

OPINION

Business collaboration could transform the economy

America's obsession with narrow, short-term self-interest has produced a moral crisis. "Collaborative enterprises" such as Whole Foods and Nucor show that cooperation can be profitable for everyone.

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WASHINGTON – While leaders are searching for complex solutions to the economic crisis, well-established trends in ordinary business collaboration could convert this mess into a bold new opportunity to unify left- and right-wing values, resolve what is being called the "moral crisis of capitalism," and jump-start the economy.

Americans are stuck in ideological gridlock between the left's dependence on government versus the right's advocacy of markets. Conservatives rightfully criticize the federal government's soaring spending and intrusions into business freedom. But many – from the pope to Bill Gates – are critical of the moral failings of an economic system based on self-interest that caused the financial meltdown.

Entertain, for a moment, the possibility that President Obama could fulfill his vision of using collaboration to resolve this conflict. Obstacles aside, what if Americans could unite the Republican ideal of free enterprise with the Democratic ideal of social community? It may seem a fantasy, but progressive corporations are moving in that very direction – to a form of "collaborative enterprise" that offers a more productive, innovative, and socially responsive market system. Consider three examples of success:

- Whole Foods has thrived under a philosophy that holds, "Profits are a by-product of treating people well, not the top priority." Employees are organized into teams that manage themselves, hire co-workers, and select products. They get bonuses for good work, while the CEO is happy earning a paltry 19 multiples of the average employee pay.

- Nucor is one of the world's most successful steel firms because each mill team builds a cohesive culture based on performance and collaboration. Top workers earn three times the industry average, and the CEO said of Nucor: "Our culture outperforms anything."
- Johnson & Johnson grew robustly through 2006 by 15 percent each year, and continues to garner respect today by requiring its 80 small businesses to be self-managed. Each business has its own governing board and focuses on the needs of doctors, nurses, and patients who use its products.

Despite the success of such cooperation, it is still not mainstream practice among businesses. The past 30 years of Reaganomics unleashed the power of individualism and competition. Now the challenge is to create an environment that fosters cooperative working relationships.

Cooperation is crucial in today's knowledge economy because knowledge increases when shared. That's why even throughout the old industrial economy that fostered conflict, progressive managers have longed practiced "coopetition" – cooperating even with competitors to produce better results for all. Social responsibility and ethics are commendable, but it takes active collaboration to actually resolve tough challenges and create value.

This crucial idea could do a lot to avoid future financial crises. When you get down to it, the basic cause of the crisis was that loan officers were encouraged to focus on what Mr. Obama has called "narrow self-interest at the expense of everything else." If loan officers were encouraged to collaborate with homeowners and rewarded for the long-term performance of their mortgages, for instance, you would see a dramatic rise in high-quality loans. Likewise, GM and Chrysler could probably have avoided bankruptcy by working out their problems with the United Auto Workers, car dealers, and bond holders, as Ford did.

Modern corporations are socioeconomic systems consisting of investors, employees, customers, the public, and other stakeholders who are all essential to success. Our surveys of hundreds of managers show that more than 80 percent of them favor stakeholder collaboration. And a number of studies now confirm that having women in corporate leadership improves business performance, largely because women excel at forming effective working relationships.

Viewing business as a coalition of interests to be unified into a more productive whole can be a powerful thing for America. Critics may dismiss "collaborative enterprise" as socialism, but because corporate leaders choose to do this freely without government intrusion, it is not. It could be viewed as a form of "economic democracy," a "corporate community," or "a better way to make money." An economy based on these principles would soften the harsh and risky features of markets while also enhancing innovation and productivity. And with the US government now controlling banks and the auto industry, serious cooperation

could provide a form of self-regulation to avoid hobbling business with excessive regulation.

Leaders could do themselves and their followers a great service by putting aside any fears of "appearing weak" to explore the possibilities for collaboration with employees, customers, and the public. It helps to keep in mind that healthy collaboration is not simply yielding to what others want but a partnership with rights and responsibilities.

The world today faces looming changes in technology, climate and energy, business and economics, customer lifestyles, and other historic challenges. Simply noting the advantages of collaborative enterprise and encouraging widespread adoption of this well-accepted practice could go a long way toward improving both economic and social sustainability.

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