

The Case for Capitalism, Re-imagined



The business of business is business.” ~ Milton Friedman, 1976

Or is it?

Writing for *The Daily Maverick*, in a recent article Professor Michael Katz argues the case for a new model of capitalism, witnessed in three phases since shortly prior to the turn of the decade in 2008; Creative capitalism, with the emphasis on corporate social responsibility which reflects the typical Corporate Social Responsibility practices and ‘departments’ of yesteryear. New thinking on governance, ethics, and values, driven largely by the uncovering of unethical corporate practices, well-known examples being Enron and the VW Carbon Emissions saga. A new model of business driven by values, ethics, care of employees, concern for a multiplicity of stakeholders including, in particular, the prevention of environmental degradation.

The first two points can be considered ‘progressive endeavours’ in the case for conscious capitalism, although still insufficient to drive significant change.

What if 2020 was the perfect catalyst to drive the model even further?

“What underlies the malaise of so many large and successful organizations worldwide is that their theory of the business no longer works.” stated Peter Drucker as far back as 1994, in an article in *Harvard Business Review* entitled *“The Theory of Business”*.

Much of what has fragmented in the wake of 2020 was defective and unsustainable previously. In its inimitable way, this year has yielded the opportunity not only for reinvention, also for redefinition. Consider the airline industry and vast amounts of time and resources spent on business travel, over the past two decades in particular? Although it could have been considered necessary at the time, the

availability and rapid uptake of technological resources now renders much of this need redundant.

Consider too past models for retail, along with a range of other industries having to transform rapidly, powered by the pandemic that ushered in this new decade.

There's no need however to throw the proverbial baby out with the bathwater. Capitalism in part works; creating jobs, opportunities for growth, and empowerment. What additional prosperity could be created if the model were to be redefined, embracing diversity, creating environmental sustainability, with a focus on value rather than just profit, for an expanded range of stakeholders?

Enter the B Corp;

"By harnessing the power of business, B-Corps use profits and growth as a means to a greater end: positive impact for their employees, communities, and the environment."

~ B Corporation

A new classification of organisation that works towards such a new model of capitalism, B Corps take on shared responsibility for the wider systemic environment understanding that matters such as diversity, environmental sustainability, poverty reduction and wider societal problems cannot be simply left to non-profits and governments to solve.

The trend towards this new case for capitalism is not reserved for small, 'hippy' organisations such as niched manufacturers of organic products as one might assume. When one considers that widely-recognised brands such as Patagonia and Danone have found value in transitioning to B Corp accreditation, it's surely time to pay attention.

Whilst many organisations have had good intentions in transitioning within their organisations, the fact remains that such efforts often remain idealistic, siloed or separate to the business strategy and model. How many organisations still fit their Diversity & Inclusion programmes into a small portfolio within HR, or have their Sustainability and Corporate Social Responsibility portfolios fulfil a small tick-box requirement within Research & Development or Marketing.

If 2020 has shown us anything, it is that seemingly secure models are rapidly being driven to change. How much better if we, as leaders and organisations, step up to the call and lead the change as opposed to waiting to see what the market decides.

Does this mean becoming clear on Purpose?

Well yes, that and more.

There's a wealth of literature in recent years on purpose-driven organisations and the link between purpose and profit, and purpose must be further extrapolated to include its wider contexts. If it is to be meaningful and guide behaviour, purpose should importantly be adopted and embedded in every part of the organisation, led from the top, and be used to define strategy and operations. Consider the practices of a circular economy, where economic activity is designed to rebuild system health through the emphasis on co-creation of value.

The Ellen MacArthur Foundation tells us that the transition to a circular type economy requires transforming the way we think about and create products, services and systems. Success is dependent on how we learn and apply those learnings in the real world, as individuals, teams, and organisations. Herein lies the infinite opportunity for Re-imagining the Case for Capitalism; an updated model for business that is purpose driven and considers its systemic impact. In this way, the mission, strategy and operations of business enable positive impact at multiple levels, from shareholders to employees, customers to suppliers, and embracing the wider community and the environment upon which it all depends, in equal measure.

This...

“has the potential to balance the power of the market with the power of democratic, accountable government and strong civil society – the only long-term solution to the problems we face” ~ Rebecca Henderson’s Reimagining Capitalism: How Business Can Save the World, Financial Times

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Sources:

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