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## **Creating the conscious law firm: What traditional law firms can learn from the conscious capitalism movement**

**In the first part of a three-part series, Dr Christian Duperouzel examines the notion of conscious capitalism and explains why law firms need to integrate principles of conscious capitalism into their workings if they are to succeed in the new economy.**

This article will explore the ways in which the emerging conscious capitalism movement can positively evolve and impact the practice of law.

Traditionally, the business operations of law firms have revolved around strengthening the bottom line and maximising profits for the benefit of those who sit at the upper echelon of the firms' structure. While this way of operating may monetarily enrich the select few partners and directors of these firms, in the process of these firms operating this way other important stakeholders, such as the more junior lawyers that these firms employ, and their clients, can feel exploited and devalued as they are relegated to being a means that serve this profit-centred end.

The principles of conscious capitalism, while acknowledging that making a profit is important for the survival of any organisation, prioritise serving a higher purpose which brings together and enriches the collective group of an organisation's stakeholders, and not just a select and powerful few who lead these firms. The central proposition that is advanced by this article is that if law firms are to stay relevant and prosper in the new economy, then they need to evolve beyond the traditional model of operating, and integrate principles of conscious capitalism into their workings.

The structure of this article will be organised into three parts as follows. In the first part, a background to the conscious capitalism movement will be provided, and its core tenets explored. In the second part, the interesting case examples of two Australian law firms, Marque Lawyers and Hive Legal, are presented to show how some of these principles take form in the law context. Building on the application of these conscious capitalism principles within these two firms, in the third part, a framework will be presented for what a conscious law firm might look like, together with the next practical steps that individuals within these

traditional law firms can take for these entities to evolve more intentionally, and enrich the quality of experience that their stakeholders have in working with them.

### **Conscious capitalism and the primacy of purpose**

*To be conscious means to be awake, mindful. To live consciously means to be open to perceiving the world around and within us, to understand our circumstances, and to decide how to respond to them in ways that honour our needs, values, and goals [. . .] A conscious business fosters peace and happiness in the individual, respect and solidarity in the community, and mission accomplishment in the organisation<sup>1</sup>.*

Conscious capitalism is a philosophy that was popularised by John Mackey, Whole Foods co-founder and co-CEO, and Raj Sisodia, professor of marketing at Bentley University, through their book *Conscious Capitalism: Liberating the Heroic Spirit of Business*<sup>2</sup>. It holds that businesses should serve all principal stakeholders, including the environment. While acknowledging that free market capitalism is the most powerful system for social cooperation and human progress, conscious capitalists believe that people can aspire to achieve more. Conscious capitalism therefore builds on the foundations of capitalism – voluntary exchange, entrepreneurship, competition, freedom to trade and the rule of law, which it recognises are essential to a healthy functioning economy, by integrating other foundational elements including trust, compassion, collaboration and value creation<sup>3</sup>.

Unlike the traditional capitalist perspective, conscious capitalism does not view profit-making as the central objective of operating a business<sup>4</sup>. While recognising the importance of making a profit to ensure the viability and social utility of a business venture, this objective is pursued with the broader intention of assimilating the common interests of all major stakeholders into a company's business plan<sup>5</sup>.

Profits are thus viewed by conscious capitalists as akin to food and water in the role that they play in sustaining the human body. Human beings clearly require both to live, but they do not live to eat and drink. To live in this way would not only be deleterious to the life of

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<sup>1</sup> F Kofman, *Conscious business: How to build value through values* (Sounds True, Louisville, 2013), 4.

<sup>2</sup> J Mackey and R Sisodia, *Conscious capitalism: Liberating the heroic spirit of business* (Harvard Business Review Press, Boston, 2012).

<sup>3</sup> *An Introduction to Conscious Capitalism* (Conscious Capitalism, Online Pamphlet), <[www.consciouscapitalism.org](http://www.consciouscapitalism.org)>.

<sup>4</sup> Mackey and Sisodia, n 2.

<sup>5</sup> Mackey and Sisodia, n 2.

the organism, but it would also be inherently meaningless and self-serving. Such is the compromised condition of a multitude of businesses that operate under the traditional capitalist model, and the high rates of employee disengagement, unethical behaviour and toxic cultures attest to this reality<sup>6</sup>.

As shown by Figure 1, there are four pillars which guide and underlie a business that practices conscious capitalism. Each of these pillars are summarised below to present a clearer picture of how they contribute to the conscious capitalism framework.

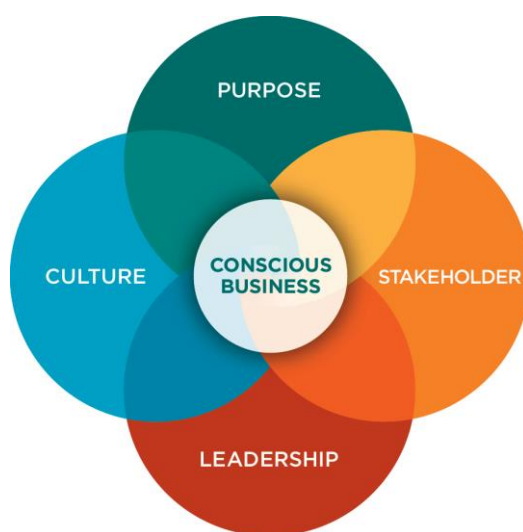


Figure 1 - The Conscious Capitalism model

**Higher purpose:** Recognising that every business has a purpose that includes, but is more than, making money. By focusing on its higher purpose, a business inspires, engages and energises its stakeholders.

**Stakeholder orientation:** Recognising that the interdependent nature of life and the human foundations of business, a business needs to create value with and for its various stakeholders (customers, employees, vendors, investors, communities, etc.). Like the life forms in an ecosystem, healthy stakeholders lead to a healthy business system.

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<sup>6</sup> C Moore et al, “Why employees do bad things: Moral disengagement and unethical organizational behaviour” (2012) 65 Personnel Psychology 1.

**Conscious leadership:** Human social organisations are created and guided by leaders – people who see a path and inspire others to travel along the path. Conscious leaders understand and embrace the higher purpose of business and focus on creating value for and harmonising the interests of the business stakeholders. They recognise the integral role of culture and purposefully cultivate conscious culture.

**Conscious culture:** This is the ethos – the values, principles, practices – underlying the social fabric of a business, which permeates the atmosphere of a business and connects the stakeholders to each other and to the purpose, people and processes that comprise the company<sup>7</sup>.

In *Firms of Endearment: How World Class Companies Profit from Passion and Purpose*<sup>8</sup>, Sisodia et al. outline how conscious businesses succeed in the long-term at a much higher level, and with much a broader definition of success, than traditional businesses. Providing statistical evidence of conscious businesses outperforming the overall stock market by a 9-1 ratio over a 10-year period, the authors go on to note that even this measure understates the extent of their superior performance.

While conscious businesses generate financial wealth, they also nurture and build the emotional, spiritual and intellectual wealth which traditional businesses tend to disregard as they narrowly pursue increases to their bottom line. As Sisodia<sup>9</sup> expresses on this point, *“Conscious businesses spread well-being and happiness among all of their stakeholders. They continuously innovate to create and deliver ever greater value to each and every one of their stakeholders. They succeed so outstandingly at doing this because they are able to tap into the full potential of all the people – not just employees – they touch... Conscious businesses release this enormous source of renewable, generative human energy into the world. This, more than anything else, is the secret of their sustained success”*.

For organisations that reject this philosophy, their positions will adversely impact revenues and profits as they move into a new age of conscious business. In the wake of the various corporate scandals that have rocked the business world in recent years (e.g. Equifax Inc., a credit-reporting firm, which exposed the personal details of up to 147 million American

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<sup>7</sup> Conscious Capitalism, n 3.

<sup>8</sup> R Sisodia, D Wolfe and J Sheth, *Firms of endearment: How world-class companies profit from passion and purpose* (Wharton School Publishing, Upper Saddle River, 2007).

<sup>9</sup> R Sisodia, “Doing business in the age of conscious capitalism” (2009) 1(2/3) Journal of Indian Business Research 188.

customers in 2018<sup>10</sup>, and the Banking Royal Commission which revealed widespread impropriety by Australia's four major banks<sup>11</sup>), members of the consuming public are

disillusioned and lack trust in businesses that only want to engage them in traditional ways. Prompting a change in their expectations of what 'good business' should represent, it can be observed that consumers want to purchase products and services from conscious businesses because in the process of dealing with them, they are not made to feel that they are a mere means to a financial end that benefits only the business.

Because conscious businesses focus on doing the greater good for its stakeholders and not just for shareholder profit, they garner a higher level of respect and credibility in the minds of consumers. According to Nielsen's Global Survey on Corporate Social Responsibility<sup>12</sup>, 55% of consumers would spend more for products and services that support worthwhile causes. Many consumers and investors also consider the impact businesses have on the environment and its inhabitants, and these stakeholders seek businesses that align moral principles with corporate values. This shift, Sisodia believes, is the effect of the rise in consciousness within the general population, where from a societal perspective there is a greater concern with the meaning of life, a focus on giving back, declining materialism, concern with legacy, and greater interest in spiritual themes<sup>13</sup>.

While the prevailing consciousness of business has a way to go before these conscious capitalism principles are reflected more comprehensively in the market, a growing number of well-known businesses have adopted them, including Whole Foods Market, Starbucks Coffee, TOMS, Ben & Jerry's and The Body Shop<sup>14</sup>. This bodes well for the future of the movement and the emerging economy of conscious business, and as we shall see in the

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<sup>10</sup> J McCrank and J Finkle, *Equifax breach could be most costly in corporate history* (Reuters, Web Page), <<https://www.reuters.com/article/us-equifax-cyber/equifax-breach-could-be-most-costly-in-corporate-history-idUSKCN1GE257>>.

<sup>11</sup> A Robertson, *Banking royal commission's scathing assessment of industry with more than just 'a few bad apples'* (ABC News, Web Page), <<https://www.abc.net.au/news/2018-09-29/banking-royal-commissioners-scathing-assessment/10318982>>.

<sup>12</sup> *Doing well by doing good: Increasingly, consumers care about corporate social responsibility, but does concern covert to consumption?* (Nielsen, Report), <<https://www.nielsen.com/content/dam/nielsen-global/jp/docs/report/2014/Nielsen%20Global%20Corporate%20Social%20Responsibility%20Report%20-%20June%202014.pdf>>.

<sup>13</sup> Sisodia, n 9, 189.

<sup>14</sup> *Heroes of Conscious Capitalism* (Conscious Capitalism, Web Page), <<https://www.consciouscapitalism.org/heroes>>.



following section, two early adopters have come from the legal profession in Australia. From them we can hope to learn some important lessons about what the conscious law firm of the future might look like.

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