



P E R S P E C T I V E S



by **Rinaldo S. Brutoco**

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The New Business Paradigm *An Emerging Consciousness Shift*

In 1991, the late Jeremy Tarcher, a renowned publisher and dear friend, invited me to spend a day discussing the World Business Academy's sense of the emerging business principles with his "Tech Group" in Los Angeles. At the end of the day Jeremy took me aside and said, "That's a book you just dictated. Would you be willing to have me publish it?"

Jeremy had a reputation for publishing commercially successful books that dealt with all the ways consciousness was shifting in our society, so of course I was flattered at the idea. Rather than write the book as solely my thoughts, however, I suggested we take each of the topics I had outlined that day and create an anthology where each chapter would be authored by one or more Academy Members and Fellows (30 eventually participated).

With a \$50,000 advance, the Academy was able to hire Alan Rinzler, an editor Jeremy liked, to work with Tarcher on the anthology. The Academy also persuaded Stanford Business School Professor and Academy Fellow Michael Ray to serve as co-editor for this totally innovative project. Ray was the Academy's very first Fellow and went on to become the first "John J. McCone Chair of Innovation and Creativity" at the Stanford Business School—an impressive feat all by itself worth mentioning. Thus, funded and staffed, we began parceling out the chapters to be covered in order to effectively communicate the breadth and depth of what we saw as an emerging business paradigm that was dramatically different than had ever existed, particularly in the shadow of "greed is good."

As conceived by Thomas Kuhn in his watershed book "The Structure of Scientific Revolutions, the word "paradigm" explained the monumental forces that periodically changed global society. In his introduction for the book, Professor Ray provided a brilliant context by applying this conception to the business community. Kuhn explained that a paradigm represents the

"fundamental assumptions" about the nature of the world. "A scientific revolution occurs," Ray wrote, "when there is a paradigm shift—when the old set of assumptions no longer hold true, and a small band of scientists develops a new paradigm that everyone recognizes and applies..."

We are all fully aware of Newton's mechanistic theory of physics being swept away by Quantum Physics, and how radically it has changed everything since. In fact, many argue that the last great paradigm shift society experienced was of even greater magnitude—Copernicus "discovered" that the sun did not revolve around the earth and that man, despite the Catholic church calling it heresy, was not the center of the Universe. We began to see ourselves, for the first time, as "cogs" in a much grander reality.

The New Paradigm in Business: Emerging Strategies for Leadership and Organizational Change (1993) similarly swept away the now outdated notion that the sole purpose of companies was to make profits for their shareholders. According to Milton Friedman in the 1970s, no other motivation was appropriate to a business enterprise. That ushered in the decades of the "greed is good" thing and the likes of Gordon Gecko as its superstar. In 2020 that dictum, that prior dominant business paradigm, was finally rejected and swept away by the Business Roundtable and even the US Chamber of Commerce. What has replaced it? The idea we have long espoused at the Academy has become common wisdom: business serves society by generating appropriate profits as a by-product from providing society something appropriate it needs and wants.

Who are our stakeholders? First and foremost, our employees—this is the "tribe" we have created to serve our customers, who are the reason we formed the tribe in the first place. In addition to employees and customers, our stakeholders include our vendors and, of course, our shareholders while also serving the

communities within which we operate—including the big one called the biosphere here on planet earth. Employees, customers, vendors, communities, and the biosphere itself all rank as high or higher on a business' list of responsibilities when earning profits.

Viewed this way, profits are the surplus that business creates to continue reinvesting in our stakeholders. Profit-making devoid of this connection to all stakeholders is an illegitimate extraction of resources for inappropriate reasons such as greed, power, or the desire to take unfair advantage of our capital markets system.

At the heart of the new paradigm is the awareness that business does not operate in some separated, non-connected reality from the society that gives rise to it. Viewed this way, paying appropriate taxes is not only morally required, but also an act of self-preservation so that business can enjoy serving a healthy society that is still capable of generating more surplus. Engaging in the major social issues of the day (e.g., MLB removing the All-Star Game from Atlanta) is not only allowable, but mandatory if business wants to have healthy, growing markets to serve. Allowing all adults to vote easily and without hassle is not just good social policy, it's good business policy. It builds a stronger electorate, and in the process a stronger, more vibrant society.

The business of business, it turns out, is to serve society rather than prey upon it. In so doing, a more active role for business (beyond just sending in contributions as Senator McConnell would prefer), is required if we are to re-align business initiatives with our broader social goals that will make for a more just, sustainable, healthy society which in turn leads to far better business opportunities—and serves all our stakeholders. This altered perspective is literally a massive change in consciousness.

When asked how he could so miraculously carve warm, emotion-laden human forms from cold lifeless marble, Michelangelo Buonarroti responded that he never carved anything in marble. Rather, he revealed, his technique was to merely “chip away” the excess marble from the form already within the marble, so it could be freed. As I wrote in my 1993 foreword, *The New Paradigm in Business* shares Michelangelo's goal: liberating from the marble slab of current business practices those forms that will empower human society and create a sustainable global economy. That is a massive shift of consciousness that portends a more activist business community in all societal matters, no matter whether Senator McConnell approves or not.

Published in the 4/15/2021 edition of the Montecito Journal