COMPLETING CAPITALISM

HEAL BUSINESS TO HEAL THE WORLD

Bruno Roche and Jay Jakub

FOREWORD BY MARTIN RADVAN AND COLIN MAYER

AFTERWORD BY LIM SIONG GUAN

More Praise for *Completing Capitalism*

"Courageously reconciles dimensions that were thought to be mutually exclusive for centuries. A must-read for today's business leaders who are ready to reinvent their world!"

—Jean-Christophe Flatin, President, Mars Global Chocolate

"Roche and Jakub dramatically succeed where others have dismally failed. Their clear, concise, values-driven words shape capitalism into its final form and elevate it to the pinnacle position that it deserves. Roche's and Jakub's superb scholarship is underpinned and supported by the practical reality of successful pilots and business world applications. They not only complete capitalism, they create and hand us a road map for responsible business in the 21st century."

—Dr. Frank Akers, former Associate Director, Oak Ridge National Laboratory; Chairman, Mars Science Advisory Council; CEO, Oak Ridge Strategies Group; and Brigadier General, US Army (ret.)

"For Veolia, the world leader in environmental services, the question of innovation in service of human progress is central: expanding access to natural resources, preserving and renewing them is our vocation. Our values at Veolia are in profound harmony with the great essay of *Completing Capitalism*, which proposes a vision and practical solutions for a responsible capitalism based on reciprocity and shared prosperity."

—Dinah Louda, Executive Director, Veolia Institute, and advisor to the CEO of Veolia

"The more complete form of capitalism put forward by Roche and Jakub is not about competitive advantage. But to be competitive in the future, companies will need to operate this way."

—Paul Michaels, former CEO, Mars, Incorporated, and former executive, Johnson & Johnson and Procter & Gamble

"Some endeavors require intellectual, emotional, or spiritual courage. Bruno and Jay have demonstrated all three in fleshing out this valuable piece of work on behalf of Mars, Incorporated, our associates, and all stakeholders, including the planet. I truly hope it evolves, as I believe it can and must, the dialogue regarding capitalism's future and its crucial role in our world going forward."

—Stephen Badger, Chairman of the Board, Mars, Incorporated

"As human beings we long for the way the world is supposed to be, even as we make choices against that hope. For years Roche and Jakub have been hard at work rethinking the way that business should be and ought to be—if we are to flourish as selves and societies, choosing a future that understands the grain of the universe. With a rare willingness to ask the most critical questions about the nature of business, their 'economics of mutuality' is a vision for doing good and doing well in the context of one of the most iconic brands in the modern world. Neither charity nor corporate social responsibility, but rather a way for sustained profitability, this book argues for making money in a way that remembers the meaning of the marketplace."

—Dr. Steven Garber, Principal, The Washington Institute, and author of *Visions of Vocation* and *The Fabric of Faithfulness*

"This crisis is more than a 'normal' crisis. It requires a reset of our thoughts and ways of doing. Business as usual does not work anymore or anywhere. The journey that Jakub and Roche are proposing is a difficult one but a promising and fecund one. It is ambitious but within our reach to make this world a better one. This is, I believe, the only reasonable option. We have patched up the system. This is the good news. We have to rebuild. This is the promising appeal. A properly functioning market economy must work for the many, not just for the few. Now is the time if we want to eradicate poverty in our generation. And here is how."

—Bertrand Badré, CEO, BlueOrange Capital; former Managing Director and Chief Financial Officer, World Bank Group; and former Group Chief Financial Officer, Société Générale and Crédit Agricole

"Institutions today are failing to adjust to the urgent needs of humanity. Power has shifted to MNCs. Therefore, the responsibility for sustainable human existence lies mainly on the shoulders of business leaders. Roche and Jakub address the right questions, economic and spiritual, while providing a vision and practical approach for making profits together with serving social, natural, and human needs. Their book invites us to engage in a paradigm shift. It calls for a movement of moral, responsible business leaders. Let's move forward!"

—Avishay Braverman, former Senior Economist and Division Chief, World Bank; former President, Ben-Gurion University; and former Cabinet Minister and Chair, Finance and Economic Affairs Committees, Knesset

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Bruno Roche ✣ Jay Jakub

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To the author and perfecter of our faith

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Foreword

Colin Mayer, *Oxford University*

Martin Radvan, *Mars, Incorporated*

Oxford University entered into Mars' mutuality journey three years ago when Bruno Roche and Jay Jakub together with a team from Mars Catalyst came to the Saïd Business School to give a presentation on what they called the "economics of mutuality."[1] Of course, we had some notion of the innovative management practices in which Mars was engaged but we had no idea of what we were about to hear. The effect was electrifying. People in the business school came away thinking that there was really something of substance that warranted careful and in-depth analysis. So the seeds for what has thus far been a two-year—and is destined to be a many year—collaborative research program between Oxford University and Mars, Incorporated were sown.

We started in earnest in October 2014 examining what this curious concept of mutuality meant in practice within Mars. We talked to people at all levels in the organization and in particular focused on a pilot study in Nairobi, Kenya, called Maua, in which Mars Catalyst (Mars' internal corporate think tank) was actively engaged. What I came to realize were three things.

First, that mutuality was a process, not a realization. It was the exploration of the way in which business can implement structures, systems, and practices to derive benefits through conferring benefits. Mars was in the process of identifying these structures, systems, and practices through experimentation, observation, and learning.

Second, and as a consequence, academia and business had a considerable amount to contribute to as well as learn from each other. In essence, quite correctly, Mars appreciated that business was not about knowing but learning, and since academia is about researching and informing, there is a natural partnership between the two. Companies appreciate that they have a great deal to gain from the scientific and technical knowledge of universities, but few understand that there is a benefit from partnering with them in the discovery of new business practices as well.

Third, the nature of that partnership between academia and business is itself mutual in nature. The interests of business and academia are not naturally aligned. Business is immediate, private, and confidential; academia is long term, public, and open. The reason the two coexist as distinct entities is because of their differences. Forging a relationship therefore requires an unusual appreciation of the goals, constraints, and attributes of the two parties and an avoidance of a condemnation of their respective failings.

In that regard, the Saïd Business School at Oxford University was extremely fortunate to have been able to partner with Mars Catalyst, the think tank of Mars, which, as an organization that combines the research and practice of management, was able to offer the intermediation between the academic and business world that was required for the project to flourish. In particular, as the leaders of Mars Catalyst, Bruno Roche and Jay Jakub provided the vision, imagination, and leadership that were required to bring the program to fruition.

Like mutuality, the research program is a journey on which we have learned not only about mutuality in business but also about how to promote mutuality in business research. What this book represents is a remarkable description of the concepts that underlie that program and the journey by which those ideas have emerged. It is a story that is of immense importance in understanding what is required to reform business in the twenty-first century because, as we are all coming to appreciate, the failings of business are impoverishing us not just economically and financially but as individuals and societies.

Reforming business is essential not only for completing capitalism but preserving it as well. We have seen only too clearly over the last few years the political as well as social ramifications of our failure to do that. We have made remarkably little progress, and time is running out before distrust and mistrust rise to a point where the fabric of our economies that we take for granted will be eroded.

This book provides us with the basis for understanding what needs to be done and what business can do. We should all take heed and learn the essential lessons that it seeks to teach us.

Colin Mayer, *former dean, Oxford University's Saïd Business School (SBS); Peter Moores Professor of Management Studies, SBS; author of* Firm Commitment: How the Corporation Is Failing Us and How to Restore Trust In It

My journey discovering the economics of mutuality had humble origins starting with my own employment as a very junior associate in the Mars company more than thirty years ago. Initially my understanding was limited to a very simple relationship between myself and the company—I worked hard and I received new career opportunities and progressed financially. During the business period of rapid geographic expansion, I then witnessed firsthand what an enormous difference a successful business can make to all of its stakeholders, including employees, suppliers, customers, and a myriad of their dependents and networks.

Experiencing this very tangible, indeed visual, impact of shared benefits in a variety of geographies from the Middle East to Central Europe left me in no doubt of the underlying and fundamental truth in the principle.

During my time managing the Catalyst function, I was exposed to the "what is the right level of profit" question and resulting research. This in turn seeded thoughts and a deep personal curiosity as to whether one could measure or even perhaps quantify our impact beyond financial measures and then indeed influence the delivery of that impact.

On assuming leadership of the beverages division of Mars, it was of course clear that rapid growth of this business was an imperative. But in addition to growth with all its inherent benefits, another question loomed: Could we drive a course of action to benefit specific stakeholders, and would such action enable us to realize the "biggest bang for our buck"? With the help of the authors' analysis of shared value, a crystal clear "call to arms" emerged. The coffee growers at the very start of our value chain deserved the most attention. Personal visits to these source geographies only reinforced this conviction. As relatively small buyers of the total coffee crop, we had the luxury to decide where to buy from and hence where to focus our attention. In combination with our financial capital measures, human, social, and natural capital measures allowed us to select where we had the best prospects for success and enabled empirical measurement of our progress. The prospect of setting a business target of X% growth, in addition to Y% improvement in "social capital" of the growers, came in sight. In addition to the personal motivation this delivered, I was overwhelmed by the general engagement this generated within my management team and many other involved associates.

When I moved to run the William Wrigley Co. (a division of Mars), I carried these formative ideas with me. Within the Wrigley value chain we identified mint farming as a potential opportunity. However the same value chain analysis revealed that in the case of gum, a much larger opportunity lay in improving the share of prosperity within our distribution network—specifically in emerging markets. With Kenya as a fertile ground for experimentation, we set about testing our ability to generate micro-entrepreneurs. Our first attempts were abortive and taught us many hard lessons, but slowly, with the help of local partners, we established improved methodologies and rapidly we were able to foster some very promising results. Strict attention to deployment methodology and rigorous scientific discipline in measuring the impact allowed us to refine our approach, improve our operations, and start to measure our impact on the society in the areas of downtown Nairobi in which we worked. No experience can be more personally humbling yet motivating than meeting our entrepreneurs—for example a young mother who had moved her income from subsistence to a level where she could support her children's education.

We have subsequently rolled this out into other areas (e.g., the Philippines), and we now have very exciting test programs in rural China, including the use of new e-technology to measure our impact.

Sadly we cannot right all the wrongs and injustice in our world, but through the approach outlined by the authors I am convinced that we can and we do make a significant difference to many, many lives along our value chain. Therefore my fervent wish is that we simply continue to share, learn, and accelerate our progress.

Martin Radvan, *President, Mars Wrigley Confectionery*

Introduction

Uprooting the Dysfunctions of Financial Capitalism

In a real sense all life is interrelated. All men are caught in an inescapable network of mutuality, tied in a single garment of destiny. Whatever affects one directly, affects all indirectly. I can never be what I ought to be until you are what you ought to be, and you can never be what you ought to be until I am what I ought to be . . . This is the interrelated structure of reality.

Martin Luther King, Jr.

It all started with an unusual question . . .

More than a year before the 2008 financial crisis, the global food and beverage company Mars, Incorporated, asked what the right level of profit should be for its business activities.

Although this question has been pondered by mankind for several thousands of years . . .

> *A man may give freely, and still his wealth will be increased; and another may keep back more than is right, but only comes to be in need. (King Solomon, 950 BC)*

. . . it has been acted upon in a very particular way since the early 1970s by the adherents of renowned economist Milton Friedman and his Chicago School of Economics. The Friedman model called "financial capitalism" has become dominant across the business world, and can be very briefly summarized as follows:

> *There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits [for shareholders].*

In that context, the question about the "right level of profit" is remarkable in the sense that it was posed by a corporation rather than a stakeholder or by an altruistic outside observer. It also occurred one year before the 2008 global financial crisis, and it directly challenged the core hypothesis of the dominant school of thought of Chicago.

The 2008 crisis began a questioning of the relevancy of the Chicago school

Since the 2008 crisis, the question of balancing people, planet, and profit has become a growing field of interest for an increasing number of stakeholders (businesses, NGOs, academics, etc.), denoting a rising level of discomfort with the current model. The majority of related initiatives in this space have focused on either mainstream corporate social responsibility (CSR) initiatives to attenuate or mitigate the negative impact of business on society and the environment, or on setting up philanthropic foundations or social impact–type funds to focus on social and environmental issues on the periphery of the business, or on social and environmental issues unrelated to business. But neither of these has truly challenged the system at its core or has challenged whether the "right" level of profit may not be the level that maximizes shareholder value unconditionally.

The right level of profit and two corollary questions

The question of the right level of profit raised two other important questions for us in our work that are both pragmatic and ethical. The first is whether there is an optimum level of profit that can ensure maximization of the holistic value created by the firm, including the continuing, healthy, profitable development of the firm. The second asks what moral principles might justify how much value a firm can extract from the business ecosystem in which it operates and upon which its long-term development depends. Both questions begin to address how value creation, value concentration, and value sharing are or should be related to one another.

These two questions—about holistic value optimization and morals, respectively—ultimately opened the door for an extensive applied research program (called the economics of mutuality[1]) that encouraged us to think big about how business (especially multinational corporations, or MNCs) could become a restorative power to address societal and environmental issues.

The program we embarked upon[2] has combined academic research with thought-leading academic institutions and a strong business focus with Mars as a main sponsor, and it is now growing with the involvement of other MNCs that see value in our approach.

Visions of the authors

Completing Capitalism presents some of the most insightful ideas and results coming from our ongoing applied research program to date. The program, in our view and in the opinion of an increasing number of businesspeople, academics, and other thought leaders with whom we are now collaborating, may constitute a major business breakthrough. But this book is meant to introduce the new approach we propose rather than to detail it in depth. Such a book will actually come next year, coauthored with our key academic partners. This is, in part, because we are still very much on a journey of discovery ourselves, meaning the program continues to move ahead with new business pilots, partnerships, and findings every day. Still, there is much detail to share right now, and we have done so in these pages to illustrate the new model sufficiently for the reader to grasp its basic components and understand how it functions in practice.

This book also does not reflect the official position of Mars, Incorporated, but rather represents the informed perspective of the authors, who have jointly led this research effort since 2007 in their management leadership roles within the Mars internal think tank called Catalyst. We worked on the program collaboratively with our corporate think tank colleagues, and with a wide range of business leaders, NGOs, and external experts from a number of universities around the world and across many academic disciplines. We are telling the story, but there were many other protagonists and supporting cast involved without whom we would not be writing this today.

The crux of our discovery—in brief

Our approach is based on the simple assumption that most business sustainability issues can be solved effectively and durably, not through ad hoc CSR initiatives or philanthropy, but through innovative business model approaches that have the ability to drive both social and environmental performance while also delivering strong financial performance. The management theory we are developing, therefore, holds that business can simultaneously drive both profits and wider mutual benefits to people and planet through understanding and managing multiple forms of capital, namely human, social, natural, and shared financial capital. It is based on the assumption that while good management of these capitals can drive superior business performance, business in return can also impact (positively or negatively) these capitals.

The methodological challenge we have had to address essentially is twofold. First, the new metrics for the new forms of capital must be simple enough to be enacted in a business context, and stable across different geographies and business situations. Second, these metrics must be actionable for companies through new business practices and must deliver both social and environmental performance, along with excellent financial performance. Absent the aforementioned, we would frankly add little to traditional CSR approaches to business sustainability that deliver some good for society and/or the environment (or some "less bad"), at a cost to shareholder dividend, meaning the application would not likely hold the potential for business reformation.

While extensive research and major breakthrough insights have been accomplished on the measurement side (see table I.1), the development of new business practices to enact these new forms of capital that will lead to truly holistic business performance is still largely a green field that we are currently developing and testing. Table I.1 is a summary of the major insights we have uncovered through our program thus far that can begin to provide business with core drivers of performance that go beyond financial capital.

Table I-1. Key Findings: Other Forms of Capital and How They can be Measured

Human Capital	
Key drivers of individual well-being in any cultural context based on individual skills, experience, knowledge, satisfaction (general and job specific), and health.	Measured through an adapted "well-being at work" survey to guide human resource–type interventions that will bring tangible benefits in talent attraction, retention, and optimization of performance.
Social Capital	
Nonfinancial relationships that affect a community's well-being and prosperity in ways that can bring sustainable quality of life increases which, in turn, positively impact performance.	Measured by survey through just three key drivers in any business situation or location: trust, community cohesion, and capacity for collective action.
Natural Capital	
The complete input flow of natural resources used across the entire value chain of a product.	Measured through five main metrics: materials (renewable and nonrenewable), air, water, and topsoil erosion, the granular understanding of which can guide management investment decisions to make businesses more resource efficient.
Shared Financial Capital	
How economic benefits of business activities are shared among a value chain's participants, in order to ensure a sustainable margin and wage and to identify where supply chains are comparatively strong or vulnerable.	Measured in economic value created locally and in the wider community.

These metrics have four crucial characteristics in common that are designed to ensure business relevance and broad applicability:

- **Parsimonious.** Each capital can be measured with a small number of variables accounting for approximately 75 percent of each of the capitals (good enough and simple enough for business use).

- **Related to performance.** The strong correlation between nonfinancial capitals with economic performance has been established in a number of our business pilots across geographies and business situations.

- **Stable.** They are stable across several countries (in Africa, Asia), different businesses, and different situations and value chains (supply and demand side).

- **Actionable.** The data collected offers managers "levers" that can be pulled to address pain points in the business ecosystem. Further, longitudinal data shows that the capitals can be affected—positively and/or negatively—by business interventions.

A more detailed description of these metrics and how they work in business situations to bring enhanced holistic performance is detailed in subsequent chapters of this book.

Why we focus on multinational corporations

We chose to test our new model initially in an MNC context because MNCs have become over time the strongest force in society, surpassing in many ways the power of nation-states, which are more limited in their power and reach than ever before. This is because of huge debt burdens on governments and limited geographic access typically confined to physical borders (unlike the MNC, which can operate almost everywhere). In addition, MNCs (along with some very large foundations) are today the most important actors in our increasingly globalized world, in the sense that only they have sufficient capacity to truly embrace global issues in potentially transformational ways and to address head-on the most acute pain points in our society, such as good job creation, rebuilding communities, and replenishing natural resources, among others. No other organizations have this capacity.

Our strategic priority from the beginning of this project has been twofold: (1) to offer business tools and methods to drive enhanced holistic performance that is more mutually beneficial to all stakeholders and, therefore, could be more sustainable long term than the present model of profit maximization for shareholders alone; and (2) to influence how businesses at large manage their performance (heal business) to positively impact society and the environment (heal the world). Changing MNC business models to make them more universally sustainable—by being better aligned with the new values and "rules of the game" of the emerging knowledge economy, where leveraging relationships for access to information is of more value than just accumulating financial capital (money)—can be the way by which capitalism itself can be reformed (or, as we suggest in the title of this book, completed). As we will explain, this will take place through a new approach to value creation, codified in a business model that is underpinned by robust science and rooted in a new management theory.

The journey

As we began to kick off the journey, we questioned whether an unremitting focus on driving profit up in the short term—often at the expense of other parties involved in the production of wealth—is truly profitable in the longer term. We wanted to explore whether rebalancing business priorities to give greater consideration to individuals, communities, and natural resources might actually deliver greater rewards in the future—perhaps even becoming the basis for a new business model for the new century we have entered.

Three inputs needed to nurture economic development . . . but not remunerated equally

We started by looking back in history, noting that there have always been three basic inputs that were needed to nurture economic development and that required remuneration: the planet that provides natural resources, the people who transform those resources to create something of value, and the money or profit (financial capital) whose purpose is primarily to ensure liquidity in the system. Historically, money was never meant to be used as an instrument to enable the infinite accumulation of wealth. But each of these inputs—planet, people, profit—have been remunerated in very different ways depending on the historical era and on the prevailing economic school of thought in that era.

Marxism, for example, proposed to remunerate people, which eventually took place in uneven ways at the expense of profit and of the health of the planet. Financial capitalism of the Friedman ilk, by contrast, rewards the holders of financial capital at the expense of people (the many)—unless they are shareholders (the few)—and at the expense of the planet. And some today propose to remunerate the planet at the expense of financial capital and of people. Our view is that in order to build a truly sustainable business, we need to develop a model that accounts for the value that each input brings to the business, and for how the business accounts for (measures, manages, values) each of these inputs, including how business grows or diminishes them, how these inputs are related to one another (links that exist, if any), and how they contribute to the holistic value created by the firm.

The new (questionable) value of money in recent times

It is interesting to note that the last of the three inputs we observe—money—has actually been remarkably stable in its function up until recently. From the time of ancient Egypt until the late eighteenth century, for example, money was mostly a unit of payment and an instrument of liquidity, not the preferred instrument to store value. The land, later followed by the industrial means of production, was the primary instrument to store value.

The etymologic meaning of the word "capital" actually confirms this. It comes from the Latin word capus, meaning the head, referring to heads of cattle (note that it gave us the French word cheptel, meaning literally livestock). Capital in its rudimentary form was therefore understood to be an instrument to bring liquidity into the system to transport wealth from one geographical location to another and/or from one point in time to another. It was not meant to be a unit of accumulation (store of value).

It is only recently that the definition of money changed, moving from being a unit of payment and instrument of liquidity to become altogether an instrument to store value (almost infinitely). It has also become an instrument of speculation, accounting for more than 98 percent of all foreign exchange, with the risk that this change of identity may have eroded almost entirely its intrinsic value. Even more recently, as a response to the global financial crisis of 2008, central banks of developed economies have launched a series of unconventional monetary policies called quantitative easing (QE), whereby a central bank creates new money electronically to buy financial assets, such as government bonds, with the aim of directly supporting the economy by increasing private sector spending and fighting deflation (or simply returning the level of inflation to a desired target).

The amount of financial capital liquidity that has been added to the world financial system through multiple rounds of QE stimulus by central banks in developed countries has increased dramatically since 2008 and is staggering by any form of measure. In aggregate, for example, the balance sheets of the central banks of the United States, Europe, Japan, and England have expanded by almost $4 trillion from 2011 to 2014—almost $1 trillion per year since the end of 2010. And the global money supply is continuing to grow. In mid-2016, a new record was reached at $180 billion injected into the economic system every month, and in October 2016, the International Monetary Fund reported that global debt reached a record $152 trillion—more than twice the value of the entire global economy. Many market analysts now predict that the QE trend will continue, with the European Central Bank, the Bank of Japan, and even the Bank of England (to compensate for the costs of the so-called "Brexit" vote—Britain's now impending exit from the European Union) all expected to expand their QE programs with the aim of supporting fragile growth and pushing low inflation to somewhat higher levels.

The creation of so much new money from nothing and the accumulation of liquidity in the world financial system has most likely succeeded in temporarily forestalling or smoothing the most negative effects of the global crisis of 2008, but it has also led to the creation of a dangerous paradox. The rapid inflation of global financial assets has created new economic bubbles, and there has been no offsetting deflation (no meaningful inflation of general price levels of goods and services). Hence, one could argue that together, these factors—growing the money supply and holding inflation in check—have led to an intrinsic devaluation of money, although because there is no real underlying asset for the value of currency today, this argument is a conceptual one.

Symptoms such as negative interest rates, low levels of inflation despite massively increasing liquidity in the system, and low levels of growth all suggest that the current global financial system may be at the end of its proverbial rope. And the likely continuation of the same strategy—focusing on the creation of even more financial capital that continues to artificially drive up global markets—may actually be quite destructive, especially in the context of simultaneously steeply rising global debt. Consider the analogy of three people riding in an elevator they all believe is going up because the numeric display of floors shows rising numbers, but in truth the display is malfunctioning and the elevator is actually going down. They may feel the drop, but believe more in the rising they see than in the falling they feel, reinforcing one another's beliefs that they are in fact going up because they are essentially comparing their relative performance. But at some point they will hit the ground.

From the fall of the Berlin Wall to the coming fall of Wall Street

Given the collapse of the seven-decade experiment of Soviet Marxism (1917–1989) and the increasing dysfunction of the present dominant model of financial capitalism that began in the 1970s, the question is relevant today whether Milton Friedman's approach (maximizing profit for shareholders) is a natural law or the outcome of an ideology. If it is a natural law, it will continue, even if there are some bumps in the road from time to time. If it is the outcome of an ideology, however, it almost certainly will eventually lose its relevance or be broadly rejected—like any ideology.

The application of Marxism by the Soviet Union to its economy and the economies of its satellites ultimately ended dramatically with the collapse of the Berlin Wall. Financial capitalism, for its part, may end with a similar dramatic collapse of another wall, that of Wall Street, which ironically actually ends at a graveyard where such financial luminaries as Alexander Hamilton, father of the Federal Reserve, and John Jacob Astor, once thought to be the world's richest man, are buried. The imagery of the graveyard is not lost on us. Wall Street derived its name from an actual wall along its eight blocks—first intended to protect early Dutch settlers from the threat of the English and perhaps the Native Americans, but later used to separate "haves" from the "have-nots." Nor should the imagery be lost on those who, like us, sense we have reached a transition point from one form of economy to the next, and see the world still saddled with an old, incomplete model that isn't capable of dealing with the new rules of the game.

Our view is that we may soon need a new, more mutually beneficial and more complete form of capitalism that holistically optimizes value for all three inputs—the people, the planet, the financial capital—to reform the current system of financial capitalism that may one day collapse. Whether a new model is adopted before or as a result of a systemic collapse will be the difference between levels of societal pain, ranging from the tolerably moderate and relatively short, to the severe and long lasting. We still have the ability to choose between these degrees of pain, but maybe not for too much longer.

Different forms of scarcity, yet the same economic model since the early 1970s

As we continued to develop our thinking, we questioned whether the economic model that worked over the last fifty years through the late twentieth century was still appropriate for the twenty-first century. Our argument is that, if economics is the management of scarce resources, there should be a new focus in this new millennium, as the nature of scarcity has also dramatically changed over the last fifty years of Friedman's dominance.

In the 1970s, when the Chicago school of thought emerged, financial capital was scarce but natural resources and labor were not. Friedman's financial capitalism model, therefore, might be considered a logical solution in its time to specifically address this particular form of capital scarcity. This is no longer the case for the world of today. Over the last decade in particular, financial capital has become overly, even dangerously abundant, with negative interest rates no longer a temporary expedient, but becoming accepted in some circles as a possible long-term norm. Meanwhile, other forms of scarcity have appeared in the area of environmental resources (natural capital) and labor, as the advanced skills required for contemporary jobs outpace the training and abilities of those available to work (human capital, social capital).

By way of example, according to the Global Footprint Network (GFN),[3] August 8, 2016, marked the date when humanity exhausted nature's "budget" for that year—every year, this date is moving further back. As the GFN reports, "For the rest of the year [2016], we therefore maintained our ecological deficit by drawing down local resource stocks and accumulating carbon dioxide in the atmosphere. We have been operating in overshoot."

Whether this date is accurate or not or whether one ascribes to all that GFN reports, there is an overwhelming consensus that the current economic model takes more from the planet than the planet can now sustainably provide. This is the key motivator for our work on natural capital in the context of promoting greater resource efficiency around inputs. Yet, despite environmental deficits, today's dominant economic model still focuses on creating financial capital (making money with money) at a time when financial capital is overabundant, while ignoring the new forms of scarcity in the early twenty-first century global economy. This situation is simply not a sustainable one, and our view is that a new economic model will inevitably have to emerge—whether it is the one we propose or another—to address these new forms of scarcity and correct the extreme and growing inequality the current system has created. Such inequality is, in part, responsible for fueling various populist movements and societal tensions we are seeing in our communities and on the news almost daily, along with stories of the worsening environmental crisis.

Changes in economic models are the norm, not the exception

Looking even further back in history, we have observed that changes in the prevailing economic model are actually not unusual. They have occurred multiple times in history. And we may be nearing one of these historic transitional moments when the emerging economy with its new rules of the game is going to require a new model.

If we look back to the eighteenth century, value resided primarily in the ownership of land because it was the key resource in the era of the agrarian economy. In the nineteenth and early twentieth centuries, owning the means of production took primacy over land ownership in what was the era of the industrial economy. Over the past fifty years, the focus has been on developing services (mostly financial services) and on creating and accumulating financial capital; this has constituted the era of the service economy. As a result of this focus on generating money, financial capital has now achieved unprecedented levels, suggesting that the task of providing it to the economy has, at the very least, been achieved.

The next economy is likely to focus on what is called "knowledge flow," where value will come from enhancing the capabilities of things and services via knowledge, technology, big data analytics, and the like. Value will reside in the ownership of relationships that enable access to people and knowledge. The recent case of the acquisition by Facebook in 2014 of WhatsApp, a text messaging application now used widely across the globe, may be a sign of things to come and an illustration of the new strategy of the knowledge economy to "focus on connecting the people before aggressively turning them into businesses," as Facebook CEO Mark Zuckerberg said at the time of the acquisition.

Zuckerberg's social network paid a staggering $22 billion in 2014 for the WhatsApp start-up that generated just $10.2 million in 2013. By contrast, in 2008, the company that employs us acquired chewing gum giant Wrigley's for a roughly equal sum, $23 billion, which brought tens of thousands of employees, revenue streams, factories, other infrastructure, globally recognized brands, supply chains, routes-to-market, and more. The comparable costs to Facebook for WhatsApp and to our company for Wrigley's suggests, however, that the market, even in a very imperfect way, is starting to shift to valuing businesses that innovatively build access to people even more perhaps than businesses that generate profits in the shorter term. More importantly, perhaps, is that the comparable acquisition sums suggest that using financial capital metrics alone to comparatively "value" assets of any kind are no longer sufficient on their own and can actually create a distorted or incomplete analytic picture by leaving out the value such acquisitions as WhatsApp can bring in terms of human and social capital.

The opportunity to reactivate and expand the restorative power of business

Every few decades, it's time to rewrite the rules about what generates value for a business, if for no other reason than to ensure such rules for business comport with the "natural" rules of whatever economy we are operating within. And we believe that time is now.

It is increasingly apparent that the managers of the current global financial system are making one last desperate collective attempt, in part through QE initiatives, to maintain the system in its present form, but it is increasingly clear that this is not a viable long-term solution. Major changes are afoot. A new digital and knowledge economy model could burst onto the scene and potentially wipe out the old service business model almost overnight, not unlike how the new car service model Uber disrupted the highly regulated taxi business model, or how Airbnb changed the traditional guest accommodation industry. And there are a staggering number of people rising to join the new middle classes, with Asia adding the economic equivalent of a Germany every 3.5 years and, according to many analysts, having the potential, even with China's slower growth of late, to add the equivalent of three eurozones to the global economy over the next twenty-five years. It should not come as a surprise that such dramatic changes in the world will bring a need for a new model to manage all of the new variables in play.

We may now, in fact, have a once-in-a-lifetime opportunity to reposition business as a restorative power for healing the global economy; an engine for profound positive change for the many. Management science can become a discipline that can create and harvest the true riches of the new century. To achieve this, however, we will need a new model. Not a charity model based on making money one way (often via very aggressive business practices) and spending it another way (via the set up of more corporate foundations). Not a mainstream CSR type of approach based on strategies to mitigate some of the negative impacts of business on the environment and on society through ad hoc (often non-scalable) expensive programs. But rather, it can be a model that leverages the principle of mutuality in business (the sharing of benefits) as a driver of value creation. A model that simultaneously promotes sustainable, profitable business and wider benefits in the form of human, social, and environmental well-being. A model that can mobilize and enhance visible and hidden riches in the many ecosystems in which businesses operate—beyond the legal boundaries of the firm and beyond financial capital. A model that doesn't reject capitalism outright, but rather leverages the power of capitalism, encouraging (not discouraging) the concentration of the different forms of capital not just in the hands of passive shareholders or super-active traders as is the case at present, but rather in the hands of business leaders and entrepreneurs of a new kind who have the talent and sense of broader purpose to bring prosperity to the many rather than to just the few. A model that would be much more complete than Friedman's mono-capital form of capitalism.

Bringing the model to life

Through our research to construct a new multiple-capital business model, we found we had several structural problems. First, the fact that Friedman's model has been so dominant over the operations of nearly every corporation and the curriculum of nearly every business school for much of the last half-century means that the question about whether there is a “right” level of profit for a company has remained an iconoclastic question and a blind spot in the management sciences literature. It has been subsumed, perhaps, by the widespread (mis)assumption that the answer must still be “as much profit as possible,” suggesting that any other profit objective has not (yet) entered the consciousness of business.

Second, where the idea of “rightness” with regards to profit has been addressed at all in the literature, it has mostly been framed as part of a greater ideological attack on financial capitalism itself, most commonly from a socialist, Marxist, or environmentalist perspective. Hence, the debate about the possibility of improving the existing model has been more or less stifled by the (mis)assumption that either financial capitalism must be “right” as it is, or it must be “wrong” and should be completely rejected and replaced, and if it cannot be immediately replaced, it should at a minimum be taxed heavily to compensate for some of its dysfunctions. This has not been our approach, accepting or rejecting outright the current form of capitalism, as we appreciate the value and potential inherent in the capitalist model and recognize the importance of concentrating capital in the hands of entrepreneurs. But we question the completeness of the financial capitalism model and the assumptions that underlie the current Friedmanic paradigm that values only a single form of capital (financial), while practically ignoring the importance of nonfinancial forms of capital, along with the need to properly remunerate all stakeholders rather than just the shareholders.

Third, although business has been quite competent at generating and monitoring financial performance, it has a very limited ability with the existing metrics at its disposal to address the riches (value) inherent in individuals, communities, and nature. Without such tools, it is difficult for business to know for certain whether and to what extent it is in the "red" in terms of the holistic value of people and planet. What business is missing are the tools to measure what people and planet, along with profit, each contribute, enable, and destroy across the business ecosystems in which businesses operate.

So, we set out through an ambitious research program to develop a disruptively innovative approach that creates business opportunities by creating social, human, and environmental benefits that correlate with delivering broader performance. To develop a new management theory to decipher how a business can simultaneously promote a sustainable (in terms of longevity), profitable (in terms of financial capital) business and wider benefits (in the form of human, social, and environmental well-being). To develop stable, generic, and actionable nonfinancial metrics for social, human, and natural capital that can drive total business performance across the different forms of capital (including financial), on the assumption that in business, "you only manage what you measure." To leverage these new metrics to assess where there are pain points that can be addressed in the ecosystems in which business operates (across the various forms of capital), and assess what value business operations can add or subtract. And finally, to identify the new business practices that can improve all forms of capital simultaneously, along with a new generation of business leaders willing to operate beyond one form of capital, and a new generation of academics willing to research and teach beyond the one form of capital.

The insights we have uncovered thus far through deep academic research and extensive live business field trials across different geographies and business situations, over the course of almost a decade, are both encouraging and conclusive. The findings to date suggest that a more complete model, not only based on financial performance, can yield higher holistic performance (including financial performance). In other words, "if you don't follow the money, the money follows you." Yes, our piloting—as we will explain in detail in later chapters of this book—is showing how by accounting for and investing in doing social and environmental good, for individuals and communities, growth and earnings for the business can actually be greater than would be the case using traditional profit maximization strategies, all while delivering net increases to individual, community, and environmental well-being that can drive economic performance up.

We realize, of course, that our early findings to date really do fly in the face of the accepted wisdom of traditional business practices and especially of mainstream CSR programs, as they highlight that sustainability-type objectives can be achieved through innovative business models at a profit (rather than purely at a cost), hence, can scale more widely. The findings so far also highlight the fact that the Chicago model is far from the best way to build sustainable prosperity—and may now even pose an obstacle to achieving it. And they show that our new approach has the potential to unleash the restorative power of business to heal some of the wounds it has created.

In making these arguments, we implicitly distinguish ourselves from the supposed efficacy of the purely self-regulating market ideal of Friedman, along with alternatives we perceive to be ways of trying to make a flawed system work more effectively. One such approach is a global tax on capital, as advocated by French economist Thomas Piketty in his best-selling book, Capital in the Twenty-First Century. Despite the undoubted scholarly rigor of its underlying work on wealth inequality, this approach has two major failings in our view. First, it posits a redistribution of wealth while at least implicitly accepting the basic Friedmanic model with all its dysfunction. Second, Piketty's idea of redistribution itself is based on the at best questionable assumption that global institutions or nation-state governments, somehow, will be better equipped than the individual to reallocate taxed value.

As outlined above, the Friedmanic approach is now dysfunctionally growing financial capital, which is already in excess, while Piketty's proposed solution addresses a symptom while implicitly ignoring the root of the economic dysfunction, which is the incompleteness of Friedman's mono-capital model. It is our view that Friedman and Piketty, while indisputably brilliant whether or not one agrees with their propositions, are in their own particular ways fighting yesterday's battles, not today's and tomorrow's, and that we need a new way to address the present forms of scarcity according to the new rules of today's economic game.

The new business model approach that we will describe in some detail in the chapters that follow aims to offer companies and organizations seeking purposeful outcomes the methodological framework, tools, and incentives to help manage the social, human, and natural capital with the same scientific rigor as business (financial) performance is currently managed. The new model's purpose is to grow all the forms of capital simultaneously, rather than just one form of capital—money. It presently consists of a growing number of externally peer-reviewed findings from multiple business and research initiatives across multiple business situations, and now multiple companies, partnering with leading academic institutions from around the world. The findings of our model have, in turn, yielded new metrics that offer those who choose to adopt them a simple, reliable, scalable means—for the first time—to drive business performance and to measure the true impact of business strategies on people and planet. This is true within the company and throughout the business ecosystems in which the business segments operate.

The tools and methods of measurement of our model that begins to complete capitalism enables management to simultaneously deliver profitable business and wider benefits to mankind. They help to distinguish business strategies that deliver social, human, natural, and financial capital from those that do not, or worse, from those that damage these capitals. By employing the new metrics through their strategic plans, business managers will now be able not just to assess impact, as would be the case in a more commonplace CSR type of program, but rather to drive business performance holistically (across all forms of capital and across the ecosystems in which businesses operate). Managers will be equipped with our model to make better informed investment decisions, creating greater transparency and understanding of the positive and negative effects of business decisions.

A very (very) old concept

Surprisingly, perhaps, the new way we are suggesting in this book is actually in many ways a revisiting of an old way of thinking about people, the environment, wealth, and their respective places in the world: the concept of Jubilee.[4] This is the assertion that we need, periodically, to reset the norms to continue to prosper, and to respect a harmonious remuneration system for the key pillars of economic growth—the planet that provides, the people who transform and add value, and the financial capital to ensure the liquidity in the system. At its essence, the Jubilee is about setting the captives free, but practically speaking it is about releasing people from overwork and from over-indebtedness; it is about releasing the planet from overuse and overexploitation; it is about releasing wealth from over-accumulation in the hands of a shrinking minority, many of whom are not equipped to contribute entrepreneurially to growing the wealth currently in their hands in ways that go beyond making financial capital with financial capital.

The rules of the new economy will certainly require a new model to help business entrepreneurs mobilize, accumulate, and manage these new forms of capital that can unlock a broader and more holistically sustainable form of shared prosperity for the world. Today may be such a moment in history to enact the Jubilee in a real, tangible way through a new business model based on its underlying ethical and moral principles. Today may be the time to release the true restorative power of enterprise.

When considering where we are on this journey, we are reminded of the words of the Ecclesiastes, who while referring to a very different situation at a time far in the past, may capture where we are in our own particular timeline:

> *To everything there is a season, and a time for every purpose under the heavens.*

We hope after reading this book you will consider what role you can play—and that you will reflect on what season you and your organization are presently experiencing—in helping to reshape the global economic system along the lines we are proposing. We look forward to you joining us on this journey of discovery and business reformation to help heal the current system that, if left to its own devices, may soon collapse upon itself.

Bruno Roche and Jay Jakub

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