Economic Summit

The Economics of Mutuality, Corporate Social Responsibility and Corporate Philanthropy

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Finding Solutions for Global Economic Problems

The Economics of Mutuality has played a key role in Economic Summit meetings since our inception in 2014. Developed by Bruno Roche of the Mars Catalyst Think Tank, the Economics of Mutuality is a way of thinking about economics and management practice derived from the principles of the Jubilee in Leviticus 25. A key feature of the Economics of Mutuality is the idea of reciprocity.

Since the Economics of Mutuality is relatively new, this paper will focus on what makes it so different from other business models, especially Corporate Social Responsibility (CSR), Corporate Philanthropy and the triple and quadruple bottom lines.

For the past several years Mars Catalyst has collaborated with Oxford University's Said Business School to study the effects of implementing these principles on multinational corporations. They chose multinationals because they wanted to study the economics of scale. The results are clear - after 30 case studies, businesses operating according to Economics of Mutuality principles have been shown to consistently deliver superior business performance compared to those focusing solely on profit maximisation.

These results have attracted the attention of the Lindau Nobel Laureate Committee, the United Nations General Assembly meeting in New York and several national governments. The Economic Summit is now in the process of studying the effects of implementing the principles behind the Economics of Mutuality on the performance of SME businesses in Europe and west Africa.

The history of the Economics of Mutuality

Almost all economic systems throughout the ages have been based on three things: the land that provides the resources and raw materials from which goods can be made, the people who transform these resources into goods and services that can be sold and the financial capital (money) that provides liquidity to the system.[1.)] These are the three pillars of prosperity in any economic and business situation. Both the Economics of Mutuality and the Jubilee advocate remunerating people, land and capital in an integrated and holistic fashion.

Mutually sharing the benefits from business with the stakeholders is an idea that has had a high priority within Mars, Incorporated – the family-owned food & beverage company – for decades. [2.)] In 2007 the CEO of Mars started to question whether there was a better way to provide a mutuality of benefits for their stakeholders than just simply focussing on maximising profit for the shareholders. He commissioned Mars' Catalyst Think led by Bruno Roche to investigate this question. Their key challenge was to show that there were new, innovative business model approaches that could drive both social and environmental performance while delivering strong financial performance.

Businesses operating according to Economics of Mutuality principles consistently deliver superior performance.

The Economics of Mutuality, Corporate Social Responsibility (CSR) and Corporate Philanthropy

With Corporate Social Responsibility (CSR) corporations invest some of their profit in order to do some good for society or the environment. There are some very good one-off stories, but there is always a cost to the business.

CFO's tend to be uncomfortable with CSR for this reason. It does not provide a clear return on investment that they can understand. CSR initiatives can also be limiting in that they typically do not scale. [3.)]

Corporate Philanthropy is related to CSR. While it does some good, it does not address the sometimes destructive business models that can cause damage to stakeholders from whom the firm attempts to extract as much profit as possible. This creates a squeezing effect down the value chain of stakeholders that can trigger stakeholders squeezing their partners, and so on. This process creates winners and losers and not win-win situations. Like CSR, Corporate Philanthropy typically does not scale.

The Economics of Mutuality is not CSR or Corporate Philanthropy.

It asks the question, "How do we do business with a new business model approach that delivers superior business performance by mobilising and managing the different forms of capital beyond just money, eg. social capital expressed at a community level, human capital expressed at the individual level in terms of well being in the workplace, and natural capital expressed not in outputs or things like greenhouse gas emissions but rather on the input side of managing planetary resources to become more resource efficient.

The Economics of Mutuality and the triple and quadruple bottom lines.

The idea of the triple bottom-line has been around for a long time. Much like CSR, the triple bottom line idea is a trade-off of profit for doing some good. The idea exists that because people only understand the language of money in business everything needs to be monetised. If we are working in the social or the environmental spheres we need to somehow convert social capital, human capital and natural capital into financial capital so that they can be understood. By taking these non-financial, non-monetised matrices and trying to put a monetary value on them we overemphasise the importance of financial capital compared to the other forms of capital. Moreover, it is nearly impossible to accurately put a dollar figure on things like trust, social cohesion and the capacity to work collectively in a community.

The Economics of Mutuality asks the question: How do we do business with a new business model approach that delivers superior business performance by mobilising and managing the different forms of capital beyond just money?

The quadruple bottom line tries to add another bottom line - spiritual capital. Leviticus 25, the concept of God's Jubilee, is about the land that provides, the labor that transforms and financial capital that is there to provide liquidity in the system. Hence 'spiritual capital' is actually part of all the forms of capital – spread across people, planet, and profit.

What needs to happen for the Economics of Mutuality to be transformational in business?

If the Economics of Mutuality is to be transformational for business by turning it into a force for good, but at a profit and in a way that is scalable, we have to change the way we think about traditional ideas of profit and loss. It is not about getting rid of the financial matrix that Friedman's model of Financial Capitalism gives us. Rather we need to expand our basket of matrices so that we can account for things that are non-financial in nature, but that nevertheless have significant value for business. The objective is to create one integrated bottom line and since in business you can only manage what you measure, new metrics are our entry point for shifting the paradigm.

1.) Bruno Roche and Jay Jakub, Completing Capitalism. Heal Business To Heal The World, Berrett-Koehler Publishers, Inc., Oakland, CA, 2017, p.9
2.) Bruno Roche, Economic Summit Presentation, 2014
3.) https://us7.campaign-archive.com/?u=f5ba6f524023884df6519e69c&id=58d46588e2, Interview with Jay Jakub at the Responsible Business Forum, Said Business School at Oxford University, 2017

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