whole Foods customers to sign up for Prime by offering deals and promotions at Whole Foods, thus growing its "penetration of the affluent yuppie market," one that has proven to be loyal to Whole Foods Market – and hopefully, by extension, to Amazon (Thompson, "Why Amazon Bought Whole Foods"). Additionally, Amazon has a significant amount of data from its customers – from every purchase to every click made when browsing the Amazon website. Thus, by acquiring Whole Foods Market, Amazon will be able to use data about individual customer buying habits and patterns in order to personalize grocery shopping. Amazon will "present you with the offer to buy more at precisely the right time," based on previous purchases made (Petro, Amazon's Acquisition of Whole Foods Is About Two Things: Data and Product). In other words, Amazon knows exactly when you need a new box of cereal and a carton of milk because it has access to your purchase history. These combined factors made Whole Foods Market a perfect target for an acquisition, at least according to Amazon.

It is important, however, to analyze why Whole Foods Market agreed to the acquisition offer. It initially seems like a mutually beneficial arrangement – an opportunity for Whole Foods to get ahead of the customer shift towards e-commerce, as well as a chance for Amazon to grow its food delivery service by gaining prime real estate and access to generally price-insensitive customers. What I struggled to understand, even before I began writing my thesis, was what the new corporate culture would look like, given how different the two companies are. *Conscious Capitalism* is significantly based on the choices and experiences of Whole Foods Market, which led me to conclude earlier that Whole Foods is the only company that can truly embody Conscious Capitalism. Therefore, I think that it is only natural to evaluate the effects of the acquisition on the business model that Whole Foods Market proudly claims to champion.

Whole Foods Market, as discussed previously, aspires to "teach people that what they put into their bodies makes a difference, not only to their health and to that of the people who supply the food, but also to the health of the planet as a whole" (Mackey and Sisodia 48). It has clearly defined its higher purpose very clearly, as required of conscious firms, but also identifies some key stakeholder groups that the company focuses on – customers and the environment. While I was able to identify the higher purpose in my copy of *Conscious Capitalism*, I also found it to be very easy to find and transparent on the company website. There is a dedicated section on the Whole Foods Market website to learn more about the company background, as well as information about and for company stakeholders. However, I found it more difficult to locate such information on Amazon. In fact, I was only able to find the mission statement of the company after visiting the "Careers" link as an interested applicant. Amazon states that its mission statement since 1995 has been "to be Earth's most customer-centric company, where customers can find and discover anything they might want to buy online, and endeavors to offer its customers the lowest possible prices" (Amazon).

There are two major takeaways from considering and comparing the mission statements of the two companies. First, Amazon does not seem to be very concerned about articulating its mission statement or sharing it publicly. This is an important point to note because Mackey and Sisodia specifically warn about the consequences of failing to identify one's higher purpose. "Purpose is something we can never take for granted; the moment we do, it starts to be forgotten and soon disappears. It has to be at the forefront of consciousness" at all times in order to make effective decisions that truly benefit the company (Mackey and Sisodia 49). Furthermore, Amazon and Whole Foods Market significantly differ in their higher purposes. Whole Foods Market is concerned with providing natural and organic foods to customers in order to educate them on the effects of diet on their physical well-being, as well as the benefits for the planet. This is reflected in the carefully curated product selection at Whole Foods Market. Cost is not a relevant factor. Amazon, on the other hand, has a very different focus. Amazon seeks to provide customers with anything and everything they want and attempts to offer lower prices than competitors. Thus, Amazon is not concerned with curating a product mix that is in line with its mission statement; Amazon, rather, seeks to offer as many products as possible, at the lowest prices, to customers. Ultimately, Whole Foods Market and Amazon have very different higher purposes and reconciling them poses a significant challenge.

Furthermore, Whole Foods Market and Amazon have a different outlook on stakeholder management. Whole Foods Market, a firm that truly embodies Conscious Capitalism, takes a holistic approach by seeking to align stakeholders around the higher purpose of the firm. Mackey and Sisodia emphasize the importance of customers and employees, stating that “most conscious businesses consider either their customers or their team members their most important stakeholder, but whichever one they consider their highest priority, the other is almost always a close second” (Mackey and Sisodia 75). Moreover, Whole Foods Market, in addition to other conscious firms, tries to maximize the benefits to all stakeholders when making important company decisions in an effort to treat all stakeholders fairly.

Amazon, however, has approaches stakeholder management in a different manner. In his annual letter to shareholders, Jeff Bezos, CEO of Amazon, announced that Amazon has over 100M members enrolled in its Prime membership program (Hufford and Wells, “Amazon Prime Has More Than 100 Million Members”). This figure does not provide any information about the quality of service that Amazon renders, but provides insight into the immense popularity that Amazon Prime has gained over the past few years. Customers, thus, must be enrolling in the annual membership program if Amazon creates some kind of value for them – whether it be the convenience of two-day shipping, the vast production selection, or the quality of customer service that Amazon provides. Amazon, however, does not prioritize the interests of its employees in the same manner. In their 2015 piece, “Inside Amazon: Wrestling Big Ideas in a

Bruising Workplace," authors Jodi Kantor and David Streitfeld exposed the disturbing treatment of employees that has become a standard aspect of Amazon's culture.

Workers at Amazon "are encouraged to tear apart one another's ideas in meetings, toil long and late (emails arrive past midnight, followed by text messages asking why they were not answered), and held to standards that the company boasts are unreasonably high" compared to those of other companies (Kantor and Streitfeld, "Inside Amazon: Wrestling Big Ideas in a Bruising Workplace"). Much of this can be attributed to Jeff Bezos, founder and CEO of Amazon, who has played a major role in developing the company culture by instituting Leadership Principles, which dictate the way that employees at Amazon behave (Kantor and Streitfeld, "Inside Amazon: Wrestling Big Ideas in a Bruising Workplace"). Employees at Amazon take the Leadership Principles seriously and implement them in their daily language and behavior, even in their lives outside of work (Kantor and Streitfeld, "Inside Amazon: Wrestling Big Ideas in a Bruising Workplace"). Many of the Leadership Principles actually help the company achieve its higher purpose. Amazon strives to be a place "where customers can find and discover anything they might want to buy online" and "customer obsession," one of the Leadership Principles, encourages employees to satisfy customers on a daily basis.

There are, however, other Leadership Principles that can be problematic, such as "Have Backbone: Disagree and Commit." Bezos believes that harmony in the workplace "can stifle honest critique and encourage polite praise for flawed ideas" (Kantor and Streitfeld, "Inside Amazon: Wrestling Big Ideas in a Bruising Workplace"). Employees, therefore, offer blunt and critical feedback to each other, especially before decisions are made at the firm (Kantor and Streitfeld, "Inside Amazon: Wrestling Big Ideas in a Bruising Workplace"). There are some that justify the culture that Amazon fosters, arguing that Amazon "is a company that strives to do really big, innovative, groundbreaking things, and those things aren't easy" to accomplish (Kantor and Streitfeld, "Inside Amazon: Wrestling Big Ideas in a Bruising Workplace"). However, Kantor and Streitfeld found that most employees expressed a negative reaction to the company culture. They acknowledged that the culture "stoked their willingness to erode work-life boundaries, castigate themselves for shortcomings, and try to impress a company that can often feel like an insatiable taskmaster" at times (Kantor and Streitfeld, "Inside Amazon: Wrestling Big Ideas in a Bruising Workplace").

Amazon and Jeff Bezos quickly responded after the article was published and expressed frustration regarding the claims made in the original article by Jodi Kantor and David Streitfeld. In fact, Bezos stated that he didn't think that "any company adopting the approach portrayed could survive, much less thrive, in today's highly competitive tech hiring market" (Kantor and Streitfeld, "Jeff Bezos and Amazon Employees Join Debate Over Its Culture). Employees, both former and current, also joined the debate. Some rose to the defense of Amazon, claiming that they had a "highly demanding, but humane" experience when working at the firm and understood the challenges of working at Amazon before signing up (Kantor and Streitfeld, "Jeff Bezos and Amazon Employees Join Debate Over Its Culture). There were many other employees who confirmed the claims made in the article regarding the demanding culture at Amazon and aggressive treatment of employees.

Amazon has emerged as a very successful company in the past few years, but it certainly does not practice Conscious Capitalism – a fact made clear by its treatment of employees. There are enough voices who have spoken up to confirm that Amazon has a cutthroat company culture. Employees are expected to overcommit to their professional lives in order to meet "unreasonably high" expectations. Amazon may be committed to satisfying customers, but it fails to prioritize the interests of employees – a key component of Conscious Capitalism. Amazon may clearly define its higher purpose, but cannot be considered a conscious firm because it does not seriously regard the interests and well-being of its employees, a major stakeholder group.

Ultimately, I am curious why Whole Foods agreed to the acquisition, given that John Mackey started the Conscious Capitalism movement and continues to be highly involved at Whole Foods Market as the CEO. In his book, Mackey presents Conscious Capitalism as an epitome, superior to all other business models; however, at the end of the day, Mackey betrays his own ideal to join a business that could not be more different than his own. I think this indicates the fact that businesses evolve, based on the changing preferences of customers. Consumers, today, demand convenience over all things, and Amazon has made the most of that opportunity by offering a vast selection of products and making them available in a short window of time. Whole Foods Market offers a unique product selection, but is still considered to be a traditional, brick and mortar retailer and had to take action to keep up with an increasingly technology-driven world.

Regardless, I do not think this reduces the challenges associated with integrating two vastly different cultures in an acquisition. There are already signs that indicate that the transition has been difficult. Reports indicate that "more than a dozen executives and senior managers have left since Amazon acquired Whole Foods last year" including leaders across many divisions from bakery to local foods (Haddon and Stevens, "Whole Foods Is Losing Executives Under New Owner Amazon). Managers at Whole Foods claim that "Amazon hasn't explained the specifics of its plans to integrate the grocer into the business," while expressing concern about reporting to younger executives at Amazon (Haddon and Stevens, "Whole Foods Is Losing Executives Under New Owner Amazon). Acquisitions often fail because the differences in company culture between the acquirer and the target cannot be reconciled and even the slightest thought that Amazon has not given adequate attention to the integration justifies concern that employees at Whole Foods are experiencing. Many executives at Whole Foods claim that "Amazon can help the grocer make technology improvements," which may explain why Whole Foods accepted the acquisition offer (Haddon and Stevens, "Whole Foods Is Losing Executives Under New Owner Amazon"). Others, however, have expressed serious doubts about the future of the integrated company and "have been frustrated by what they see as Amazon's insular culture and penchant for secrecy" (Haddon and Stevens, "Whole Foods Is Losing Executives Under New Owner Amazon). This directly contrasts with many of the required characteristics of conscious cultures, including trust and transparency, which Whole Foods presumably embodied – at least prior to the acquisition.

There are fundamental differences between Amazon and Whole Foods Market. They not only have very different higher purposes, but also differ in regards to managing the needs of customers and employees. Some may not believe that Whole Foods will thrive under the new ownership, while others cannot work in such a different company culture – explaining why "an executive exodus" has occurred at Whole Foods Market over the past year (Haddon and Stevens, "Whole Foods Is Losing Executives Under New Owner Amazon). Ultimately, I am still not convinced of the reasons why Whole Foods Market, the epitome of Conscious Capitalism, agreed to be acquired by Amazon. There are many ways to respond to and stay relevant in an increasingly technology-driven world, and I do not think that Whole Foods Market will be able to maintain an independent, conscious culture as a subsidiary of Amazon.

Chapter X: Case Study: Patagonia

Mackey and Sisodia believe that Patagonia embodies many of the tenets of Conscious Capitalism. They specifically cite Patagonia in a list of conscious companies and specifically describe how Patagonia fulfills the tenets of Conscious Capitalism at many points in the text (Mackey and Sisodia 32, 71, 139). Given that Whole Foods Market is not likely to continue to maintain a conscious culture, I believe that it is relevant to assess whether another supposedly conscious firm actually meets the criterion of the Conscious Capitalism model.

Patagonia is a manufacturer and distributor of equipment and outdoor clothing based in Ventura, California (Guarnieri and Kao, "Leadership and CSR – A Perfect Match"). It started off as a small manufacturer of tools for climbers, but quickly expanded to produce equipment for many sports. Patagonia also produces and distributes many different types of apparel for casual, athletic activity as well as for professional sports (Patagonia). Patagonia aspires to "build the best product, cause no unnecessary harm, [and] use business to inspire and implement solutions to the environmental crisis" (Patagonia). Patagonia clearly displays its mission statement on its website and has a dedicated page that explains how its current efforts to fulfill this mission statement. This is an important point. Mackey and Sisodia constantly discuss the importance of the mission statement in *Conscious Capitalism* because many businesses fail to articulate it. Patagonia actively seeks to inform stakeholders about its mission statement and thus, indicates some level of commitment towards fulfilling it.

Additionally, Patagonia displays commitment towards several major stakeholder groups in its business – specifically, the environment. This commitment is captured in Patagonia's mission statement, as it seeks to "cause no unnecessary harm" in the manufacturing and distribution process, but is also evident in many of its established initiatives (Patagonia).

Patagonia recognizes that its business activity results in a negative by-product that impacts the environment (i.e.: pollution), so the "production of every shirt, climbing gear, or surfboard is based on extensive testing to ensure any impact to the environment is minimal" at Patagonia (Guarnieri and Kao, Leadership and CSR – A Perfect Match). In fact, Patagonia has even documented its thoughts on many of the textiles, treatments, and processes used to create products in its industry. Patagonia provides an environmental assessment of each aspect of the supply-chain and includes the advantages and disadvantages of each – which I find to be a very bold, yet responsible move (Patagonia). There is always the possibility that one of these textiles, treatments, and processes may cause environmental damage in the future, which makes the firm vulnerable to criticism; however, by including a detailed environmental assessment of each aspect, Patagonia demonstrates that it has performed extensive research in this area, which displays its commitment to the environment.

Furthermore, Patagonia acknowledges that while it tries to minimize the negative environmental by-products associated with production activities, it cannot realistically prevent them all. Therefore, Patagonia has started the "Worn Wear" campaign, which establishes a goal for the firm to produce high-quality products to prevent customers from constantly purchasing new items and thus, reducing the environmental impact of business activities (Patagonia). Moreover, Patagonia allows customers to trade in their worn items at retail stores. Customers will receive credit towards the purchase of a new Patagonia item, and Patagonia will resell the used item to other customers at significantly lower prices. This not only raises environmental awareness, but also benefits another stakeholder group – customers – who are able to trade in or purchase new items, all while impacting the environment in a positive way.

Patagonia has also quickly responded when issues regarding its business practices have been raised. For example, in August 2015, People for the Ethical Treatment of Animals (PETA) discovered that one of Patagonia's wool suppliers was mutilating sheep during the shearing process (Phillips, "Patagonia's Balancing Act: Chasing Mass-Market Appeal While Doing No Harm"). It is difficult to determine whether Patagonia was aware of the mistreatment of the animals, as Patagonia "promotes itself as the one writing the rules, not breaking them" (Phillips, "Patagonia's Balancing Act: Chasing Mass-Market Appeal While Doing No Harm"). However, Patagonia responded decisively and announced that it would no longer purchase wool from Ovis 21, the supplier that was mistreating the animals (Phillips, "Patagonia's Balancing Act: Chasing Mass-Market Appeal While Doing No Harm"). Representatives from Patagonia claimed that wool products were especially popular among customers, but Patagonia had to stop making the products and re-evaluate supplier arrangements (Phillips, "Patagonia's Balancing Act: Chasing Mass-Market Appeal While Doing No Harm").

Finally, Patagonia prioritizes the interests of employees and fosters a work environment that is in line with its mission statement (Guarnieri and Kao, Leadership and CSR – A Perfect Match). Patagonia was "one of the first companies to provide on-site day care and maternity and paternity leave programs" in the United States (Guarnieri and Kao, Leadership and CSR – A Perfect Match). It also encourages employees to be active, offering yoga and meditation classes at the corporate office and allowing individuals to surf – during the workday (Guarnieri and Kao, Leadership and CSR – A Perfect Match). Patagonia's initiatives suggest that it cares about the well-being of its employees and promotes a work-life balance for individuals at the firm.

Ultimately, I believe that Patagonia can be considered to be a conscious firm. Patagonia has a clear mission statement that it promotes and actively works towards, which is evident in its thoughtful supply chain and various environmental initiatives. Moreover, Patagonia balances the interests of multiple stakeholder groups – including customers, employees, and the environment. Patagonia has tripled its profit since 2008 and continues to grow, especially as customers learn about its conscious business practices (Phillips, "Patagonia's Balancing Act: Chasing Mass-Market Appeal While Doing No Harm"). Patagonia, however, has encountered some issues as it grows larger, specifically around the transparency of its supplier network. Representatives from Patagonia claimed that the company was not aware of the conditions at farms operated by Ovis 21 (Phillips, "Patagonia's Balancing Act: Chasing Mass-Market Appeal While Doing No Harm"). I find this to be a believable statement, especially because Patagonia genuinely seems to care about the environment as a stakeholder. It is difficult to monitor all practices of suppliers, especially as Patagonia works with many different types of supplier groups; however, I think that in the future, Patagonia cannot forsake the interests of the environment, especially as it grows in the coming years. Patagonia is a prominent example of a conscious firm, but can quickly suffer in terms of reputation if repeated issues continue to occur.

Chapter XI: Conclusion

Ultimately, I believe that the Conscious Capitalism model succeeds at bringing attention to many overlooked areas in business, which have the ability to become areas of opportunity and growth. Mackey and Sisodia emphasize the importance of defining a higher purpose. This seems like a straightforward task, but many businesses fail to articulate their higher purpose and as a result, face challenges in making consistent decisions. Additionally, Mackey and Sisodia convey the significance of a holistic approach to stakeholder management. Firms should not prioritize the interests of one constituency over others. They should seek to align the interests of all stakeholders around the higher purpose of the firm in an effort to maximize benefits to all stakeholder groups.

There are, however, many shortcomings of the Conscious Capitalism model. Mackey and Sisodia do not address how businesses should behave in situations in which inevitable trade-offs have to be made. There are also many instances when Mackey and Sisodia make unsubstantiated or naïve claims. They often use various terms, such as “missionary leadership” and “spiritual intelligence” without providing a clear definition of the term and without discussing strategies for individuals to develop such concepts in order to become a conscious leader. I also struggled to understand how certain practices prescribed by Mackey and Sisodia, such as eating a wholesome diet and exercising regularly, directly impacted one’s ability to serve as a conscious leader. It seems that many of these components are based on experiences of one specific company – Whole Foods Market. Therefore, I titled my thesis, *Conveniently Conscious* because the Conscious Capitalism model draws significantly from the culture and practices of leaders at Whole Foods Market. There are many parts of the Conscious Capitalism model that are difficult to assess objectively because they seem to be based on John Mackey’s personal life philosophy, such as the supposed importance of "spiritual intelligence." Therefore, I conclude that the Conscious Capitalism model cannot be entirely applied and embodied by other companies because many of the components are based on the experiences of Whole Foods Market. Instead, I propose that Conscious Capitalism be defined on the basis of two tenets – higher purpose and stakeholder integration. I believe that these tenets can be embodied by other firms because they include objective criteria as opposed to merely personal experiences, so aspiring conscious firms can measure their performances.

Additionally, I conclude that Whole Foods Market can no longer be considered to be a conscious firm as a subsidiary of Amazon. There are significant differences between Amazon and Whole Foods Market that cannot be overlooked. They have very different higher purposes; Whole Foods Market seeks to educate consumers about the impact of food choices on their well-being, as well as the health of the environment, whereas Amazon seeks to provide customers with a vast product selection at the lowest prices. They also differ in regards to managing the needs of various stakeholder groups. Whole Foods Market tries to align stakeholders around the higher purpose of the firm and makes decisions in an effort to treat all stakeholders fairly; Amazon seeks to satisfy customers, but this often occurs at the expense of employees.

Ultimately, I am not entirely sure why Whole Foods agreed to be acquired by Amazon, a company that could not be more different than itself. This indicates that Whole Foods Market has succumbed to "big business," a concept that Mackey warns against in *Conscious Capitalism*, but now seems to embrace as indicated in the recent acquisition. I do not think that this is the end for the Conscious Capitalism model; Patagonia, amongst other companies, continues to embody the conscious spirit. Ultimately, I believe that the Conscious Capitalism model is not sustainable for businesses in the long-run, even for those that it is most conveniently designed for.

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Biography

Aafiya Jamal was born in Karachi, Pakistan on January 3, 1996 and moved to the United States in 2000. She enrolled at the University of Texas at Austin in August 2014 and pursued degrees in Plan II Honors at the College of Liberal Arts and in Finance at the McCombs School of Business. She graduated from the University of Texas in 2018 and plans to work at Ernst and Young (EY) in their Financial Services Advisory practice in the fall.