

Completing Capitalism:

Heal Business to Heal the World

By Bruno Roche and Jay Jakub

Berrett-Koehler 2017, paperback, 192 pp, £14.99, ISBN 15200 72864

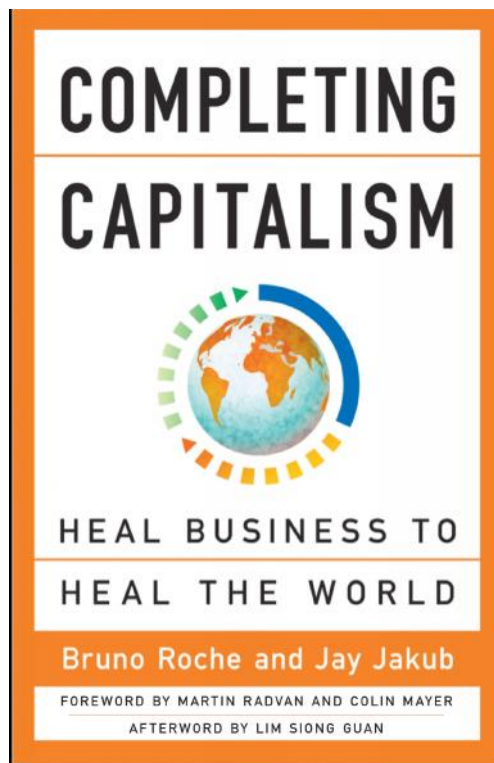
“How much profit should a company make?” This is a question which started the global food and beverage company, Mars Inc, on an interesting journey of corporate discovery. In *Completing Capitalism* Roche and Jakub describe the journey so far.

In the early 2000s increasing numbers of people were questioning whether business, the financial sector and indeed the western economy were showing signs of losing their way – of actually losing sight of their purpose. Excessive salaries for senior managers; investor short-termism; private equity funds buying up companies, stripping out capital and putting them back on the market loaded with debt; the mis-selling of financial products: these were just some of the practices causing concern about the way capitalism was heading.

Since the early 1970s the established orthodoxy of economics, initially expressed by Milton Friedman and developed by the Chicago School of Economics, was that “*the one and only social responsibility of business is to maximise the profits for shareholders.*” But a contrary view, which could be summarised under the heading *impact investment*, began to emerge in the early 2000s. Its essential postulate is that business needed a broader view than that expressed by Friedman and his supporters, namely, responsibility for its impact on the additional three areas of stakeholders – employees,

communities and the environment, as well as the generation of healthy profits.

The financial crash of 2008 with its economic consequences for business



and the ordinary man and woman in the street significantly increased the number of business leaders and investors who were exploring impact investment. But although impact investment has generated a healthy return for all four areas of impact, business and investment practices have changed little following the financial crash. Consequently, more and more business leaders, economists and political commentators are expressing concern that capitalism has lost its way (e.g. *Financial Times* 22 October

2017, “Top UK business Leaders Decry Current State of Capitalism”).

What options are there for a different future?

- Abandon capitalism? If so where is the alternative?
- Move towards a more socially responsible capitalism?
- Corporate social responsibility, while commendable, does not fundamentally change the way business is done.
- Increased political intervention and regulation?
- The track record for politicians in solving problems of business and finance is not strong.

In *Completing Capitalism; Heal Business to Heal the World*, Bruno Roche and Jay Jakub describe a long-term project within Mars Inc. which addresses these issues. It is a quantum leap forward from the impact investment approach.

Rather than measuring impact in the areas of the four-fold bottom line (downstream) they have investigated the outcomes from the perspective of regarding the four areas as different forms of capital (upstream) for investment; and then maximising the return on investment in these four areas of human, social, natural and financial capital. Their initial projects have demonstrated that this approach can increase return on financial capital as well as the other areas. They aim to develop a model that other large businesses can adopt.

The book is a deeply thought-through and, I found, engaging, examination of the issues which challenge business and finance in this century. It describes the work Roche and Jakub have done over the past 10 years, working with business schools and other multinational corporations, to explore alternative approaches to capital investment.

The introduction 'Uprooting the dysfunctions of financial capitalism' does what it says. The authors examine the meaning of capital and argue for the acceptance of four forms of capital – financial, human, social and natural. They go on to explore the implications of a move from the mid-1900s, when financial capital was scarce, to the present when it is freely available, but the other forms of capital (human, social and natural) are becoming increasingly scarce. They offer an alternative economic model to that currently accepted.

Chapter 1 outlines in detail the expanded meaning of capital they outlined in their introduction. Chapters 2-4 describe in detail their research work to measure the value of human capital and wellbeing at work; of social capital and how communities affect growth; of natural capital (natural resources) and how to make more from less.

In chapter 5 they describe the recalibration of financial capital and how mutuality (a theme they describe at some length) drives profits.

In chapters 6 and 7 two case studies demonstrate how a focus first on social and human capital and second on natural capital can maximise all four forms of capital beyond what could be achieved by a single-minded focus on maximising returns on financial capital.

Chapter 8 explores how the various forms of capital are to be remunerated and what impact this remuneration will have on the notion of the right level of profit. The authors emphasise that this is a crucial issue, as "the most obvious answer would be to try to monetise them – to convert the benefits of, say natural capital into financial terms in the misguided belief that money is the only language business can understand" (p. 131). They describe how the new types of capital need to be remunerated with similar forms of capital – in other words, human for human, social for social and natural for natural. For example, their research on social capital shows that three simple component variables – trust, social cohesion and capacity for collective action – are crucial. Hence, remunerating social capital in a community requires new business practices that will include building new networks to connect people further and more meaningfully. Remunerating social capital provides opportunities for people to come together in dynamic ways to create innovations that build a better future for all (p. 137).

The final chapter, 'Repositioning Business as a Restorative Healing Power', is a thought-provoking discourse on the urgent need for "a rewrite of the rules about what generates value for a business, based on their evidence that the global economic system has reached the end of a cycle – an end of the era where trust in money alone was paramount" (p 145). They argue that regardless of what they describe as "the simplicity and actionability of their approach", a movement will be required for the kind of paradigm shift in thinking to take place about the value of capitals beyond financial (p. 154). Failure to grasp what they describe as "a once-in-a-generation opportunity to reposition business as a restorative, healing power for the global economy", could lead to continuing increase in societal dysfunction with unknown negative consequences (pp. 163-164).

Although they do not mention their faith, their thinking is, to my mind, very consistent with Judaeo-Christian values and practices – for example, applying the principles of the sabbatical (p.133), the Jubilee (p.151), having a vision of healing relationships in the world – both relationships among humankind and between humankind and nature (p. 164).

I recommend this as an important book for any thinking, socially responsible capitalist to explore. 📖👁️



Jim Wright has a long standing interest in applying Christ-centred values to business practices, as a thread of his calling to be a co-worker with Christ in His work of redeeming business for His kingdom. He is a co-founder of Angello Opportunity Caucasus, investing in leaders of SMEs in Central and Eastern Europe to promote employment and alleviate poverty and to demonstrate the effectiveness of impact investment.