



PERSPECTIVES



by Rinaldo S. Brutoco

Rinaldo S. Brutoco is the Founding President and CEO of the Santa Barbara-based World Business Academy and a Co-Founder of JUST Capital. He's a serial entrepreneur, executive, author, radio host, and futurist who's published on the role of business in relation to pressing moral, environmental, and social concerns for over 35 years.

Welcome to the New Business Paradigm

As an impact investor and an early leader in the conscious capital movement starting in 1981, my career has been focused on creating mission-driven companies and inspiring business innovators to take responsibility for creating a better world. It has been a long journey, yet one that I believe is essential to having a peaceful and productive world. The good news: I see several signs that this idea is starting to bubble up into the business world *zeitgeist*.

In January 2020, the World Economic Forum hosted its annual [meeting](#) in Davos Switzerland, with a brand new agenda to build an environmental and social sustainability strategy for the future of business that implements the long-standing “stakeholder capitalism” missions of the World Business Academy (the Academy), which I founded in 1986, and JUST Capital, which I co-founded 6 years ago.

Each year at the Davos meeting, global business and political leaders set the business agenda for the upcoming year. This year, following the Business Roundtable’s revolutionary 2019 update to the “Statement of Purpose” for corporations to be entities that serve all stakeholders, the annual Davos meeting had a goal of defining stakeholder capitalism in the post-Milton Friedman world.

Why does this idea sound so radical? In the early 70s Milton Friedman of the Chicago School of Economics famously stated that the *sole* purpose of business was to earn profits for shareholders, preferably on an accelerating quarter by quarter basis, and all other stakeholders should be ignored. This deeply flawed concept became the “conventional wisdom” that almost all businesses followed.

The Business Roundtable finally turned this dictum on its head by observing that the proper role of a corporation in modern society is to serve all its stakeholders, including employees, customers, vendors, shareholders, and the communities being served by the business. This is the biggest shift in business thinking since 1970 and poses revolutionary corollaries. Finally, we will see business begin to act as a servant of the society from which it emerges rather than as a predator of that same society.

Working for the adoption of stakeholder capitalism as I have for thirty-five years, I know it is a ridiculous notion that somehow an economy can flourish when the society from which it arises is suffering major dislocations. Business must be a reflection of the needs and desires of the larger society of which it is part in order to succeed. No one can make money today in Yemen but munitions makers—an unstable society is nowhere to make a profit. Hence, you can be certain that business has a major bias toward creating societal wide abundance in order for production, sales and profits to continue growing into the future.

When the Business Roundtable redefined itself through the “Statement of Purpose” mentioned above, the Academy sent a [letter](#) to the President and CEO of Business Roundtable, **Josh Bolton** acknowledging the monumental shift in the business mindset. In that letter we offered to have JUST Capital monitor and report on the Roundtable’s newfound commitment to society as a way to convince the public that this was *not* going to be merely a whitewashing exercise.

JUST Capital is an independent nonprofit that ranks companies based on their



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level of stakeholder capitalism as defined by over 90,000 interviews of average Americans all over the country which in turn are reflected in annual rankings analyzing the behavior of the 1,000 largest public companies in the USA, and how well those companies are listening to what behaviors the public wants to see as “just.”

Showcased personally in numerous key meetings by **Klaus Schwab**, Founder and Executive Chairman of the World Economic Forum, JUST Capital [led](#) the Davos conversations to catalyze a major statement released at the end of the meeting underscoring the assent of the stakeholder capitalism model to the pinnacle of business strategy.

As Klaus Schwab observed, “with the world at such critical crossroads, this year we must develop a ‘Davos Manifesto 2020’ to reimagine the purpose and scorecards for companies and governments. It is why the World Economic Forum was founded 50 years ago, and it is what we want to contribute to for the next 50 years.”

And that is exactly what they did.

The meeting concluded with a list of 21 actions for 2021, including but not limited to enhanced standards for transportation, supply chain management, energy resources, work safety, data protection, and general welfare of employees.

Not to mention, this year’s meeting set new global sustainability summit standards to achieve becoming 100 percent carbon neutral, sourcing food locally, encouraging a plant-based menu and reducing net waste.

The Academy would like to formally honor the World Economic Forum for adopting, *at last*, the standards which they admit are truer to their founding principles than

the Friedman aberration they adopted 50 years ago. This is a huge win for consumers, employees, vendors, and everyone who participates in the global economy.

It is great news that the business community intends to be more involved in solving global issues, and, it has the additional benefit of being very good for business!