

Capital for Purpose – Topic outline

49th St. Gallen Symposium, 8–10 May 2019

Starting the debate

We aim to provide a starting point to enable discussions that go beyond merely scratching the surface. Our aim is to deep-dive into questions that offer practical conclusions for business, society, and politics. As such, this outline represents an opinion, our point of view on a select scope – a spark to ignite debate.

Beyond financial capital

When we think of capital, financial capital is what often comes to mind first. Beyond financial capital, however, natural, human, intellectual, and digital capital are essential elements for societies, businesses, and economies. Other manifestations such as material, social, cultural, and spiritual capital also play vital roles in the lives of many. Forms of capital can adapt over time as societies and economies evolve. Clear definitions are hard to pin down and may not even be useful in an ever-changing world. We argue that all economic activity takes place as a combination of human and natural capital. As humans we are tremendously successful, efficient and industrious in transforming capital into usable goods and stores of value. Fuelled by technology and available finance, the recent human history is marked by unprecedented progress, growth, and accumulation of wealth. At the same time, we are confronted with disconcerting inequality and externalities that negatively affect the environment, our health, and future prospects. As we realise the need to rethink our interaction with different forms of capital, important questions arise.

- (i) *How do we decide on which forms of capital to focus, how to measure and value them effectively and integrate them into our models and balance sheets?*
- (ii) *How can businesses better align their strategy and activities in the context of multiple forms of capital worth investing into?*

Purpose, what for?

What purpose does human capital serve? Is it a factor of production that is to be formed in order to maximise economic output as neoliberal thinking has us believe? Or is there a responsibility that goes beyond, in which measurement of individual wellbeing replaces statistics of unemployment rates and GDP per capita? The same questions can and should be asked around our use of natural capital. This year's WEF Global Risk Report finds environment-related risks account for three of the top five risks by likelihood and four by impact. WWF's Living Planet Index reports a 60% decline in average species abundance since 1970. If natural capital were indeed an investment, it'd be junk rated at best. Purpose beyond profit may prove to be a competitive advantage in the long run.

- (i) *How do we shift from shareholder primacy to purpose primacy? What is the new imperative?*
- (ii) *How can drivers such as financial and technological capital be deployed to alleviate some of the shortcomings that we see today?*
- (iii) *And who decides on the right purpose in the first place and how do we align different points of view?*

Purposeful design

Private businesses are powerful instruments for advancing human well-being. Likewise, individuals who dedicate their economic and social activities to purposes that serve society at large have the potential to be the super heroes of our time. Shifting the corporate, societal, and political landscape to refocus on broader and more long-term goals beyond simplistic figures of economic growth requires bold decisions and genuine commitment. New deals need to be cast to respond to emerging demands. The erosion of trust is an accountability crisis. We need to adapt our governance and regulatory frameworks to benefit a more inclusive view of non-financial factors. Ownership in its current form needs rethinking to a degree where corporations serve their societal function in which financial targets are one factor amongst many others, rather than being the end goal. Taxation and investment regimes need to be aligned to foster efficient use of public and private capital to achieve lasting change to the benefit of the planet. Following a purpose that serves humanity and the planet should be guiding our actions – it's the only way we ensure a prosperous future.

- (i) *Who has which role to play in a global society of civil society, corporations, and nation states?*
- (ii) *How do we foster ecosystems that support and promote different agents to working towards a shared vision of a prosperous future for humanity and the planet?*
- (iii) *Who takes the lead? And where do we start?*
- (iv) *What metrics do we use to gauge whether we're making progress towards our purpose and how do we define success?*

In St. Gallen we have an opportunity to discuss how to best set actionable goals for businesses, politics and civil society. Please join us in St. Gallen this year to discuss Capital for Purpose and contribute with your experience, ideas, and vision.