

# **Stakeholder capitalism cannot be trusted to self-regulate**

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## **Key topics**

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Academia will play an important part in ensuring a better system.

This year's World Economic Forum Annual Meeting, the 50th, took as its theme "[Stakeholders for a Cohesive and Sustainable World](#)". It also marked the start of the decade of delivery towards the UN's [Sustainable Development Goals](#) and its [2030 Agenda for Sustainable Development](#). As such, the role of business in delivering social and environmental outcomes is once again under the microscope. Just as a company can utilise resources more effectively than the sum of its individual stakeholders, it must also be accountable for more than shareholder returns.

This is why the idea of "Education 4.0" is crucial. In [a new whitepaper](#), the World Economic Forum (WEF) explores models of education that can better prepare young people for the Fourth Industrial Revolution, which is defined by intangible value creation. The jobs of the future will not only demand young people are digitally literate and globally aware, but that they are able to approach issues taking all

economic stakeholders into account. They must solve problems with compassion. One estimate by Accenture predicts as much as \$11.5 trillion could be added to global GDP by 2028 if countries better prepare learners for the needs of the future economy.

## **Skills to shape the future**

The WEF defines four key skill sets: global citizenship; innovation and creativity; technology; and interpersonal skills. While “hard skills” (such as technology design and data analysis) are essential, academic institutions must also encourage soft skills. These include cooperation, empathy and social awareness: skills that are needed to shape a future society that is inclusive and equitable. The importance of this kind of training goes right through into higher education, where one must create an environment where accumulated skills – in anything from information technology to engineering – can be applied with a social benefit in mind.

Responsible businesses too will have an important role to play in education by offering positive examples of global citizenship. In August 2019, the Business Roundtable – an influential lobby group whose members are CEOs of leading US companies – adopted a new Statement on the Purpose of a Corporation to guide corporate governance. It affirmed the purpose of a corporation is not just to create financial return to its shareholders, but to create benefits to all of its stakeholders: customers, employees, suppliers, communities and shareholders.

But this alone is not enough. Without being held to account, their progress met with independent verification from specialist institutions, corporations will have limited impact on social development. Left to their own devices, many corporate ESG efforts will be reduced to mere tokenism and impact-washing. Perhaps the most egregious recent example of this kind of virtue signalling is Amazon's [meagre \\$690,000 donation](#) to Australian bushfire relief.

Academia can play an important part in holding stakeholder capitalism to account. There are three key parts to this:

- The first is academia's role in advancing an actionable insight framework for measuring social and environmental performance. Analytics are a valuable commodity in the digital age and data insights can be a powerful tool to ensure

inclusive growth. The absence of standard metrics for reporting performance creates scope for companies to cherry-pick what they report to greenwash their images.

- The second is ensuring people-powered impact. Engaging with experts and researchers closest to the problem is a vital part of bringing valuable context to data.
- The third is building partnerships for scale and realising the pivotal role the government and private sector must play in connecting people to the resources and networks needed in a changing economy. Stakeholder capitalism thus requires a fundamental rethinking of corporate governance systems and legal frameworks. Regulators and lawmakers need to come together to work out the legal mechanisms that hold organisations accountable to this renewed corporate mission.

## **Data science for social good**

Last year, at the [Gandhi Centre for Inclusive Innovation](#), we hosted the Data Science for Social Good Fellowship, which brought all these key elements into play. We used that initiative to bring together a select group of data scientists and presented them with social problems they could apply data science solutions to. We sought out governments and organisations and asked them about the most pressing issues they were facing and they submitted five projects for our scientists to solve. The initiative was important because it gave our experts practical, first-hand experience.

By giving students a chance to use their existing skills and apply them to real-world problems, it allowed them to develop new ways of doing things and new systems that can benefit more stakeholders. The programme was also an opportunity to find new ways in which academia and business can work together.

Stakeholder capitalism will require comprehensive reforms on multiple fronts to deliver on its promises. What we are realising is that, there is no lack of energy or ambition among the next generation to change the world for the better. As the ["Thunberg effect"](#) demonstrates, education can achieve much more given the right environment. By teaching the next generation the value of empathy and global

citizenship, while keeping the private sector accountable, we will ensure an economy that benefits all stakeholders and create a world where opportunities are far more universal than they are today.

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Professor Chaturvedi is Professor of Organisational Behaviour & Leadership and Associate Dean of Equity, Diversity & Inclusion at Imperial Business School. He also leads the Gandhi Centre for Inclusive Innovation.

He holds a PhD from the NUS Business School, National University of Singapore, and previously completed a Master's in Human Resource Development & Management

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Professor Chaturvedi's research focusses on effective leadership, mindfulness, and collaboration mechanisms in teams, and he has published articles in the Journal of Applied Psychology, Organizational Behavior & Human Decision Processes, Strategic Management Journal, Leadership Quarterly and Journal of Management, among others.

Read [Sankalp's Imperial Profile](#) for more information and publications.