

# THREE FACES OF CAPITALISM AND THE HIGH PERFORMANCE COMPANY OF THE FUTURE

DRAFT VERSION 2.3 for comments & critique

## Executive Summary

With the demise of Communism in 1989, Capitalism has reigned supreme. It's now time to challenge the future of capitalism by scrutinizing its effectiveness in creating competitive advantage.

## Key Points

### 1. **Competitive Advantage:**

Capitalism's underlying strength comes from its ability (when operating in free and honorable markets) to base the future performance of any company on its ability to create competitive advantage from the perspective of its customers. Competition is the grindstone that hones the razor sharp edge of advantage. Without strong competition, the weak and unworthy survive, which provides no value to customers.

### 2. **Lack of Moral Imperative:**

The *Future of Capitalism* will not be determined by government intervention nor by moral judgments about what is "right" for society. In fact, if the last two decades are any indication, a relaxation of laws regulating business seems to be a stronger trend, despite any criticism of deregulation during the last three decades. While every idealist wishes the *moral* path of ethics, fair play and righteous action to prevail, a long history of human endeavor favors *competitiveness*.

### 3. **Three Faces of Capitalism:**

Capitalism is not a monolithic form of economics. There are actually three different competing capitalistic business models, each quite different, each founded on different beliefs and strategies:

***Adversarial* Capitalism, *Transactional* Capitalism, and *Collaborative* Capitalism**

Each produces very different results. These three forms are ill-defined and not clearly differentiated in the minds of most business leaders, resulting in a fourth version: ***Muddled* Capitalism.**

### 4. **Creative Destruction:**

Capitalism derives its fundamental power from the impact of "Creative Destruction" – the relentless replacement of the old with the new. This requires a constant upgrading of thinking, new innovation, improvement in performance, and better business models. The only sustainable capitalism of the future continually produces better results than preceding generations.

### 5. **Competitiveness in a Fast Moving, Complex Business Environment Requires Collaboration:**

Our analysis shows definitively that ***Collaborative Capitalism*** is the ***only model that consistently produces superior competitive advantage***. While, fortunately, this type of capitalism is far more beneficial to the whole of society, it will not prevail because of its macro-benefits, but because it's the most competitive (most effective, efficient, sustainable, adaptable, profitable).



By Robert Porter Lynch

