

GLOBAL GOVERNANCE

# TOWARDS REGENERATIVE STAKEHOLDER CAPITALISM

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Photo by Illiya Vjestica via Unsplash.

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*As we emerge from the pandemic, corporate leadership must pivot away from old models of leadership and capitalism to a more sustainable, ethical, inclusive form of regenerative stakeholder capitalism, writes GEC Risk Advisory Founder Andrea Bonime-Blanc.*

Whether it is a new normal or a next normal, what comes after the COVID-19 pandemic must be a pivot from the old, tired, and exclusive models of leadership and capitalism (and related systemic corruption)

that have prevailed over the past few decades to a more sustainable, ethical, inclusive form of regenerative stakeholder capitalism that addresses some of the critical and even existential global environmental, social, governance, and technological (ESGT) challenges of our times.

And the most critical ingredient to achieve this? Trustworthy, stakeholder-savvy, empathetic leaders leading key institutions—in business, government, and society—engaged and focused on effective public, private, social partnerships, and collaboration at every level.

It is only in this way that we will begin to scratch the surface of some of the deepest challenges of our time—climate, cyber, inequality, health, tech ethics, human rights—because such challenges can only be solved by leaders who are naturally empathetic, inclusive, collaborative, expert, and thus *trusted*.

## DECONSTRUCTING THE PROBLEM

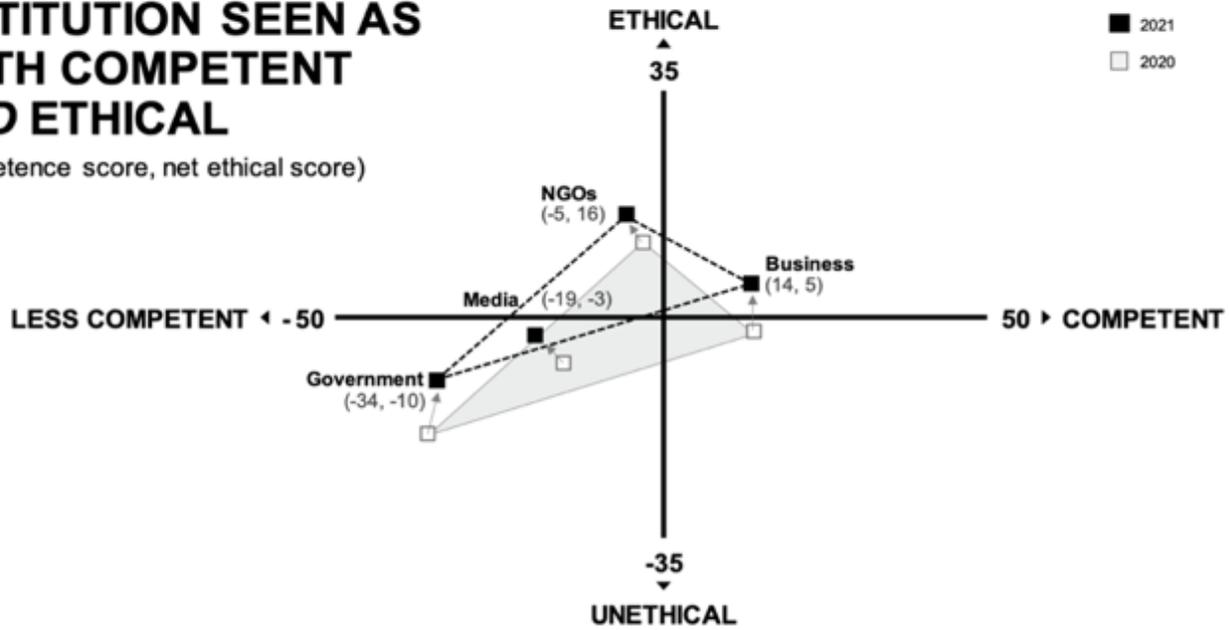
As the annual Edelman Trust Barometer has shown for the past dozen years, stakeholder trust in four key institutions (business, government, media, and nonprofits) and their leaders has been on a steady decline globally.

It's not surprising. Studies have found that we don't always have the best and the brightest serving in leadership roles regardless of sector. Indeed, we often have manipulative, wiliest, and sometimes incompetent in charge instead. In my own work, **I have examined research on the characteristics of leaders** on a spectrum from sociopathic to altruistic and it is no wonder that trust has plummeted. These studies show that there are substantially more sociopathic and hubristic leaders in leadership positions than in society generally. For example, neurologists estimate that about 4% of the general human population are sociopaths, but further studies have suggested that this percentage may be closer to 18% or more at leadership levels. If we just look around the hallowed halls of top leadership just about anywhere, it could be observed that there are more of the less than desirable persons in positions of power exhibiting sociopathy, narcissism, hubris, authoritarianism, or incompetency.

The 2021 Edelman Trust Barometer however, does appear to offer a potential silver lining and opportunity for leaders. On a two-dimensional competency/ethicality grid (see Figure below), business rose above the other three institutions to display a modicum of both competency and ethicality. Meanwhile, NGOs were considered ethical but somewhat less competent while the other two—government and media—were considered both less competent and less ethical.

# BUSINESS NOW ONLY INSTITUTION SEEN AS BOTH COMPETENT AND ETHICAL

(Competence score, net ethical score)



2021 Edelman Trust Barometer. The ethical scores are averages of nets based on INS\_PER\_DIM1-4. Question asked of half of the sample. The competence score is a net based on TRU\_3D\_INS/1. Depending on the question it was either asked of the full of half the sample. General population, 24-mkt avg. Data not collected in China, Russia and Thailand. For full details regarding how this data was calculated and plotted, please see the Technical Appendix.



## RECONSTRUCTING A SOLUTION

If we are going to build a world in which the next pandemic is contained before it becomes one, devastating climate change effects are addressed through aggressive coordinated climate action, cyber-mayhem is prevented through effective cyber resilience and defense collaboration, the erosion of democracy and human rights is met by international pro-democratic alliances, and our global economy moves from wasteful and destructive to sustainable and regenerative, then stakeholders everywhere need to step up to the plate and be counted.

This means that each of us as stakeholders in our communities, workplaces, educational institutions, investments, and local, regional, and national elections (if we are lucky enough to live in democracies) with even a modicum of decision-making or influencing power should use that power to choose, elect, or demand competent, empathetic, inclusive, and stakeholder-savvy leaders.

A good place to start understanding great leadership competencies is to see in the Table below from Gloom to Boom what global CEOs consider to be the top qualities of an effective CEO: all of these including the top quality of all—ethicality and morality—speak to empathy, inclusiveness, and stakeholder savvy.

*Table 2.6 Most important leadership competencies according to leaders from around the world surveyed by HBR<sup>25</sup>*

<i>Leadership competency</i>	<i>Percentage of respondents</i>
1. Has high ethical and moral standards	67%
2. Provides goals and objectives with loose guidelines/ direction	59%
3. Clearly communicates expectations	56%
4. Has the flexibility to change opinions	52%
5. Is committed to my ongoing training	43%
6. Communicates often and openly	42%
7. Is open to new ideas and approaches	39%
8. Creates a feeling of succeeding and failing together	38%
9. Helps me grow into a next-generation leader	38%
10. Provides safety for trial and error	37%

Source: *Harvard Business Review*.

We need to select leaders with emotional intelligence. This means in democracies, electing leaders that listen to and represent stakeholders, like PM Jacinda Ardern from New Zealand. In business, among other things, it means listening to activist shareholders and other key stakeholders (employees, customers, younger generations) before it's too late. It means choosing leaders that are responsible or enlightened not only as to their core mission and strategy but also when it comes to ESGT issues.

The idea is to go beyond stale leadership and stale capitalism that has prevailed and have leaders—CEOs, board members, government officials, social enterprise leaders—who actually get that social responsibility and value regeneration is part of their job and that being trusted by their key stakeholders is at its core.

It is only these leaders—working together across silos—that will achieve a better, more inclusive, more stakeholder sensitive version of capitalism that will benefit most of the globe. Whether you call it “Stakeholder Capitalism” or “Capitalism with a Human Face” or “Regenerative Stakeholder Capitalism” doesn't really matter. The point is to integrate the “people” and “planet” part into the “profit” piece to create a next level of sustainability—sustainable regeneration that is savvy to people and planet, providing in the process ample profit.

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About *Andrea Bonime-Blanc*:

*Dr. Andrea Bonime-Blanc is the Founder and CEO of GEC Risk Advisory, a global ESG and cyber strategist, board member, life-member of the Council on Foreign Relations, international keynote speaker and author of several books and many articles.*

*The views presented in this article are the author's own and do not necessarily represent the views of any other organization.*