

- > Beyond Good and Evil
- > Trust in the Future
- > How long does it take to be wise?
- > Scanning for signals in the noise

Telling Signs

Just how much can the maker's label in your new pair of jeans tell you about the future of capitalism? It's not quite elementary, dear Watsons, but there is a very clear link.

What manufacturers choose to put on their labels – from brand names to nutritional information – reflects their need to respond to growing demands from customers for information beyond mere product details.

"GenXers ... want their buying choices to help create the kind of future they want."

Sohail Inayatullah

Sohail Inayatullah anticipates a time, not too far ahead, when customers may carry a scanner to read bar-code information about where a product was made, what kind of labour was used, how natural resources were managed and what happens to the product at the end of its life.

"GeneXers are already more likely to buy products that match their values and to boycott products and companies that do not. They want their buying choices to help create the kind of future they want," he says.

US futurist Clem Bezold has explored the evolution of standards in the marketplace, and reached the conclusion that they are moving from the

- **Physical** based on physical qualities, to the
- **Functional** how well it works and how cost-effective it is, and on to the
- **Contextual** the larger context of manufacture, distribution, use and disposal.

These standards are values and aspiration based and include consideration of issues increasingly seen as critical, such as environmental impact, gender equity,

> *continued page 2*

The end of capitalism?

Are the major global events reported by television news each night merely the massive perturbations of a system trying to correct itself? US futurist John Renesch thinks so. He sees them as an urgent wake-up call for Americans, in particular, to take a long, hard look at themselves and their way of life. And he sees them as a fundamental challenge to capitalism.

He is not alone. Futurists have spoken out for years about the failures of capitalism as we know it, and its inevitable decline and fall – or transformation. Chief among many fundamental flaws is its failure to value the natural or social systems that make it possible to create economic wealth. Scarcely less critical is its failure to take into account the real costs of producing that wealth – costs like air and water pollution, industrial accidents, land degradation, extinction of species. In other words, it's a dangerous fraud, a half-system of economic management pretending to be a full system.

Capitalism's reliance on continuing growth, as Hazel Henderson pointed out in our last issue, is also a nonsense. She challenged economists who don't understand the difference between money and true wealth, between a society's adolescent growth stage and its wiser, adult maturity. "Imagine if your son and daughter kept growing at their teenage rate. They would end up as monsters!"

In any case British management expert, Charles Handy, points to the "real possibility" that capitalism will run out of steam in the next 25 years simply through lower birth rates. In every country of the developed world, and also in China and Brazil, the birth rate has fallen below the replacement rate. Older people spend less. Fewer workers taxed more heavily will have less to spend. "Economic growth, after all, depends on more people buying more things. So what happens if fewer people spend less?" he asks in this month's issue of *Management Today*.

But the strongest challenge so far to capitalism as we know it has been from the environmental movement. And one of the most attractive alternatives comes from the same source – the system described as Natural Capitalism by Paul Hawken, with Amory and Hunter Lovins. This is a system for sustainability, a system that develops better resource productivity, eliminates the concept of waste, creates a continuous flow of service and value, and along the way, reinvests in natural capital. With this system in mind, the Lovins brothers say that the

only thing wrong with capitalism is that it is only now beginning to be tried!

Paul Hawken once estimated that 99 per cent of the original materials used in production of, or contained within, goods made in the USA become waste within six weeks of sale. In other words, the system is only 1 per cent efficient. And if the treatment of waste and pollution were included, maybe that should be a negative number.

Will it take more dramatic perturbations for the world's most wasteful economy (and our own) to begin exploring the benefits of natural capitalism? John Renesch, for one, expects them.

"Looking at the system of market capitalism from an eagle's point of view... one might see a system attempting to make adjustments that it sees as necessary to its survival," he writes. "Any system will try to make corrections when it perceives that it is under threat – when its stability is being undermined. These adjustments will tend to get more and more severe, until stability or harmony begins to return.

"Most of us look at the events of 9-11 from personal or national levels, rationalising that the terrorists were motivated by perverse religious beliefs and fanaticism, coupled with economic suppression that is so rampant in the third world that people take it for granted. On the level of all humanity, however, was it not a wake up call for us to change our ways?"

"A few months later, a second terrorist attack took place on investors and employees of Enron, at the time the fifth largest corporation in the U.S. This attack wasn't carried out by Islamic extremists but it was nonetheless terrorism.

"The Enron scandal isn't generally seen as related to the other terrorist strike. But from a systems perspective it is. It is an even louder wake up call about our economic system and the darker sides of people that the system draws out. What I once heard some Latin American colleagues refer to as 'brutal capitalism' has come back to our own shores – back to the creators of the American Way – and unleashed its fury on our own people.

> *continued page 2*

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the *futures* foundation c/- Faculty of Humanities & Social Sciences, University of Technology, Sydney
PO Box 123, Broadway 2007 E futurists@futurists.net.au www.futurists.net.au

Beyond good and evil

A new story from FF member Richard Neville (*The Good Weekend* 13.04.02) provides a challenging sequel to an earlier essay on US imperialism (19.05.01), in which he argued that the USA was a nation hell-bent on furthering its own interests at any cost. This story, too, challenges Hollywood and media images of a benevolent USA. It quotes grim facts and graphic pictures revealing the many human tragedies inflicted by America in places where the quoted military reason for the action produced results curiously beneficial to US economic interests.

But Richard is not playing the “us and them” game that has been so much a part of the past year in world events. He reminds us of the generosity of many Americans in responding to the tragedies of September 11, quoting a woman whose husband died in the twin towers saying that she resented being used as an excuse to start a war: “a horrific thing, the idea that someone would do this for me to someone else”. She and others have launched an initiative called ‘September 11 Families for Peaceful Tomorrows.’

“Like the 17 founding families of Peaceful Tomorrows,” writes Richard, “it is time to transcend the belligerent imperialism of Old Guard America that is prepared to ravage the whole of earth in order to foster, for its spoilt elite, a lifestyle of careless opulence.

“The promise of globalisation is a shared destiny of nations working together to minimise conflict and poverty, restore ecosystems, reduce emissions, ban arms trafficking and thrash out an evolving agenda of ethics and fairness to which all can be a party, especially the strong.

“Its deeper meaning is a belated awareness that we are all connected...in a deeper way than the choice of being with America or against America, of being a target market, or a target.”

The End of Capitalism?

> from page 1

“American chauvinism is being confronted right now. Our swagger and arrogance is running out of control. People in other parts of the world, even Americans living abroad, have seen this coming for years. But we didn’t want to hear anything that could possibly suggest that the American Way was flawed — that ‘our way’ wasn’t the best and we weren’t better than any other people. National egoism breeds arrogance for ‘us’ and hatred in ‘them’. The noise will not be stilled as the rest of the world cries out for equality and justice. It will simply get louder and louder.”

There are, however, gentler signs of change in this basic world order, signs that range from shifts in investor behaviour to whole new styles of marketing. They stretch from a revolution in the way leading organisations measure and report their performance to stakeholders, right through to the product information that manufacturers offer their customers.

Traditional capitalism needs consumers, but consumers are beginning to wonder why they need that kind of capitalism.

A number of observers, including the Futures Foundation, are tracking these deep shifts in relationships between organisations and their host communities. At their core is a discernible challenge to the legitimacy of profit-making — at least, where private profits are made at the cost of communities and the global commons. As the late Willis Harman, founding president of the Institute of Noetic Sciences, wrote: “...all institutions in society... obtain their legitimacy from the perceptions of people.... people have the power to change institutions... by challenging their behaviours”.

However Professor Richard Slaughter reminds us that mounting such a challenge isn’t always easy. “Although the present economic system is blind to real human needs or qualities, at present there are too few avenues for effectively challenging (let alone resolving) the hegemony of commodification values and practices that, unfortunately, underlies the entire marketing ethos. The most visible are activist websites such as Adbusters.”

Foundation board member, Martin Hanlon, reminds us of one of the fundamental teachings of ancient and modern philosophers: that the most important changes we can

make are within ourselves. “If there is a system failure,” he said, “we have to ask ourselves whether we are part of the problem. Is it just ‘them’ - the terrorists, the unethical corporations and their auditors, the trigger-happy political leaders, the corporate leaders yet to embrace the triple bottom line, the bureaucrats, the lobby groups, or whoever else we choose to blame? Or is it also ‘us’ who lap up our affluent western lifestyle?”

What, then, is the future of capitalism? Three years ago we ran an item in *Future News* in which Professor Sohail Inayatullah described alternative scenarios for the end of capitalism. They included a 1929 style crash, or perhaps something more like the 1990s Yugoslavia crash with two economies (mark and dinar), a lot of farm-to-city smuggling, and the rise of fascism. Another scenario anticipated the chaos we have seen in Indonesia in recent years. But his favourite scenario was what Dr Inayatullah dubs “the localists”.

“These are the hundreds of eco/spiritual/alternative communities which are already at some level preparing through local economic systems. In every workshop I have done, it is this last vision that seems to touch people’s ideals, that naturally and consistently comes out irrespective of where the workshop is done. This vision sees local communities, culturally inclusive, spiritually aware, gender cooperative, high-tech communicative – quite the opposite of capitalism.

“However, localism itself cannot tame capitalism, since it merely eats at it around the edges. A new globalism is needed, too. In this sense, globalism as it spreads capitalism paradoxically transforms it as well. As Wallerstein argues, disintermediation in the long run eliminates the middle-man, the grease of capitalism. Still, if we use macrohistorian Sarkar’s model, transforming capitalism won’t come from just greens and other eco perspectives. It is about transforming the power behind capitalism – economism. This means either a balance of worker, warrior, intellectual and capitalist power and structures, or as he forecasts, the next rotation in the cycle to a world government structure and global localised decentralised economies.

“Nonetheless, as we envision alternative futures, we have to ask how this system has survived 500 years, and, continues to captivate and spread forward.”

Telling Signs

> from page 1

labour fairness, child labour, organic or GMO food. “Smarter markets will give us a clearer choice of both the products we want and the world we are building by buying and using those products,” he says.

Futures Foundation chair, Jan Lee Martin, argues that these are surface

signals of deeper shifts – in this case, a fundamental power shift from inside organisations to outside them. And that, too, has to be a significant factor among the stresses and tensions afflicting capitalism at all levels.

“Once upon a time, an organisation made its own decisions in its own way. Not any more. Today, public and private organisations alike are being scrutinised and

held accountable by a growing body of stakeholders,” she says.

“Decision-making no longer takes place behind closed doors. It is subject to the judgement of employees, the exposure of public discussion, the blaze of media attention. Attempts to recover privacy will merely increase scrutiny.

“The traditional legitimacy of organisations is being challenged more and more directly.”

Trust in the Future

This precis of a *Fast Company* interview by Alan Webber is set within the very consumerist paradigm that so many futurists challenge. Yet it also provides a fascinating, marketplace perspective on the emerging relationship changes that we suggest are signalling even deeper change.

A few short years ago, according to advertising orthodoxy, brands were everything. The combination of rising global competition, proliferating product offerings, and multiplying Web sites put a premium on a company's ability to establish its brand as a recognised mark. Today, says Kevin Roberts, 50, chief executive officer worldwide of Saatchi & Saatchi PLC, brands are history. Looking forward, companies need to establish their products and services first as "trustmarks" and then, upping the ante, as "lovemarks."

The transformation, Roberts says, requires a new set of ideas — not only about brands, advertising, and marketing, but also about leadership, authenticity, and the human spirit. "The greatest connections are built on love," he says.

Plot your product on a love-respect axis

We've already moved from management to leadership — and we're about to go beyond leadership to inspiration. In the 21st century, organisations have to achieve peak performance through inspiration by unleashing the power of their people — not by leading them, not by managing them, but by inspiring them.

And it's not about brands anymore. We live in an attention economy where people are bombarded with messages day in, day out, and brands don't cut it.

Everyone knows everything

Here's another thing that's different about brands today. It used to be that if you went to the store as a consumer, and you bought a box of detergent or a tube of toothpaste or any other product, chances were that you had no clue about the company that was behind the product. You didn't know — and, to be honest, you probably didn't even care.

Today, you want to know everything — and you can know anything. Information is accessible to everyone. We didn't know all of that stuff in the past because nobody told us. But now — guess what? You can't hide anything. I know where your factory is; I know how much you pay your workers in Indonesia — and I have a point of view on those issues. They influence how I think about your company and about your brand.

Trademarks play defence. Trustmarks play offence

All of that is why we're moving from trademarks to trustmarks. We all know what a trademark is: it's what differentiates. It's a distinctive name, symbol, model, or design that legally identifies a company or its products. But what's a trustmark? A trustmark is a distinctive name or symbol that emotionally binds a company with the desires and aspirations of its customers. It's

an emotional connection — and it's much bigger and more powerful than the uses that we traditionally associate with a trademark.

You don't own your trustmark — I do. Trustmarks don't belong to companies. Trustmarks belong to the people. I own *Fast Company* magazine. I want it every month. I want to read it, to take it apart, and to spread it around to my friends. Take the iMac: it absolutely does not belong to Steve Jobs. It belongs to me. I want to hold the iMac. I want to choose the flavour of it. I want to love it. The iMac belongs to me — and I get to choose the flavour.

Performance is table stakes. Sensuality wins

Another key dimension of trustmarks: They cry out to be touched. Trustmarks are built on design. Think about products that are physically attractive. The Zippo lighter. You want to hold it, open and shut its lid, handle it. The original Coke bottle. It's sensual. Just the shape of that bottle makes it an object that you want to have in your hand. Design is more than just about how a product looks: It's also about how a product feels. We've moved from hard-edge design to soft-touch sensuality.

This absolutely applies to services as well as to products. When it comes to services, not only do you want something that you like to touch, you want something that touches you — that has a personal touch. That's emotional marketing. Or think about the opposite — a touch that is so impersonal that it practically drives you crazy. These days, if you try to call an airline to get information about your flight (Is it on time? Is it delayed?), all you get is an endless number of computerised voices. You absolutely cannot talk to a person, and in the end, it doesn't matter what information you're actually seeking because you're totally frustrated by the experience. No matter what the content is, the experience is depersonalised.

Trustmarks offer you their entire history

Trustmarks find a way to combine the past and the present in one sensual package. If you think of yourself as being locked in the past, it's very hard to be cool. But when your brand combines the past and the present, that's a trustmark.

Now that you've mastered trustmarks, graduate to lovemarks

Trustmarks come after brands; lovemarks come after trustmarks. I was totally shocked by the computer virus known as "the love bug." Most of us are on alert. Our information/process/nerd/defensive systems are deployed. Then we get an email

that says, "I Love You," and what happens? We all say, "Somebody out there loves me! Who is it?" And bang! You're dead! What does that tell you? There is an incredible untapped need for love out there. And the question is, how do you capture that need as an advertiser or as a marketer?

When you look at most companies, it's clear that they're not in love with their own brands. I looked at how companies talk about their own brands, at the correspondence that marketers have sent to me, and they all talk about product performance and product superiority. They all use military language and warfare metaphors. Not one talks about love. They use bullshit words, and they qualify everything. They say that they "like" something. Everyone's afraid to say that they actually love something.

If you're not in love with your business, why should your employees or customers be?

If you want to create a lovemark, you've got to be passionately in love with your own business. And if you haven't fallen in love, don't expect your employees or your customers to fall in love. Consumers can smell a fake from a mile off. The same goes for employees. What we should be doing today is letting our people loose to be the best that they can be. And for them to do that, they've got to love you.

Alan M. Webber (aWebber@fastcompany.com) is a *Fast Company* founding editor. You can find Kevin Roberts on the Web (<http://www.saatchikevin.com>). The full text of this story is at www.fastcompany.com.

How long does it take to be wise?

"The proper object of economic activity is to have enough bread, not infinite bread, not a world turned into bread, not even vast store houses full of bread. The infinite hunger of man, his moral and spiritual hunger, is not to be satisfied, is indeed exacerbated, by the current demonic madness of producing more and more things for more and more people. Afflicted with an infinite itch, modern man is scratching in the wrong place, and his frenetic clawing is drawing blood from the life-sustaining circulatory systems of his spaceship, the biosphere."

H.E. Daly (1973), as quoted in *Confronting the Future* by Charles Birch (1976).

Scanning for signals in the noise

Our thanks to members for contributing articles for inclusion on this page

How to kick global goals

Australia does not have a strategy for competing in the global economy and is not doing what is necessary to get one, says Michael Porter, the world's most influential thinker on national economic strategy and company competitiveness. Sound macro-economic settings are necessary for competitiveness, but they are only part of the equation, he says. Countries that do not know how to exploit their unique advantages will lose economic strength.

BRW March 28-April 3 2002 900

Building a natural alternative

The developer of Australia's first ecologically sustainable block of units, on the central Queensland coast, believes he is onto the growth story of the decade. He estimates that he has added 30 per cent to the value of the apartments he is offering by enabling them to provide their own water, power generation and waste treatment. Six apartments have sold within weeks of the start of construction.

Australian Financial Review 2 April 2002 901

Denver cops watch Amnesty and Friends

In the last issue of *Future News* we looked at emerging threats to democracy around the world. Now a Virginia newspaper highlights another: it claims American Quakers and Amnesty International are under surveillance by Denver police, who have classified these Nobel Peace Prize-winning organisations as "criminal extremists".

Free Lance-Star 2 April 2002 902

Philip Morris to Canada: Drop Dead

The latest evidence of absurdity in existing international trade rules comes from Philip Morris, which has told Canada that proposed health regulations to prohibit the use of the terms "light" and "mild" on tobacco packaging are not permissible under numerous trade rules. Canada proposed the regulation late last year in response to a consensus among public health experts that these descriptors are fundamentally misleading.

Common Dreams 5 April 2002 903

Rebirth of the corporate world

"It's gotta have soul" may become the catchcry of today's workers as they search for greater meaning and stretch to realise their potential. Sydney leadership strategist Margot Cairnes quotes new ideas from Gary Hamel and Peter Drucker, and draws on a study on spirituality in business to argue that there is a growing interest in and desire for spirituality at work.

CA Charter April 2002 904

Enterprising students step into their future

A group of Sydney students has created a leadership forum for their colleagues that will feature speakers from politics, business, sports, the law and television. The 40-student committee chose and approached the speakers, determined the aims of the forum, found sponsorship, marketed the forum, designed the brochure and organised logistics such as location and price.

The Australian 8 April 2002 905

Australian managers have jump on rivals

Two professors from McGill University in Canada have concluded that certain countries produce more good global managers than their size would warrant. Henry Mintzberg and Karl Moore argue that dominant countries become dominant because of their success, but that there is a downside to that success: it can cause managers of big firms in big countries to become complacent and begin to think their way is the only way to do business.

Australian Financial Review 9 April 2002 906

E-finance hasn't happened, says OECD

Predictions that e-finance, the delivery of services like banking, stockbroking and home loans on the internet, would revolutionise the financial sector have failed to materialise, according to the OECD. Instead, it says, the most successful business models for e-finance involve incumbent financial institutions using the internet as an extra distribution channel. And an analysis of trends shows wide disparity between different countries.

Australian Financial Review 9 April 2002 907

The big burning issue

It pays to be wary when oil executives start talking about the environment, but maybe times are changing, writes Bill Pheasant. He asks Greg Bourne of BP Australia about the claims of BP's global chief executive to have sliced greenhouse emissions by 10 per cent seven years ahead of schedule, saving shareholders \$US650m in the process. The cost savings and emission cuts came from selling gas that was once flared off, and other activities.

Australian Financial Review 9 April 2002 908

My tax dollars

Jacob Lerner lists 32 ugly activities his tax dollars have been used to support since he entered the US workforce over 30 years ago, including the Cold War, the bailout of multi-billion-dollar multinational corporations, the war in Vietnam, the flow of wealth from the Middle East to the upper one per cent of the US population, presidential pardoning of thieves and other criminals, the continued US addiction to fossil fuels, and much more.

Common Dreams 10 April 2002 909

Enron cuts to capitalism's core

The more we learn about Enron, the more it becomes an indictment both of our financial system and its toothless watchdogs (see our lead story). The real outrage is that Enron isn't more of a scandal. In a new lawsuit filed this week by Enron shareholders, some of the country's top banks and investment banking houses are accused of conspiring with Enron to create phony partnerships that enriched insiders.

Boston Globe 10 April 2002 910

The Thought Leader

A new book from Arie de Geus says companies that focus solely on profits don't learn, don't thrive and cannot survive. A former Shell futurist, de Geus introduced corporate thought leadership via an HBR article called *Planning as Learning*, which argued that the ability to continually rethink one's purpose and methods was not just a valuable add-on to corporate practice, but the single factor most responsible for competitive advantage.

Many Worlds 11 April 2002 911

In the reading room....

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