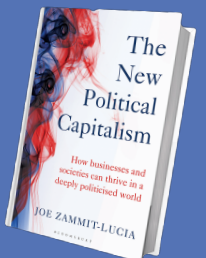


SUCCESS

in an age of Political Capitalism

'It is not the most intellectual of the species that survives; it is not the strongest that survives; but the species that survives is the one that is able best to adapt and adjust to the changing environment in which it finds itself.'

after Charles Darwin



What it's all about



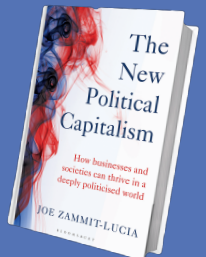
the social context



the role of business



what it means for corporate leadership



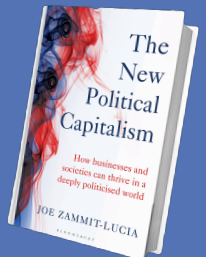
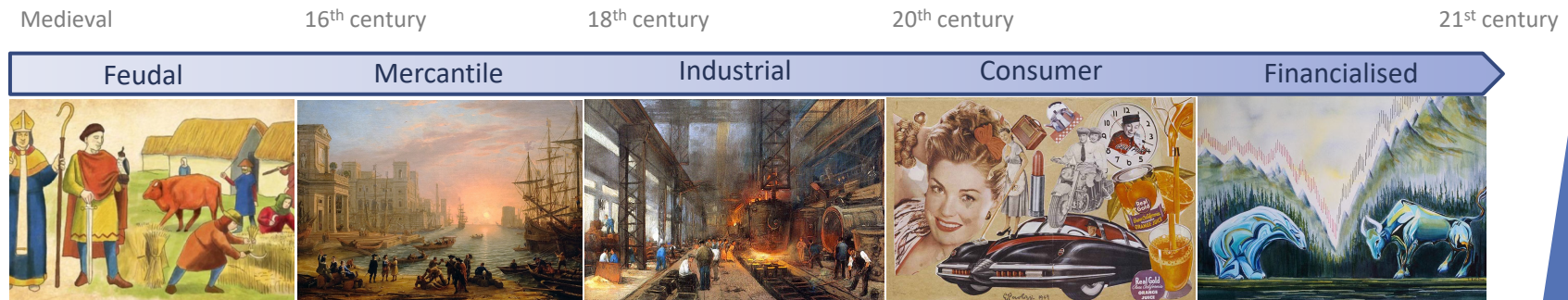
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Capitalism has been the only resilient approach to organizing our political economy...

...largely because of its ability to adapt to the times



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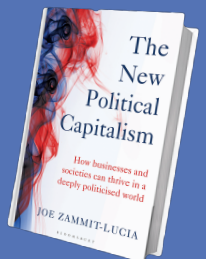
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The 21st century is the age of
POLITICAL CAPITALISM



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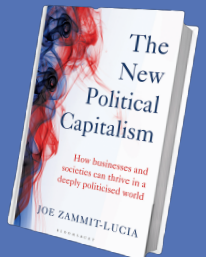
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First we have to understand what we mean by 'politics'

“Politics is the mechanism by which we make collective decisions about what sort of society we want to live in.”

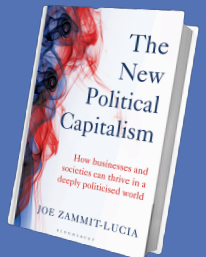
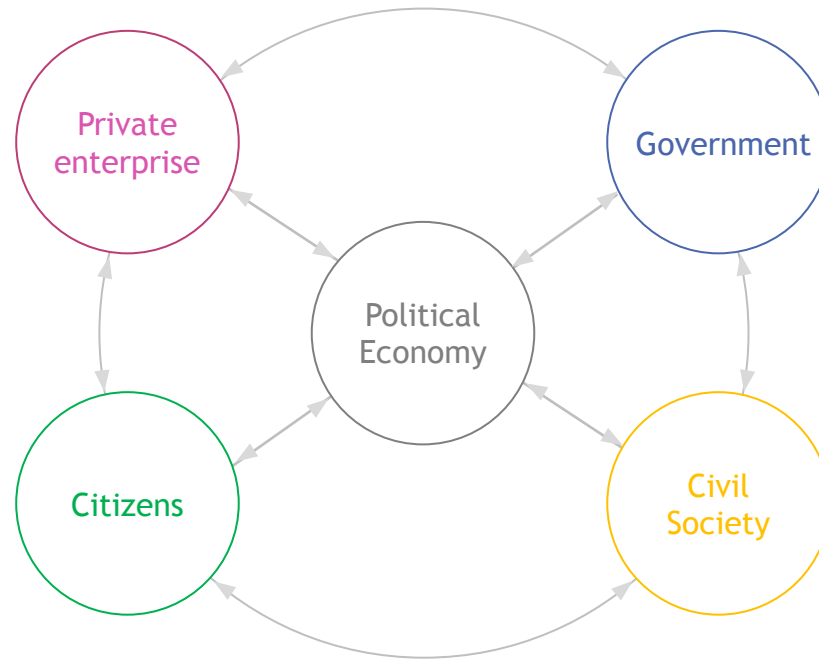
“Politics is a battle of ideas, in which participants attempt to control the narrative through tapping deep-rooted values and beliefs, rather than invoking objective self-interest.”



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There is no such thing as 'the free market'

Markets – local and global – are political constructs

Businesses are political and social actors NOT merely [creators] of shareholder value

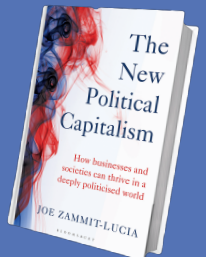
Political capitalism is what emerges when the externalities of financialized markets become so visible and large that market actors can no longer ignore them.

Where divisions and inequalities in society have come to bear directly on the structure of markets and opportunities to run successful businesses.

Where businesses themselves become increasingly reflexive about their political roles.

All these conditions are in place today.

RISING INEQUALITY
CLIMATE CHANGE
ENVIRONMENTAL DEGRADATION
BACKLASH AGAINST GLOBALISATION
POLITICAL AND GEO-POLITICAL DIVISIONS
POLITICAL ACTIVISM WITHIN COMPANIES
THE POLITICISED CITIZEN/CUSTOMER



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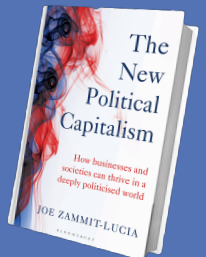
Markets – local and global – are political constructs

Businesses are political and social actors NOT merely [creators] of shareholder value

‘Business executives are now confronted with the inconvenient fact that a global struggle of political ideas is back, and that it will increasingly take priority over margins and growth.’

Lord William Hague
The Telegraph, 13 July 2020

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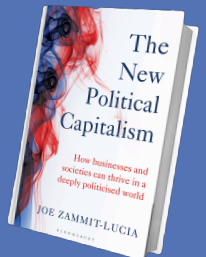
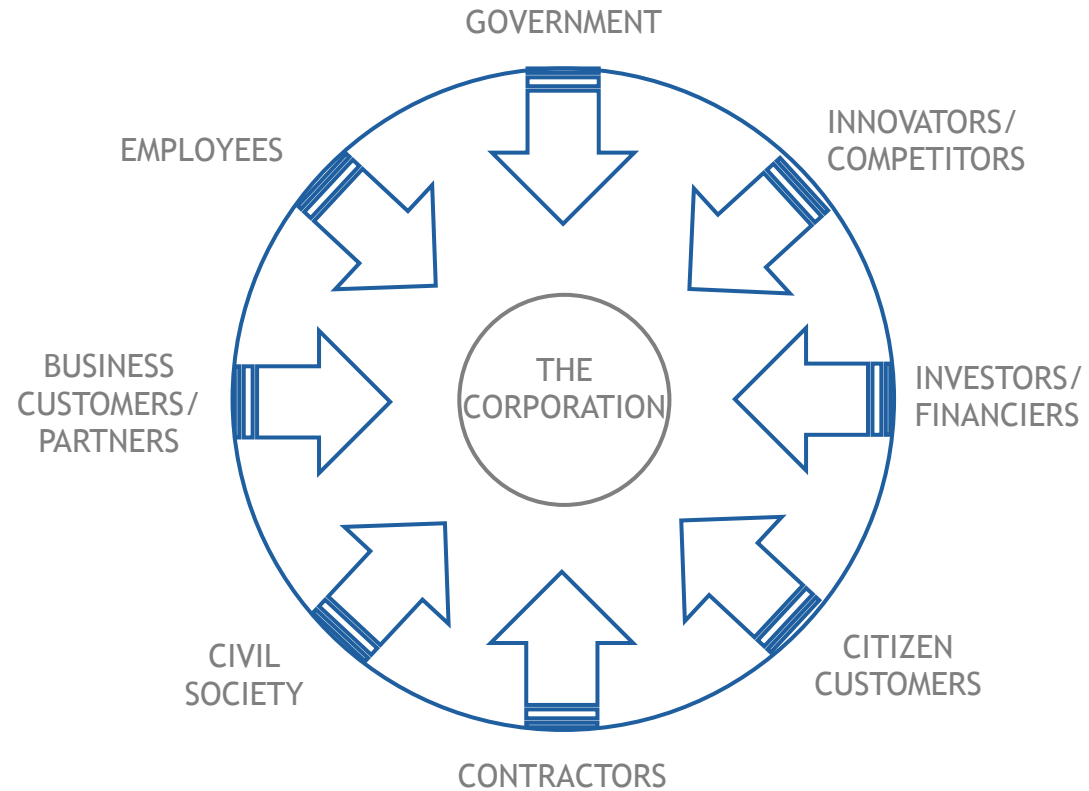
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Political Capitalism: influence from all sides

The investor perspective is no longer privileged



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Foregoes \$10bn worth of contracts with the US Department of Defence due to employee objections

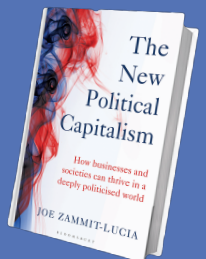


“Like many of you, I am appalled at the abhorrent policy of separating immigrant children from their families at the southern border of the U.S.”



“Quinn can opine unconvincingly about staying out of politics, but it’s really not that simple”

“The job for [HSBC chairman] Mark Tucker is 80 per cent politics and 20 per cent business at the moment. The Chinese have the potential to destroy them.”



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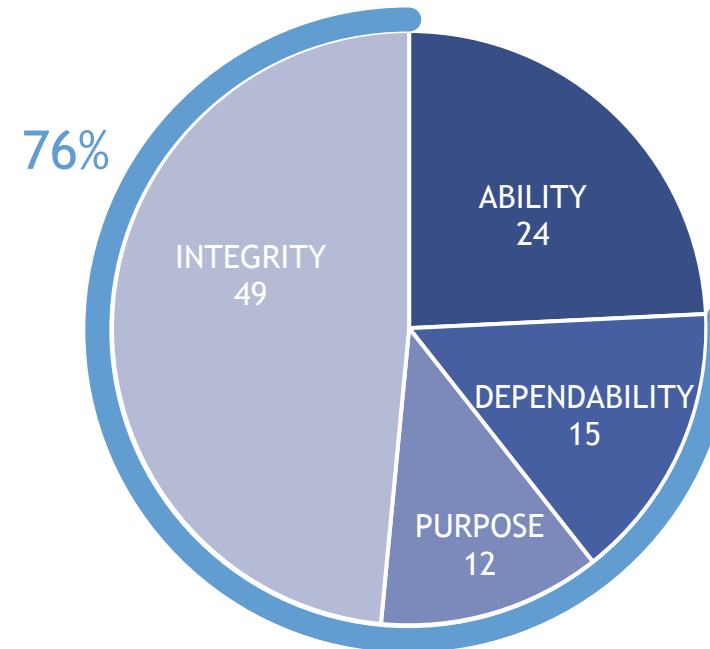
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ETHICAL DRIVERS 3X MORE IMPORTANT TO COMPANY TRUST THAN COMPETENCE

Percent of predictable variance in trust explained by each dimension

Source: 2019 Edelman Trust Management Tracking Study



2011-2016 → 2016-2021

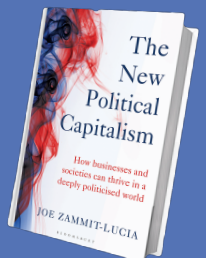
Fourfold increase in involuntary CEO exits for ESG issues

37% of all exits are for non-financial reasons

Source: Kearney (Australia)

2018 → non-financial > financial exists

Source: PwC

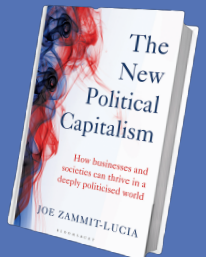
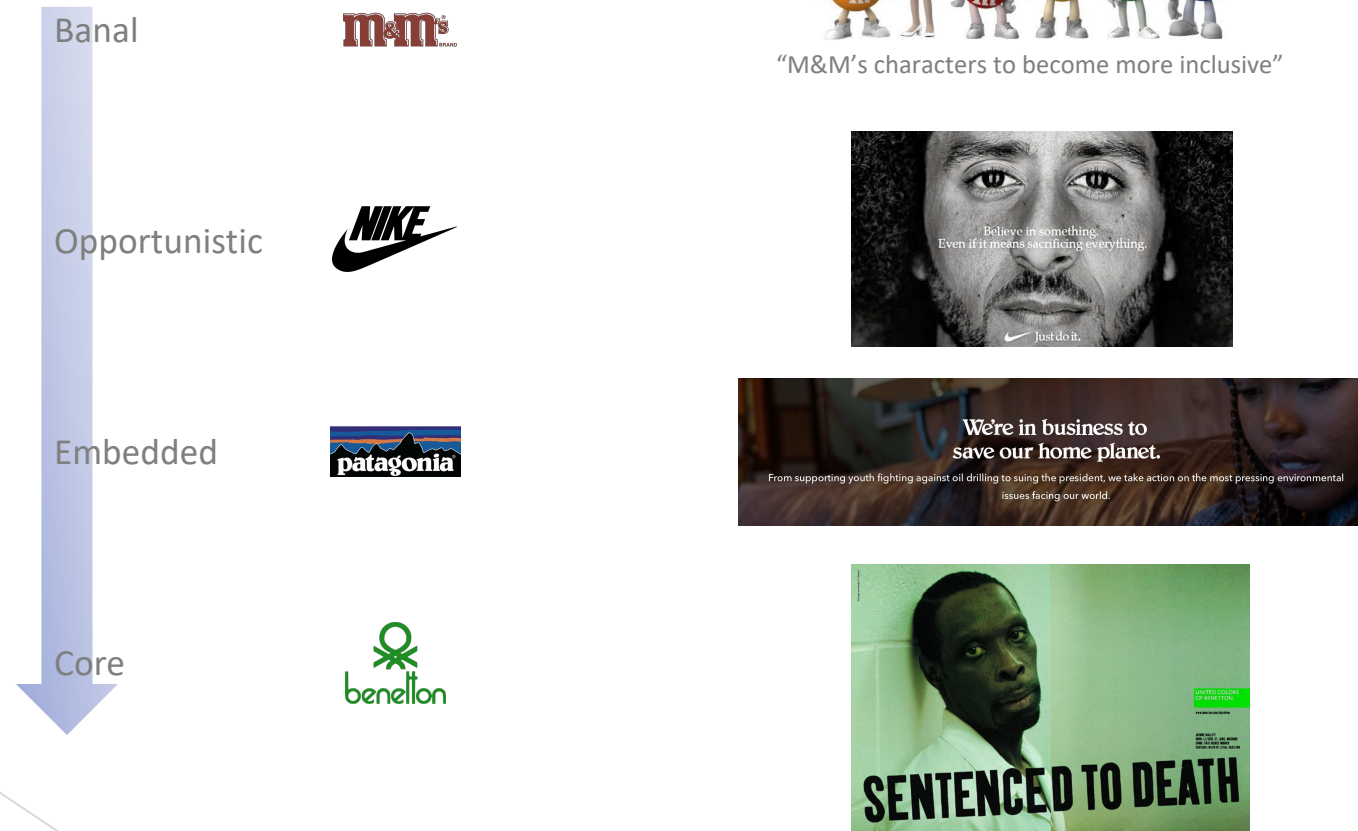


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Brands handle their political meanings in different ways



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We have moved on from the post-war Washington Consensus to the 21st century Cornwall Consensus

Washington Consensus: globalized, *laissez faire* neoliberalism.

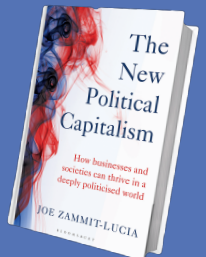
Cornwall Consensus: prioritizes a politics that moves proactively to shape markets to deliver a better political economy. It recognizes the central role of politics in the construction of functioning markets.

Which raises the question: What is business for?”

The role of business is to be an active player in creating a better society

“Our ESG agenda can’t just be a separate layer that sits above what we do day-to-day.”

Jane Fraser
CEO Citi



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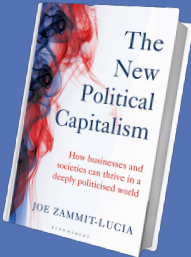
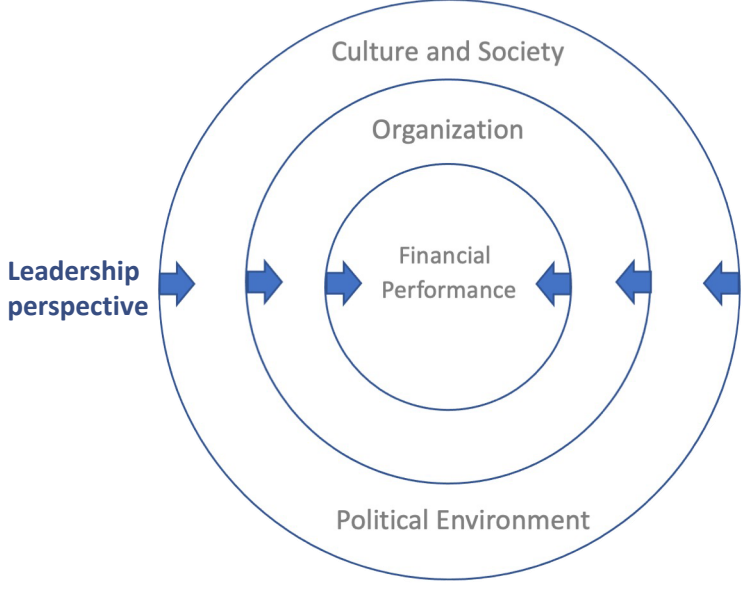
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20th Century Financialized Capitalism



21st Century Political Capitalism

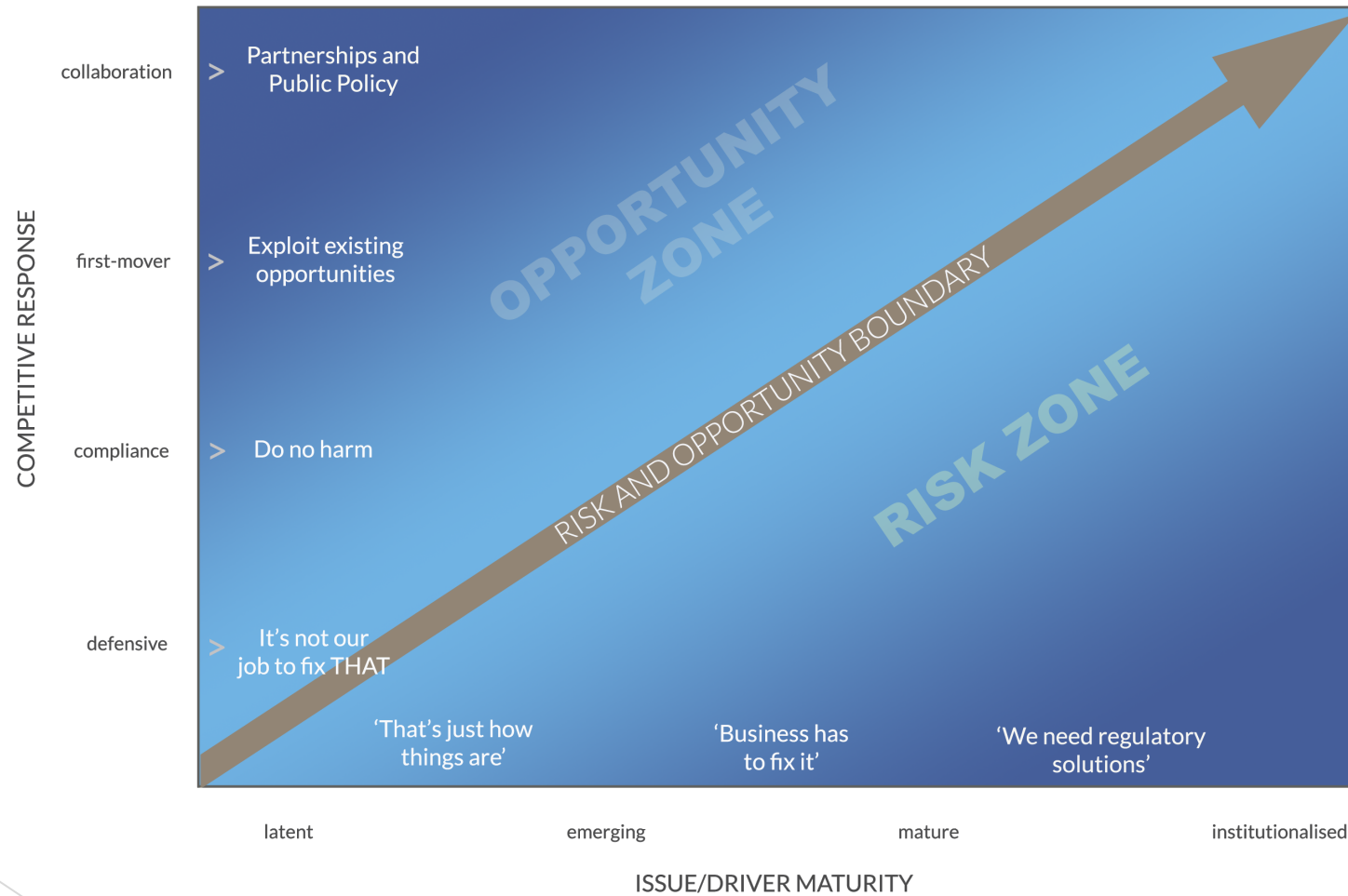


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Some political issues have reached the stage of maturity where collaborative and public policy solutions become essential



Source: Zadek, Simon - "Pathways to Corporate Responsibility - Revisited" in G. G. Lenssen, N. C. Smith (eds.), *Managing Sustainable Business*, Springer Science + Business Media BV, 2019
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What it's all about



the social context

the era of The New Political Capitalism



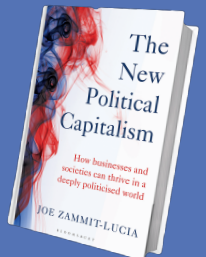
the role of business

be reflexive about their political role



what it means for corporate leadership

different strokes for different folk



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