



Manage the Means, Not the Ends, To Secure Satisfactory Long-term Business Performance

Closing Keynote Presentation by
H. Thomas Johnson
tomj@sba.pdx.edu
to the
in2InThinking 2008 Annual Forum
Canoga Park, CA
April 20, 2008



Quality Management: What is Waste?

Companies view it as resources consumed in excess of

- Customer requirements: *muda*
- Process capacity: *mura*
- Humans' capacity: *muri*

But what about resources consumed in excess of

- Earth's regenerative biosystem?

The waste of overconsuming resources to fulfill customers' excessive wants.



Sustainability

- “. . . the possibility that all life on Earth, human and non-human, should flourish forever”

-- John Ehrenfeld, “Searching for Sustainability: No Quick Fix,” *Reflections* (vol. 5, no. 8, 2004), pp. 137-149.

- Waste: resources that human economic activity consumes in excess of Earth’s capacity to maintain all its life forms, human and non-human; i.e., the waste of limitless economic growth



What about programs to “save the environment” etc?

- Programs to reduce waste of limitless economic growth never reduce the growth, they simply alleviate some of its unfortunate symptoms and side-effects.
- They serve only to reduce unsustainability
- They do not create sustainability !



MBM to the rescue !

- “The major problems of the world are the result of the difference between the way nature works and the way man thinks”

-- Gregory Bateson

- Consider how “Management by Means,” or MBM, can encompass sustainability and the broader definition of waste that the term unsustainability implies: the wanton destruction of Earth’s bio-regenerative capacity and its wild habitat that limitless human economic growth causes.
- The “means” most businesses use today to conduct their economic affairs *threatens the further existence of life as we know it.*





Wonderworld !

- “. . . human cunning has mastered the deep mysteries of the earth at a level far beyond the capacities of earlier peoples. We can break the mountains apart; we can drain the rivers and flood the valleys. We can turn the most luxuriant forests into throwaway paper products. We can tear apart the great grass cover of the western plains and pour toxic chemicals into the soil and pesticides onto the fields until the soil is dead and blows away in the wind. We can pollute the air with acids, the rivers with sewage, the seas with oil – all this in a kind of intoxication with our power for devastation at an order of magnitude beyond all reckoning. We can invent computers capable of processing ten million calculations per second. And why? To increase the volume and the speed with which we move natural resources through the consumer economy to the junk pile or the waste heap. Our managerial skills are measured by the competence manifested in accelerating this process. If in these activities the topography of the planet is damaged, if the environment is made inhospitable for a multitude of living species, then so be it. We are, supposedly, creating a technological wonderworld.”

-- Thomas Berry, *The Dream of the Earth.*, p. 7





How to make sustainability our economy's defining feature ?

- Businesses will build and nurture human talents to meet necessary, genuine human needs, without diminishing the ability of any living species, present and future, to meet their needs and flourish.





How we got where we are, I

- Emphasis on growth is assisted by
 - the limited liability form of corporation
 - corporate charters that equate the purpose of business with maximization of shareholder wealth
 - modern theories of finance that focus corporate top managers on share price performance.
- Also assisted by human power to reflect on and intervene in nature's system, no matter what forms businesses take





How we got where we are, II

- Where we are was conditioned by numerous changes in the past 200 to 300 years:
 - Changed relationships during and after 18th century
 - Growth of market-based exchange
 - Discovery of fossil fuels
- Such changes, and more, bring us today to a condition of rising unsustainability that we now want to reverse.





How to slow and turn back the trajectory of unsustainability

- Rethink business leaders' responsibility for consequences of their actions.
 - Should responsibility and liability ever be limited? Should the law hold a business to a lower standard than a person is held to? Should society revisit "Southern Pacific Railroad vs. Santa Clara County?"
- Tighten up connections between actions and consequences in both time and space
 - Business leaders and elected representatives act as if Earth has no vote and no representative. How smart is that?



“The Fallacy of Misplaced Concreteness”

- Using financial (quantitative) information to “see” reality
- Evaluating business performance with financial information helps
 - destroy responsibility for any consequences other than shareholder returns
 - disguise connections between actions and consequences over space and time
 - what matters is what gets measured; externalities are passed on to the powerless and the unborn





Where to go from here

- What changes might help us build an economic system defined by a condition of sustainability?
 - Get to fundamentals; stop focusing on removing symptomatic side-effects of doing what should not be done in the first place
 - Create a new vision of the economy's purpose and of the role of business institutions in the economy; envision a Future State sustainability economy
 - Careful observation of the Current State; "go and see"
 - Identify what must change in the Current State to move the economy closer to the Future State vision.





Possible changes the future should see

- Economic activity grounded in real human relationships that encourage awareness of and responsibility for the consequences of actions.
- Greatly diminished use of abstract financial information; quantity knows no limits, whereas Earth's biosystem has exquisite limits
- Concepts such as debt, the limited liability corporation, and global business will reside in ancient myths of a bygone era of extreme destruction known as the "Age of Wonderworld"
- Production and consumption will go local; human understanding and responsibility will go global