

Competition and the Tangle of Social Needs

A Preamble

So much for industry, my friends, and attention to one's own business; but to these we must add frugality, if we would make our industry more certainly successful.

—Benjamin Franklin, *The Way to Wealth*

I believe we all have a spirit of competition deep within us. The pleasure we knew when we were kids of doing more with so little is still very much at play in our adult lives. As we learned to compete for attention and results, there is a marvel in our actions and a sense of wonder at being in this world. And that is precisely what this book explores—these primal aspects of being human.

I promise you that this and the following chapters will provide you with information that describes exactly *why* this new century needs something big: the chance to rediscover the vital link between frugality and competition. Rediscovering the pleasures and responsibilities of fair competition is something that adults—those who think they are finished growing—especially need in a time of entitlement and excess. Our globalized world can be a much better place when

these adults unite with the new students and emerging leaders. It is a social process to adjust our abilities and tact to these changing and severe times. “Doing more with less” is the set of clustered reorientation points that allow this new growth in society in a time of severe doubt.

Although we all remember how we started, this creative world—and your effectiveness in it—can sometimes feel lost and repressed as we become more professional. The joy of youth decays into the weight of adulthood for many. As we become lawyers or engineers, priests or rabbis, concerned citizens or activists, we fall into patterns of professional discourse and entrenched spirals of peer argumentation. But we can remember our first sense of being competitive in a different way and go back at it again and again, each day. This primal self of invention and frugality allows new growth, even in mature adults. It is a healthy lens through which we can look at this newly globalized world of scarcity and alarm.

Another Way to Wealth

Pat Mahoney, one of the successful chief executive officers (CEOs) quoted in this book, spoke about the pleasures he felt stepping up each rung on the ladder from poverty. “I only regret that my children start too high with too much on the great chain of modern life,” he noted at the end of three days of interviews.

Mahoney recently sold over \$50 million of his surplus operating equipment and told me the week after the sale, “Now I can start anew with creativity and return to the pleasures of being frugal.” He has done this several times in his life. I wondered whether he was being foolish, like King Lear. “Not at all,” he said, “I can enter scenes of luxury when I want to lavish rewards on my family and friends, but I do not feel at home there.” In other words, he wanted that primal feeling of climbing his way to the top yet again.

Think of this book, then, as a learning tool, a leisurely conversation with the most aspiring side of who you are. You will meet many friends like CEO Pat Mahoney throughout, who will help you unearth competitive advantages on your way to wealth.

Of course, you may be wondering—what exactly do I mean by *wealth*?

In my opinion, wealth includes the full glory of creating and keeping wealth, not just the material gains that come from it. The things that fulfill me are the bonds I have at work and home, balanced with the joys of being a member of a larger society. And this realm of personal growth and social purpose is never static. This book explores the entire role you play in fixing society’s many woes—from family and friends, to your firm and the world at large. *That* is your true wealth.

This larger wealth involves social capital, a concept we will explore in the middle chapters of this book. It involves taking steps toward the next golden age, a

near-future world where the combination of megacities and more purposeful lives form the hub of a globalized community, as explored in the last third of this book. This next global age, I promise you, will be very different—and far luckier—than that projected in the many dread-based books about our near future.

In further enhancing this process, you must embody the principles so staunchly extolled by Benjamin Franklin, and in a sense, become like him—frugal, inventive, and diplomatic. Once you learn to participate in this new, larger form of social wealth creation, the world becomes a more intelligible and acceptable place.

A Faith in Our Future

The magic in frugality is available to many people today. We live in a vast universe of consumer delight, and there are forces that want you to get lost in that vastness. Yet you can choose freedom and magic and less in your life, and this choice will allow you to learn how to better balance the swiftness and severity of modern life.

After extended contemplation, I do not see this set of principles about making a Faustian bargain with the near future; instead, I see it as a historic choice of profound common sense. Having known situations where we lose a great deal with the deal, I here endorse an approach that allows men and women to walk in balance. This approach is about returning to a more natural, more native, original

sense of balance in our competitive lives, where we know we do not always need to win, and where we know that more is not always the answer.

The social forces noted and celebrated in this book are rising in global significance. These forces will reshape the destiny and life arc of many of you. As a work of social and business history, this book offers a great new age of competitive frugality to each of you—a golden age, in fact, of higher efficiencies, more direct results, and smarter competition. What you'll find within these pages are some early voices articulating this golden near future.

After the last set of business scandals and financial busts, many powerful interests and many influential people are asking questions about doing more with less—from governments and high schools to multinational corporations. They are seeking this realignment as they regain their balance.

A great change is coming, one of historic force. *National Geographic* magazine notes how soon—likely sometime in 2012 or 2013—we will reach our 7 billionth person on Earth. However, they do not note why this will most likely prove a golden age.

It is because our dominant culture misses the creative power in this return to frugality. Many remain distracted by the logic of *more*—in science, in medicine, in mining and technology, and in the electronic toys that litter our floors. Much of what we learned in business about the logic of growth in markets is, frankly, functionally obsolete at this point.

Using this book will prompt you to become part of the answer. You can expect 9 billion people as your neighbors by 2045; you will learn the value of playing hard, not playing hurt in the process. In sum, we explore the rich intricacies that link frugality with competition, and innovation and diplomacy with wealth. Throughout the course of this journey, you will see and understand a better way to use corporate and personal resources.

A Practice in Joy and Satisfaction

But why place this emphasis on money? Why take this thought path as another way to wealth? And why must we have chapters (Chapters 4 and 5 in particular) outlining the importance of managed emotions and the rising significance of compounding value by managing both money and emotions?

The answer is one that we cannot ignore: money makes this world move forward. After much scandal, even money movers, moneymakers, and money lenders are learning now to do more with less. We are all in the same boat at this point, and we share a common global market, with its turbulence and its gifts, as well as the same physical constraints. This set of recurrent universal needs became especially apparent when I looked at the top 60 megacities of this world as part of the initial research deck for this book.

Deep down, humans share a universal set of emotions, which arise from fear and dread of the future, a sense of freedom and fate deeper than national identity or religious affiliation. From Moscow to St. Petersburg, from Stockholm to Edinburg, from Buenos Aires to São Paulo, each of these great historic cities is ripe for the kinds of innovations in frugality, and for essentially the same historic reasons.

Today's global citizen knows all this instinctively, whether walking up a stairwell in Singapore or Sydney or entering a corporate office in Nairobi, Kenya, or Cordoba, Spain. These awakened citizens have adjusted their lifestyles, from the wonderful walkways of Palermo to the reawakening of efficiencies in Barcelona and Lisbon. They balance their wants and needs, often brilliantly, with style and gusto. I see this gusto for frugality in some of the bright fashion sets coming out of Barcelona and Madrid. There is music and color to their creative frugality.

Overall, in these great cultural centers across the globe I see a common theme in their celebration of the richness in rules, and in their understanding of what we will call social capital in this book. The people making a difference in our shared near future will cultivate the skills recorded in this book.

But many of us—specifically those in North America, the English-reading world, the old Soviet nexus, and continental Europe—still need to tackle the tangle of social needs, from health care and balanced budgets to lifestyle and work-home

issues. We in the wealthier parts of the globe have only begun to see over this horizon of opportunities. Many cities and regions do not yet see the promise in the nexus of frugality and innovation. We are, indeed, at an important crossroad.

So much distracts us as a result of our relative wealth—from that dance of debt to the mortgage problems in our neighborhoods to the bald flat tire in our vacation cars. As my wife notes, “The more one has, the more it breaks.”

This book offers you a pledge and a promise to outsmart those burdens, and to find a new streamlined creativity in scarcity. In the end, this book is designed to help you look around the corner to the near future, rather than bump and stall like a Hummer trying to park in the tight confines of an ancient urban street.

The Magic of Principles

Rules are often incomprehensible to those who lack principles. Yet in the act of encountering our youth, setbacks in life, and stress at work and at home, we refine a set of existential principles we all share. That is my fundamental discovery in writing this book and traveling this world. In addition, the three global principles explored here are those upon which I founded my firm 30 years ago, so I can fully claim now that they are time-tested.

What are those principles? Let's start with the three basic fuels that organizations run on: money, people, and rules. We all have deep-seated emotions and fundamental prejudices in our attitudes regarding money, people, and rules.

This book offers a fresh approach to competition, and in the process, offers you some liberating new ways to better align these basic fuels in your life, your family, and your firm.

These three elements feed all governments and all corporations. They form the deeper triple bottom line that sustainability advocates articulate and that leads to our near future. Ancient people referred to the same human element as “a third eye,” seeing a set of lasting truths about money, people, and rules—for it takes human experience, human suffering, and insight to find balance in these competing realms.

One premise of this book is that you matter very much in this realignment. Although we acknowledge that some historic change results from the sheer violence in nature, and some of it resides in the full stupidity of regional differences that change only with great resistance, we speak first in these pages about the kind of manageable progress that remains before you to capture.

The first principle, then, is not to forget the people and the rules in the act of making money. The value of this principle of alignment is clear: when you forget people and rules for long, failure is likely over time. Witness the cases of Enron and its many imitators, as well as all the firms that lose their core talents

because they do not operate in a socially acceptable way. The reason we have courts, the press, and vigilance in the investment community is so we can remain, as a culture, hyperfocused on good corporate governance and transparency.

The second principle is a more fundamental one for 2010 to 2050. We need to return to a classic sense of productive restraint, to being agents for the good in this world by doing less. This second humanistic principle helps explain how physical constraints on water, air, and land have affected modern humans. We must therefore become informed, persuaded, and delighted by encountering our current limits, just as Franklin was slowly persuaded by the powers in the new world.

We must adjust our thoughts to this new world of events. This adjustment theme is not only addressed by priests and ministers, debated in political circles, and considered in public discourse. These topics are discussed everywhere, from the backs of taxis to the YMCA sauna to supermarket aisles. The chapters on scarcity, creativity, freedom, and fate are therefore devoted to helping you consider your best options, given the principal challenges before us from 2010 to 2050.

For example, I predict that our carbon- and capital-constrained new world will have much to learn from the classic writings of the past. When it comes to the nature of fair competition and the need for frugality, ancient classics - from pre-Socratic Greece and Rome to the edge of the modern - are rich with insight. Only

in the past 100 to 150 years have large portions of this world forgotten these classics. Our renaissance, then, is to return to being human within a constrained world, where water, air, and land are not taken for granted. These are as precious as breath. They involve an inward errand into the stark wilderness of restraint and teamwork.

The last two industrial centuries have taught us one thing: if you have too much slack, too much excess, you will not be creative. You become less than human. You become the machine. On the other side of totalitarian experiments, if you have too *little* room to move, if you are repressed and depressed, you become the machine also, but from the other direction. We are still, to this day, trying to find the right balance between industrial aggression, you might say, and personal freedom.

I have observed that most successful and happy people learn how best to align their money, people, and rules early in life. They find a creative balance that keeps them in the game with frugality and fun. They are enterprising, not machine-like.

Of course, many still take the dated mechanical thought path. You can see this cultural bias for personal excess and industrial extravagance even in the recent books about Benjamin Franklin (for example, the prized and brilliant historical work by Aspen Institute CEO Walter Isaacson). Although the book is factual and a

great read, it modernizes and professionalizes the great Franklin in that it diminishes key elements of his competitive frugality that made him great.

Isaacson popularizes mostly twentieth-century values in his recollections on Franklin. This otherwise great book on Franklin emphasizes his technical wizardry at the expense of his real insight into human nature—namely, that frugality and industriousness are the ways to wealth. This is the original Franklin insight that enabled the modern era, long before oil, airplanes, and our current crises.

This ancient insight into frugality and innovation flies in the face of what our best business schools continue to teach. The principles in this book test and question the basic assumptions of today's dominant consumer culture. Only by accepting this primal creativity in each of us can one find true pleasure and true loyalty. And that is virtually free.

The joy and satisfaction in these principles cannot be easily obtained through any other path. Meditation, being only internal and physiological, does not give it to you. No amount of government regulation or corporate market incentives and rewards will develop the muscles that come from achieving results in this constrained world.

Only you can do that, by going back to the classics on social leadership. In the act of changing the world around you, you will find this world more intelligible. These higher facts about humans engineering their society are deeper than scientific discipline and legal precedent; they involve a need to think through

the actions you take as citizen, consumer, and conscious agent in this world.

Cultural anthropologists know that emerging and then dominant higher facts come forth from physical changes. This book focuses on what it means to all of us to support 7 billion souls on Earth.

This Is the *You* Century

The last principle, then, is that only *you* can find your competitive advantage for creating wealth. Do not expect your current boss to give it to you, or your parents or grandparents. You cannot get it from any further formal professional schooling.

Business schools are full of cases about teams, and you *do* need to work with teams. But only you can position yourself and your firm for the more severe future and acquire the wisdom it takes to succeed. Everything Franklin wrote, with wit and care, was for you. And you, too, can aspire to that intelligent ideal. Doing more with less is success. Use that as your lifelong mantra. You can meet this century's demands as Franklin met the demands of his century, and you don't need anything except the basic principles laid out in this book.

These principles will help you become adept in the short run and adaptive in the long run. A frugal and fair approach to business prepares you for life and

family and allows you to celebrate—rather than exploit—society. Make this book a friend, rather than an order. It will give your life a reason to share.

Our Homage to Benjamin Franklin

This book is my homage to Benjamin Franklin.

As I travel this world, I find that most people know Franklin as a great man, not just a great American. He has become, over 300 years, the first world citizen. He represents to me the wisdom and wit of the past that is ever present. In Chapter 5, which is about about the mega cities I've visited for work, I reflect on how Franklin's view of capitalism, which is now mine as well, enabled him to live in the new world more satisfactorily than he first fit in the new America.

Franklin embodies this principle of delighting in doing more with less. By age 41, Franklin believed that he had spent enough time making money; he therefore devoted the second half of his life to making better products and guiding the promising and industrious people whom he felt enhanced society. The people of our new world still admire this approach. Not long ago, in Washington, DC, I met a taxi driver from Qatar, who said: "Ben Franklin—why, he is our man! If he cannot do it, no one can." That athletic chant echoed in my head as I wrote the many drafts of this book, as Franklin's worldliness is more than athletic. It is

inspiring to see how Franklin had gotten under that driver's very skin, compelling him to come to Washington to work in the first place.

Nowadays, as I travel in a taxi or a limo to the great cities, a taxi driver will often respond to the name Franklin with this informed joy. I have been testing out this lived experience since my *World Inc.* book took me into eight different foreign editions and multiple countries. These book tours and overseas assignments have taught me a good deal I could not have learned from books. The average foreigner's view of Franklin, for example, is one of a man at the birth of a modern time, one who understood that being industrious and frugal made us *of* this world.

Why is it, in this age of consumerism, that so many in America and the Anglo-European complex now discount that view, and regard as dated the values and art of virtue promoted by Franklin?

The appreciation of Franklin's frugality and worldly diplomacy is not always shared by modern authorities. In fact, as we enter the vast realm of consumer goods, very few can see Franklin's true value to our future.

We should be shocked by Isaacson's excellent new biography because it actually undervalues these points about frugality and intelligent competition in Franklin. What will the new age think of Franklin, if they only learn about his real politik, his love of the technical, and his ceaseless horse-trading through Isaacson and other biographers, neglecting the source materials? The Muslim and Asian

worlds, for example, appreciate Franklin for what he is, vividly frugal and diplomatic. If you contrast how other countries teach their youth about Franklin from the texts—from India to Indonesia, from Australia to Africa—it’s shocking to see how Americans tend to forget that Franklin was the father of frugality, inventiveness, and social diplomacy, not just lightning, science, and dining fraternities in Philadelphia.

Therefore, by paying this restoring homage to Franklin in style and deed, we remind ourselves of that primal first individual who knew about fair competition and frugality when he first walked into Philadelphia more than 300 years ago. In short, we are jiving Franklin’s *Autobiography* with the needs of 7 billion new citizens.

This book also examines the works of others who have contributed to the principles of this book, from E. F. Schumacher to CEOs such as Pat Mahoney. But overall, the main impetus to examine the complex relationships between the arts of competitive frugality and their consequential impact on the world derive from the works and life of Benjamin Franklin.

Franklin is the father of this new approach to wealth, and he is our global citizen to show the way to the next golden age. The following pages are, in the end, based on Franklin’s wit, warmth, and good charm. This resonates with many, including a few like Warren Buffett, who are frugal deep down in a Franklin-like fashion. In my experience, confirmed by recent scientific and psychological

research, human beings process conflicting information best when they simply learn by doing. We take this approach to refining your understanding of the art of competitive frugality. By suspending our disbelief, revisiting our primal selves, and looking fresh at the great lessons of a respected past, we can grow past our addictions and the illusions of our existing certainties.

Coda

When we consider the current and increasing weight of debt on most industrial and developing nations, we must pause with a sense of deep caution and concern. Governments as we know them are bloated and overextended, except for fewer than 12 of the more than 100 now in existence. We must then consider the twists and turmoil facing most politicians, from Greece to England and the United States, and appreciate how hard it is for them—or for the press that covers them in a kind of frenzy—to focus on anything except the short-term, highly politicized focus of self-interest by which they work. It is very easy to see why they stay within their own narrow areas of control until we all lose control—as evidenced by the cases of the International Monetary Fund (IMF), the World Bank, and our existing overextended mortgage lenders in both Europe and the United States. Finally, when we consider how debt takes the radiance out of so many individuals and companies across the globe today, where the luster of self-determination is

lost in the pace of debt, we notice that many of our responses become technical and economical, and we thereby miss the real source of solutions noted in this book.

All experts currently in power must heed the powerful advice given in Franklin's *The Way to Wealth* or soon be displaced. You'll see his insight goes well beyond the aphorism "a penny saved is a penny earned" and can truly be worth millions, if practiced. This book puts Franklin before all of us as the model of what is achievable to many in this new century.

We have done so many things wrong in reshaping modern industrial cultures over the past 100 to 150 years that a greater number of citizens wonder if we can do anything right. In a sense, we *had* to make these mistakes to learn. At this point in my life—and at this turning point in human history—I truly believe that you will make more choices that enjoy results if you put trust in this book's underlying principles and find a path that fulfills.

Doing more with less is success.

—Saratoga Springs, New York