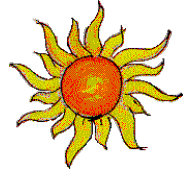


# Nurture Capital -- A New Paradigm For Business

R B Swenson



## What Is Nurture Capital?

*Nurture Capital* is a term to describe the paradigm shift that is transforming many businesses from a pattern of domination to the *modus operandi* of cooperation. This shift applies in the relationships between people acting together in business, and it applies to the relationship between the enterprise and its environment, broadly construed.

Numerous facets of this transformation are observed here, to enhance understanding and enrich the terminology we use to describe our dealings with each other in business. This introduction provides an overview of key elements in this new mode of operating.

The term "nurture capital" is used here in two ways. First, it describes a general shift in the nature of enterprise. In this general sense, nurture capital expresses our intention of integrity, and it speaks to a new standard by which we can measure our performance. In this context, the term can be applied to any business, at any stage in its own evolution.

The term is also used here to describe a specific, early phase in the development of a business. This phase occurs after a venture has been formed, but before it has matured sufficiently to interact with the venture capital community. In this phase, the importance of nurturance is obvious; it is a formative period appropriate for imparting the principles of transformation which are taking place in the business world.

## An Historical Perspective

We can gain insights into this paradigm shift from an interview, "*Reshaping the Future by Looking into the Past*," with Riane Eisler, Center for Partnership Studies:

Michael Thoms (Interviewer): "I think of cliches like 'Human nature is violent -- We look at human nature and it's always been that way.' These kinds of cliches get into the culture and just become accepted as truth."

Eisler: "Well, they are more than cliches. You know, they are very important parts of the maintenance of the dominator system. Consider: if we are, as we have been taught, flawed either by original sin or by selfish genes (just these little robots, you know, that the selfish genes are pushing around) then we are, first of all, not responsible, and second of all, why bother changing anything? It can't be done, especially if this was willed by God, as we have been told."

"Short of removing yourself to a mountain, you can't develop spiritually within a dominator society. We are humans, who want to be linked with each other. We don't want to live in isolation. So we have to transform society, not just do it in isolation. The two just go together.

"And the resistance that we are seeing is because the thrust of the partnership society is so strong, we are seeing the old system almost in its death throes, and it could kill us in its death throes. That's what we are seeing, that's the big struggle in the world today." [Eisler]

## Nurture Capital Contrasted with Dominator Capital

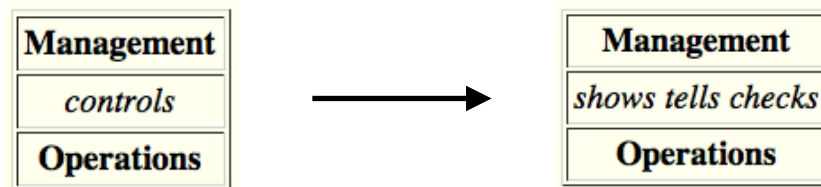
The old system served in a time when individual action could run its course unfettered. The hierarchical structure of business was more conducive to power plays, creating a predisposition to competition and conflict within the essential framework. Furthermore, because an artificial economic boundary was formed around the firm, it was possible to discount impacts upon the environment. These patterns might be called "Dominator Capital" in contrast to Nurture Capital.

The following table indicates some attributes that distinguish these expressions:

<b>Element</b>	<b>Dominator Capital</b>	<b>Nurture Capital</b>
Communication	Chain of Command	Lattice-work of interaction
Conflict	Sue the bastards! Win-lose	Getting to yes All-win
Decision-making	Golden rule: The one with the gold sets the rules	Consensus
Game, Name of	Profit for company	Profit for all Environment valued
Game, Score of	ROI (Return on Investment)	ROI + SRI (Social Responsibility Index)
Nature	Conquest	Stewardship
Performance	Bottom Line	Bottom Vector
Relationships	Competition	Cooperation
Structure	Hierarchy	Recursion/ Cybernetic systems
Who is right?	I'm right	Everyone is right

### Show and Tell (and Check)

How does nurture capital management turn principles into action? In a nutshell, nurture capital eclipses the obsolete hierarchical command approach and instead relies on the "show and tell" method of communication between management and operations:



The first step is to show personnel what to do (set up systems and train -- more appropriate than "giving orders" when managing complex tasks). The next step is to tell operations personnel when to do it. Then management will, in effect, check to verify the validity of its training program, without condemning the worker, as it were, for management's errors.

In the nurture capital mode, the lines of communication go both ways. Management is called upon to make decisions based upon enriched, two-way communication with operations. Also, management and operations both give attention to the firm's environment.

### A New Model of Enterprise

As the command (hierarchical) model is superseded by the cybernetic (latticework) model, we have identified additional channels of communications within the firm, as indicated above. We can also explicitly consider interactions between the firm and its environment. Thus, the three major blocks are management, operations, and environment, with communication linkages between each of these blocks.

<b>The Viable Systems Model</b>		
<b>E N V I R O N M E N T</b>	<b>Management</b>	Management consists of at least these three functions:
	Boss	ultimate responsibility -- the big commitment;
	Developer	the eye on the horizon;
	Executive	handles day-to-day logistics.
	<b>via links</b>	Management has three lines of communication with operations:
	Show:	stabilizers: training and procedures
	Tell:	resource bargains between the parties
	Check:	to control quality and verify performance
	<b>Operations</b>	The operations unit interacts with the market and the environment (customers as well as endangered species).

This model is based on the [Viable Systems Model](#) of Stafford Beer. We consider management and the three major roles it plays -- as the boss, the developer and the executive. Then we review

the linkages between management and operations. Finally, we consider some implications of the nurture capital approach to operations.

## Consensus Decision Making

Our democratic society places great importance upon occasional public voting exercises. Yet the decisions made daily in business often have far greater impact upon our lives. Within the nurture capital paradigm of cooperation, new methods of decision-making are emerging. Consensus is such a decision-making process that improves the quality of the outcome-- by exploring differences until agreement is possible. The process is unitive and can be contrasted against decision making by majority vote, which can be divisive.

<b>aha!</b>	<b>=&gt; Consensus/Unity</b>
yes ----- no left ----- right right ----- wrong	<b>=&gt; Majority/Division</b>
Majority rule polarizes; consensus derives value from both sides of an argument to reach unity.	

*"All voting is a sort of gaming, like chequers or backgammon, with a slight moral tinge to it, a playing with right and wrong, with moral questions; and betting naturally accompanies it. The character of the voters is not staked. I cast my vote, perchance, as I think right; but I am not vitally concerned that that right should prevail. I am willing to leave it to the majority. Its obligation, therefore, never exceeds that of expediency. Even voting for the right is doing nothing for it. It is only expressing to men feebly your desire that it should prevail. A wise man will not leave the right to the mercy of chance, nor wish it to prevail through the power of the majority." [Thoreau]*

Applying the nurture capital mode of thinking involves learning to use new decision-making methods, including consensus, creativity exercises, and computerized management resource centers.

## Recent Scientific Development

Our social and political machinery is deeply influenced by scientific thought. For example, to considerable extent, popular science and business practices are still grounded in Newtonian physics. This is understandable: we can readily appreciate the enormous value that Newton's discoveries brought to our culture -- the ability to predict and therefore design systems with incredible accuracy, even sufficient to explore the moon.

We can also appreciate the profound impact of other scientific truths which emerged in the 19th century (thermodynamics) and the twentieth century (relativity, uncertainty). These discoveries

formed the basis for the industrial revolution and the nuclear age, respectively. They also illuminated the limitations of Newtonian physics, but the understanding of these limitations is only now beginning to find its way into common business practice. We know, for example, that attempts to rationalize inherently chaotic situations will continue to thwart management. With reassurance from modern science, we can now avoid suffering from the delusion of predictability:

*"Chaotic nonlinear dynamics is a vigorous, rapidly expanding field. Many important future applications are to be expected in a variety of areas. In addition to its practical aspects, the field also has fundamental implications. According to Laplace, determination of the future depends only on the present state. Chaos adds a basic new aspect to this rule: small error in our knowledge can grow exponentially with time, thus making the long-term prediction of the future impossible."* [Grebogi, Ott, Yorke]

The weatherman knows this. And leaders in business have not missed the fundamental truth either. Evidence of such a profound transformation is reflected in the title and content of Tom Peters' book, *Thriving on Chaos*.

The sciences of thermodynamics and cybernetics reveal much about the changing nature of the world and thereby the management systems we use to handle complexity. Such scientific findings help us to use nurture capital principles more effectively.

## **Nurture Capital -- A Phase in Development Building upon Venture Capital**

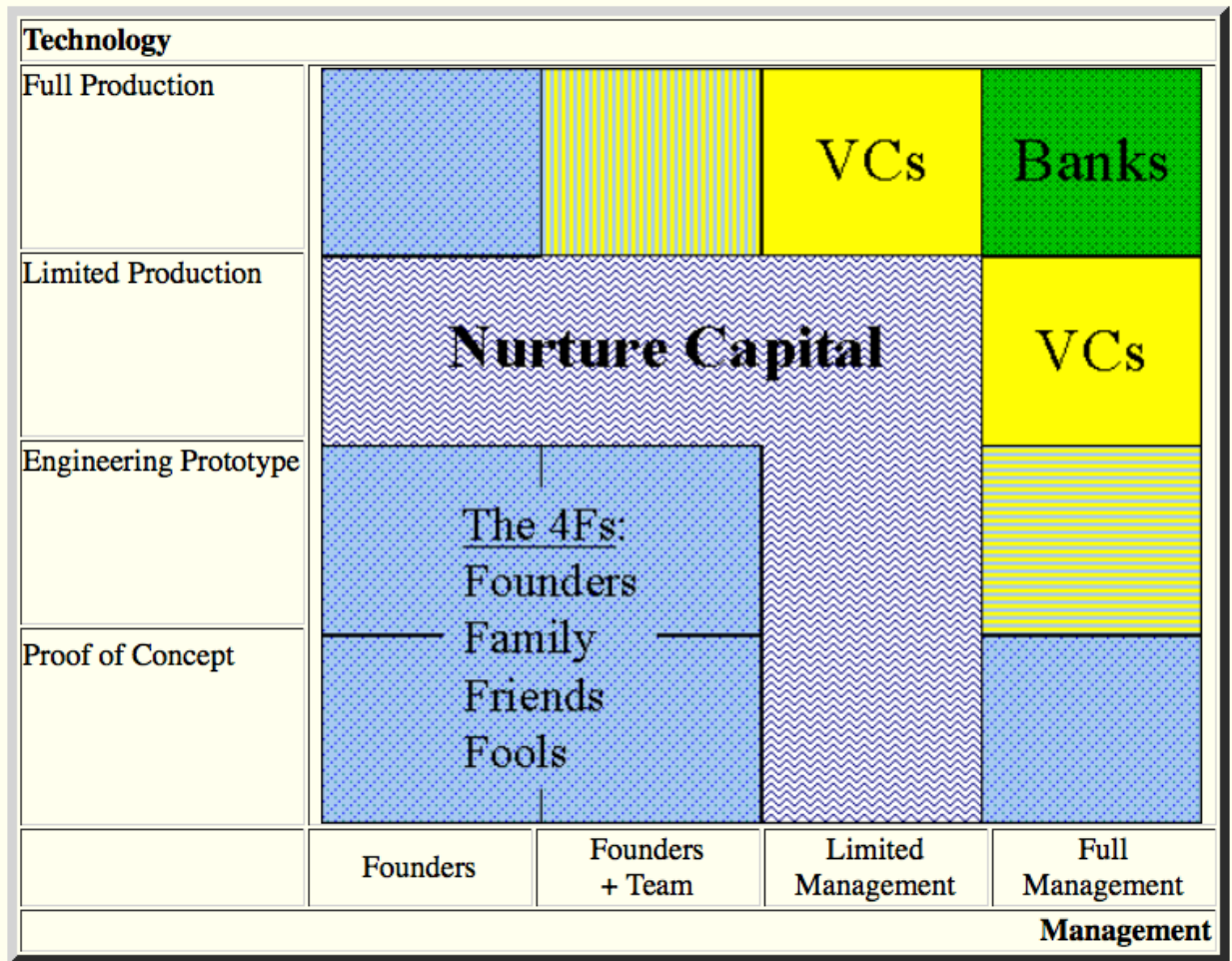
We now turn to the use of the term, "nurture capital" to describe a facet of capital formation. When capital and management services are provided for fledgling ventures according to the nurture capital mode of thinking, we build a bridge to the venture capital community. We enhance our culture's basic concept of enterprise in order to create systems which supports cooperation and completeness, to achieve all-win outcomes.

## **Where Does Nurture Capital Fit into the Financing Cycle?**

Venture capital has become a key element in technology innovation. But in recent years, venture capital has become less adventurous. Therefore, we have introduced the term, "nurture capital," to describe resources applied to an enterprise once it meets the first test of survival: a concept has been created, and its early development has been funded by the founders, their families and their friends. Before the established venture capital community will consider it, though, there is another step to be taken -- **Nurture Capital**.

The diagram below indicates the steps in the ladder of business growth and shows where Nurture Capital fits in as a critical bridge to maturity. As illustrated in the matrix, banks invest (lend) when both technology *and* management are strong and mature, and Venture Capitalists participate only when either management or technology is mature, and the other ingredient is not find behind. Nurture Capital, then, is that phase in the life of a venture, after the founders have

invested all that they are able into the venture, but when it is still premature to talk to Venture Capitalists or banks.



Incubator facilities, wealthy private individuals, accountants and management consultants assist the fledgling company in the intermediate stage to prepare for major funding. This we call the Nurture Capital phase.

### What Does a Nurture Capitalist Do?

In the context of start-up businesses, we have made a distinction between nurture capital and venture capital. We can define a "nurture capitalist" as one who works with small enterprises to enhance management capabilities. Since many young small businesses are operated by a single inspired individual or a small partnership, gaps in management are inevitable as the firm's needs grows.

While entrepreneurs often have an amazing ability to grasp primary management functions, still someone must fill the gaps they leave:

Often they rise in their field because they are very productive workers, and therefore they concentrate on operations, letting most management functions happen ad-hoc, except perhaps for the Boss function: when things need to be cleaned up at the end of the day, they stick around and finish after everyone else has left,

- in which case, the nurture capitalist provides executive and developer skills.

Or, they may be excellent developers, with an eye to the future -- but poor at execution of details,

- in which case, the nurture capitalist assists by formulating better channels of communication: reframing command functions in terms of resource bargaining, designing systems for stability, and designing audit procedures.

Or, the entrepreneurs may have developed a service ten years ago. Now they have become good at the executive function, and have lost sight of the future, becoming bogged down in the here-and-now,

- in which case, the nurture capitalist assists in Development activities -- working out a pro-active business plan and directing the enterprise towards new markets and adaptations to its rapidly changing environment.

Or, the enterprise may have capital restraints,

- in which case, a nurture capitalist plans and negotiates resource bargains with investors or lenders on behalf of the firm.

As we explore this model of enterprise in greater depth, we will consider each of these management functions and the role of the nurture capitalist in more detail. Stay tuned for more details.

## **Conclusion**

Nurture capital symbolizes a new approach to wealth creation. It is an approach that creates value for the firm and for the society which it serves. It offers a timely challenge:

*"If our economy of freedom fails to distribute wealth as ably as it has created it, the road to dictatorship will be open to any man who can persuasively promise security to all. And the marshall government, under whatever charm and phrase, will engulf the democratic world."* [The Lessons of History, Will and Ariel Durant]

Witness: *"In a dangerous world, you do what you have to."* [Admiral Poindexter, Iran-Contra Affair hearings]

How far have we come down that road to dictatorship? What can the business community do to reclaim what we have lost? This treatise redefines priorities and provides a language for managing those priorities.

By applying the principles of nurture capital, steps can be taken to restructure the game of business, creating and clarifying mutually supportive relationships to build a sustainable future.

## More Nurture Capital documents

### [Order out of Chaos](#)

"... citations on the study of dissipative structures from the book, *Order Out of Chaos*, by Ilya Prigogine with co-author Isabelle Stengers."

### [Environomics](#)

"We have all heard the story about Jesus turning water into wine. There is another story about a village where just the opposite happened...."

### [Cybernetics](#)

"The following material is extracted from An Introduction to Cybernetics by W. Ross Ashby which offers a foundation upon which to examine the complexity of modern business."

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