

**A report on practical steps for achieving the goals
stated in the Fuji Declaration in the sphere of
BUSINESS**

Executive Summary

based on findings of research team led by Chris Laszlo

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Obstacles

For most of the 20th century the role of business in society centered on (1) the individual as the unit of analysis; (2) utility and rational choice theory; (3) transaction costs as an efficiency-driven set of relationships between agents; and (4) the acceptance of hierarchy as a control mechanism to produce output in the most efficient ways possible through centralized management and decision-taking. The social responsibility of business was, as Milton Friedman wrote in his influential 1970 article in the *New York Times*, “to use its resources and engage in activities designed to increase its profits—so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.” The assumption was that business is a utilitarian system in which individuals and companies do the right thing because market forces create the necessary opportunities for doing so. As Lord Keynes said, this presupposes an invisible hand that harmonizes the interests of the individual and of society.

Operating on the above assumptions has resulted in an unrestrained drive by companies to increase their profits and market share. The outcome has been a historically unparalleled concentration of wealth in the hands of a few entities owned and controlled by an elite group of managers and investors. This has occurred at the expense of benefits to the great majority of actors in business and in society and has permitted the use of technology without regard for its societal and ecological consequences. Continuation by business in its classical role would create critical problems in the economy as well as in society.

Supporting trends

There is a new trend in the world of business that can be described as “the arc of interconnectedness.” The trend indicates evolution in the purpose and the organizing principles of business, shifting business from a worldview of tribalism, scarcity and mindlessness to one of interconnectedness and respect for all forms of life. This indicates a transformation in the underlying logic of business from a self-concerned search for profit and growth toward concern with wider social and ecological benefit. Leading companies are no longer primarily focused on maximizing shareholder returns and/or reducing harm, but on creating prosperity and wellbeing in the system in which they operate. A key feature of the trend is the commitment to reconcile the profit motive with creating positive impact in the world.

New organizational forms are emerging in business that compete not only in regard to the quality of goods and services offered by the companies, but also in regard to their ability to induce positive social and environmental change. The type of organizations known as “hybrid organizations” and “benefit corporations” are examples of such “sustainability-driven” companies. They demonstrate the capacity of for-profit organizations to develop mutually enriching connections between business, community, and the environment. At the leading edge business leaders manifest concern even with the level of consciousness round them, as they seek to enhance the sense of connectedness of people in their organization with others and the world at large. They understand sustainability as not just the safeguarding of resources for future generations—the original meaning of the term proposed by the Brundland Commission in its 1987 Report—but as leading to the flourishing of business in a flourishing business environment: the goal identified as “sustainability as flourishing” (SAF).

The logics underlying business strategies can be classified as instrumental (profit logic), normative (social logic), and integrative (combination of social and profit logics). The instrumental or profit logic assumes that companies are instruments for wealth creation and that this is their paramount responsibility. In light of this logic, strategies aiming at sustainability-as-flourishing (SAF) are means to the end of generating profit—companies adopt SAF strategies because they believe it is good business. On the other hand the normative or social logic assumes that the relationship between business and society is embedded with ethical values. Under this logic companies put their ethical obligation above any other consideration, even if it damages their financial returns. Companies that follow this approach subscribe to the SAF strategy because they hold it to be the right thing to do.

The integrative logic, in turn, reconciles the profit and the social logic. Businesses are to do good for society, but their financial health is equally important. Those that follow this approach maintain that wealth creation is the mechanism by which companies, operating within the constraints of the current economic system, create societal welfare. Both internal forces (moral responsibility and the values of the decision-takers) as well as external forces (pressures from civil society, legal regulations and industry standards) impact on and condition the implementation of SAF strategies.

Finally, so-called stage models focus specifically on *how* companies integrate SAF in a dynamic and long-term perspective. They assume that organizations demonstrate different levels of acceptance, understanding and integration of SAF principles at different points in time, and emphasize the dynamic and evolutionary nature of development toward SAF. Stage models generally concentrate on the elements that help companies institutionalize SAF, including organizational structure, organizational culture, stakeholder relationships, and leadership logic or style.

Companies transform themselves to become agents of human welfare by evolving their business purpose and organizing principles. Business purpose is the objective underlying the existence of

the company. One can distinguish four stages in its evolution. In the first stage the traditional purpose dominates: to maximize shareholder value by creating wealth. The second stage includes stakeholders as major elements in the business. At this stage companies seek to create value for shareholders without tradeoffs (create sustainable or shared value), and engage in activities of social and/or environmental value (such as energy efficiency, waste management, community engagement, etc.). Successful second stage companies create value for society and the environment in ways that create even more value for customers and shareholders.

In the third stage companies move from sustainable value creation to the commitment to do good as a way to succeed, creating human, environment, and social benefit. The mantra of companies at this stage is “becoming a force for good” and/or “being the best company *for* the world” (rather than “best company *in* the world).. Some companies dedicated to this purpose are created specifically to address a given environmental or social issue.

At the fourth stage the purpose of companies centers on raising the collective consciousness of the human community. This stage represents the highest and noblest purpose of business: it embraces the principles of oneness and wholeness as the basis of a flourishing world. A growing number of stage-four copies are now being identified by researchers such as Laloux, Laszlo & Brown, and others.

The evolution of current business models takes off from shareholder value (the dominant paradigm), shifts to sustainable value (creating value simultaneously for shareholders and stakeholders), then embraces the organizing principles and purpose of the sustainable/social enterprise (business as a force for good), to reach the highest stage where the company becomes a flourishing organization. At this stage the company is a platform for implementing the kind of goals stated in the Fuji Declaration.

Conclusion

A new paradigm is needed not only in politics and the economy, but also in the world of business. However, in the business world the new paradigm is already shaping up: it is informing the thinking and the values of humanistic and forward-looking business leaders. It is transforming the functioning of leading-edge business companies, shifting them from the traditional self-concerned and socially and ecologically problematic mode to the mode where they become effective agents of human, social and environmental benefit.

If the trend toward human, social and environmental care and responsibility continues to unfold, first the culture, and then the structure and operating principles of leading-edge companies will evolve, and conditions will be created for taking practical steps for creating a new civilization of sustainability and flourishing.