THE FUTURE OF INVESTING AND BUSINESS: AN INTEGRAL VIEW FROM AN INVESTORS' PERSPECTIVE

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ABSTRACT

The future of global capital and business is tightly connected to the future of investing. This paper presents the latest research and development in capital, philanthropy, investing, and business leadership from an investor's perspective. Based on current trends, the paper argues that the future of both business and investing must be integrally informed and be based on the essence of all existence, the interior as well as exterior reality; a reality in which high financial returns are inseparable from high social, environmental, cultural, ethical, as well as the individual happiness impact. Moreover, the paper contends that the current crises such as economy, finance, ecology, climate, water, health care, educational, food, security, energy, natural resources, poverty, and bio-diversity can be reduced to one common denominator, namely a consciousness crisis. This crisis manifests as lack of global leadership of traditional players. Therefore, this paper contends that only a quantum leap in consciousness evolution of global leaders has the opportunity to unleash the leadership qualities necessary to overcome the current challenges and catapult humanity toward the next level of existence. From an investing perspective, the paper shows why the financial crisis has and will continue to shaken the dominant position of the so-called High Wealth Countries whereby accelerating the trend toward a more even playing field between the wealth of developed and developing countries. After introducing the notion of integral investing, integral investor, and integral business as the next evolutionary step, the paper highlights the barriers to aggregating more capital toward integral investing worldwide and presents several ways out.

Field of Research: Economics, Behavioral Finance, Investing, and Banking

1. INTRODUCTION

In the light of today's increasing financial, ecological, and geopolitical crisis and challenges, it is obvious that individual dissatisfaction within the financial and the business worlds has also increased (Kofman, 2007; Ray & Rinzler, 1993; Secretan, 2006). Money seems to have ceased keeping its promise for security, and a growing number of investors, business people, and other leaders are becoming aware of the separation between the material world and a meaningful life (Klein & Izzo, 1999). For these people, financial abundance appears to stop being the ultimate goal because the promise of happiness was not fulfilled by material prosperity. In fact, the opposite seems to be the case (Blanchflower & Oswald, 2004, p. 1366). An additional cause for the overall discontent seems to be rooted in the fact that the majority of today's businesses and financial institutions are still operating primarily from outdated corporate values (Kofman, 2006) including (a) short-term monetary profit-orientation (Collins & Lazier, 1992, pp. 67-69), (b) tough competition (Collins, 2001), (c) hierarchical organization structures (Eisler, 2007, pp. 182-183), (d) dominating management styles (Eisler, 2002), (e) disregard for individual human values (Toms, 1997), (f) inability and/or unwillingness to look at the shadow side of business (Senge et al., 2005, p. 229), (g) lack of appropriate investment opportunities; and (h) fear and mistrust (Secretan, 2006). All of these attitudes, actions, and outdated values run counter to or are rejected by the awakened investors and business leaders.

1.1 STATEMENT OF THE PROBLEM AND RESEARCH QUESTIONS

The economic and geopolitical challenges such as financial crisis, terrorist attacks, or ongoing wars are exacerbated by large-scale climate changes such as natural catastrophes including hurricanes, droughts, and tsunamis. Addressing these challenges in an integral fashion requires not only massive capital but also higher levels of consciousness (Capra, 1993; Harman & Hormann, 1993; Senge et al., 2005; Soros, 2004, 2008; Wilber, 2000a). The challenges faced by any awakened leader are perennial and vary in an infinite degree yet it appears that the integral impact approach taken by today's investors and business leaders leader makes the ultimate difference to their success. Thus, given the evidence, today's investors and business leaders recognize that change has become inevitable and the only question is not if it will happen but how, when, in which direction, and with which consequences for humanity.

In mapping Wilber's (2000a) integral model, the focus of this paper is to share preliminary research findings on the evolution of investors and business leaders and their perspective on recent development in capital, economics, and business. It will address the following main questions: (1) is profit-only still the driving criterion in the investment and business world? (2) Is triple bottom line the new investing and business paradigm and why? (3) Is integral investing the next evolutionary model in investing? (4) What is the role of investors' self-actualization in this paradigm change? (5) Are regular capital and philanthropy converging? (6) Is integral business the future of traditional business and social business?

2. LITERATURE REVIEW

There is an enormous amount of information and research that focuses on investing, economics, leadership, and business. As we will see, the emphasis of these publications is mainly on the externalities of economic, financial, and management side of the equation. Success is mostly measured by profit and the financial bottom line (Mankiw, 1998). Through the birth of impact investing in 1985 (Robeco & Booz & Co., 2009), the social, environmental, and governance criteria have increasingly been added to the above success metrics. However, these have not yet become mainstream although the cry for changed behavior, higher ethics, and morals can no longer be ignored (Freireich & Fulton, 2009; O'Donohoe et al., 2010; Robeco & Booz & Co., 2009).

From the integral perspective that underlies the current research, namely Wilber's (2000a) integral model, it could be argued that most literature addresses some aspects and neglect others. For instance, the exterior aspects and manifestations of success in investing and leadership seem more attractive and easier to replicate than the interior transformation of the investor and business leader (Pauchant, 2002). Although the rise of conscious capitalism seems to have become a megatrend (Aburdene, 2005; Boyatzis & McKee, 2005; Sisodia & Sheth & Wolfe, 2007), the phenomenological investigation on the interior transformation of these people and their cultural context is relatively rare, yet research is increasing (Adams, 2005; Boyatzis & McKee, 2005; Bozesan, 2010; Cook-Greuter, 2004; Goleman et al., 2002; Hendricks & Ludeman, 1996). However, the individual self-actualization aspect (Maslow, 1999) of investors and business leaders appears to be not at all or rarely addressed (Jaworski, 1996; Lietaer, 2001; Marques et al., 2007; Mitroff & Denton, 1999; Pauchant, 2002; Paulson, 2002; Ray & Myers, 1989; Renesch, 2002; Rooke & Torbert, 1998, 2005; Senge et al., 2005; Taylor, 2005).

3. METHODOLOGY

The current research complements existing research by including the behavioral, cultural, and self-actualization aspects of an evolving industry as well as evolving individual investors and business leaders (Alexander et al., 1990; Bozesan, 2010; Commons et al., 1984, 1990; Cook-Greuter, 2005, 2008; Kelly, 2010, 2010a, 2010b; Koplowitz, 1984, 1990; Torbert et al., 2004; Wilber, 2000a). The intention of the research is to identify the typical characteristics of the transformational experience from not only the interior perspective of the individual investor and business leader, but also from the exterior such as the behavior, culture, society, and environment.

In order to provide a comprehensive representation of this phenomenological research, Wilber's (2000a) evolutionary map of consciousness was chosen. It indicates that the evolution of culture, society, behavior and consciousness has a direction and is an "actualization holarchy, each stage of which unfolds and then enfolds its predecessor in a nested fashion" (p. 128). The research is performed using heuristic structuralism as a newly developed research method by the author. It is a method of inquiry that goes between, across, and beyond both heuristic and structuralism. It could be described as a method of transdisciplinarity because it allows for the study of the research participants from the core of their humanity (Nicolescu & Volckmann, 2007).

4. RESEARCH FINDINGS AND DISCUSSION

4.1 INVESTING FOR PROFIT

In 1999, David Cowan, a venture capitalist with Bessemer Venture Partners, visited his college friend Susan Wojcicki at her 232 Santa Margarita residence in Menlo Park, California. During his visit, Susan tried to introduce him to "these two really smart Stanford students writing a search engine" (Bessemer Venture Partners, 2011). Cowan thought, "students? A new search engine?" and tried to leave as soon as possible without getting involved in an investment conversation that he did not want to have. When Susan insisted again a year later, Cowan refused and replied rather annoyed "how can I get out of this house without going anywhere near your garage?" (Bessemer Venture Partners, 2011). He passed on what turned out to be one of the biggest investment opportunities of the 20th century, namely Google. The rest is history. Before, Google, eBay had also looked for venture funding, but Cowan thought to himself "Stamps? Coins? Comic books? You've GOT to be kidding" and did not invest. Today, Apple, Intel, eBay, and FedEx belong next to Google, Compaq, and PayPal to the list of Bessemer Venture' portfolio companies in which they did not invest. They passed on FedEx seven times.

This all seems quite ridiculous in retrospect. Yet, that is the typical life of traditional investors who are driven by profit and have the challenge to earn consistently superior financial returns to their investments. This is especially true for early stage venture capital fund investors who—at highest possible risk—are expected to return a financial profit of more than 20 percent IRR (Internal Rate of Return) (Preqin, 2010). What happened to Bessemer Venture Partners, one of the oldest Venture Capital firms in the United States whose partners and associates are some of the smartest people on this planet, occurs regularly to most investors around the globe. Having been an early stage private equity investor for almost two decades, I can confirm that all investors have to make similar decisions regularly. At the end of the day, we can only hope that we made the *right* decisions for there is so much at stake if we did not. Yet, what is the *right* decision? *How* do we assess investing opportunities especially in venture capital with its highest profit expectations and a disappointing track record over the past decade (Preqin, 2010)? What determines and what influences our decisions? What are hard issues and what are soft criteria. How do we weigh them? Have our decision criteria changed over time? How can we change the failing financial and economic paradigms? In the light of the current financial, economic, ecological, and other global challenges, these are just a few questions whose answers preoccupy a myriad of researchers, scientists, and of course investors. Moreover, recent research (Bozesan, 2010; Kelly, 2010, 2010a, 2010b) indicated that more and more investors and business leaders have lately begun to ask additional questions that have preoccupied humanity all along. These are, why am I here? What is the meaning of my life? Am I fulfilling my life's purpose? How can I self-actualize through investing? It appears that in today's world few investors and business people can self-actualize through their money and actions.

4.2. THE BIRTH OF NEO-CLASSICAL ECONOMICS

The word investing refers traditionally to the use of money to purchase a financial product, other item of value—real estate, commodities, art—or shares in a company with the expectation of profit maximization (Mankiw, 1998). In other words, making an investment means to use money in the hope of making more money or profit, which is defined as "total revenue minus total cost" (Mankiw, 1998, p. 264). From a business perspective, investing in a business refers to the purchase of certain goods and/or services in the hope of improving future business, which means profit again. Profit is essential for any economy and can (a) enable further growth and additional investment opportunities in research and development for better infrastructure, products and technology, (b) bring dividends to shareholders who are an important source of capital to businesses, (c) provide wealth to nations through government taxes, and (d) can be saved for economic downturns. Profit is a priori neutral, of course. It is money that can be invested to do good or not. This paper argues that how money is being invested depends on the level of consciousness of the people investing it; that is, their social, environmental, cultural, psychological and behavioral context. Thus, if we want to change anything to the better, we must include consciousness into the investment metrics.

4.2.1 THE EFFECTS OF NEO-CLASSICAL ECONOMICS

Over centuries, investors contributed significantly to the evolution of humanity and to the achievements of our post-modern world. With the rise of modernity, humanity arrived at "liberal democracies; the ideals of equality, freedom, and justice, regardless of race, class, creed, or gender; modern medicine, physics, biology, and chemistry; the end of slavery; the rise of feminism; and universal rights of humankind" (Wilber, 1998, p. 11). Needless to say, that investing has advanced science and technology to simplify the burdens of life for people. The progress in medical sciences has doubled our life expectancy in less than a century; we have flown to the moon, and are now instantaneously connected through the power of modern telephony and the Internet. Therefore, it was only a question of time until economists developed the desire to shape economics into a natural science. They wanted to apply scientific methods such as "congruence with reality, generality, and tractability" (Camerer & Loewenstein, 2004, p. 4) in order to judge economic theories through the eye of science and reason. This led in the beginning of the 20th century to *neo-classical economics* and the notion of the self-interested *homo economicus* (Aspromourgos, 1986; Camerer & Loewenstein, 2004).

Adam Smith is considered to be the father of classical economics (Camerer & Loewenstein, 2004; Mankiw, 1998) who cared greatly about human psychology, values, and morals. In 1759, Smith (2007/1759) wrote a less known book entitled *The Theory of Moral Sentiment* in which he outlined in detail the role of gratitude, justice, morals, happiness, and good conscience within economic theory. Hence, his seminal work on economic theory, *An Inquiry into the Nature and Causes of The Wealth of Nations*, which was published in 1776, included these interior dimensions such as psychology, morals, virtues, and behavioral principles (Smith, 2008/1776). As it began to emphasize the scientific paradigm, *neo-classical economics* of the 20th century could no longer honor Adam Smith's more holistic approach. This happened because neither behavioral economics nor scientific psychology existed as academic disciplines at that time (Camerer & Loewenstein, 2004). As a result, the interior human dimensions became less important and neo-classical economics focused more on profit and utility maximization. The consequence was "the rejection of academic psychology by economists" (Camerer & Loewenstein, 2004, p. 5) and with it the disregard for *all* interior dimensions of humanity that erroneously seemed difficult to prove in a scientific manner.

4.2.1 THE POLARIZATION OF THE WORLD

Without explicit regard for human values, neo-classical economics led to the “false and misleading” assumption that “financial markets tend towards equilibrium” (Soros, 2008, p. vii). Eventually, it steered toward “the commodification of life, the leveling of qualitative distinctions, the brutalities of capitalism, the replacement of quality by quantity, the loss of value and meaning” (Wilber, 1998, p.11). Yet, the profit game continues to be alive and well. According to the Boston Consulting Group (BCG) 2010 Global Wealth Report (Becerra et al., June 2010), the financial markets have improved significantly since the financial crisis of 2008. The number of millionaire households grew by 14 percent in the same time period to 11.2 million worldwide, with the highest concentration in Singapore, Hong Kong, Switzerland, and the Middle East. Europe remained the wealthiest region, the BCG report stated, with one third of the total AuM or $37.1 trillion, and North America posted the largest absolute growth at $4.6 trillion. However, the largest gain percentage-wise occurred in Asia Pacific— Japan not included— where wealth increased by almost 22 percent to $3.1 trillion. Through this report, we learn that asset owners were able to recover the largest part of their losses and “global wealth staged a remarkable comeback in 2009 after it’s steep decline in 2008. [As a result, the total Assets under Management] AuM increased by 11.5 percent to $111.5 trillion” (p. 5). This trend is expected to grow by approximately 6 percent per annum until 2014 with two main reasons directing this recovery (a) an intensified flow of assets and (b) changed investment habits caused by private investors losing trust in institutional investors. For many private investors including Warren Buffet, Bill Gates, George Soros, and Ted Turner, money and investing become increasingly an intimate matter that has tremendous collective implications (Giving Pledge, 2010; Kelly, 2010, 2010a, 2010b; Soros, 2004, 2008).

4.2.2 INEQUALITY

Needless to say, all of the renewed abundance after the financial crisis of 2008 occurred without major changes within the operational structure or philosophy of our financial systems, which, of course, caused the crisis. As the rich became richer, the income inequality between the rich and the less fortunate has sadly worsened. For example, a recent report by the United States Congress Joint Economic Committee (Maloney & Schumer, September, 2010), stated “the share of total income accrued by the wealthiest 10 percent of households jumped from 34.6 percent in 1980 to 48.2 percent in 2008” (p. 2). The interesting part is that between 1980 and 2008 the share of the 1 percent richest American households grew from 10.0 percent to 21.0 percent, which caused the United States to become one of the “most unequal countries in the world” (p. 2). In 2009, the trend continued in North America with “the United States having “by far the most millionaire households (4.7 Million), followed by Japan, China, the United Kingdom, and Germany” (Becerra et al., 2010, p. 5). The sad part is that “while the rich have gotten richer, middle class Americans [for instance] have been left behind,” (p.3) the report stated. While the income for the top 20 percent of Americans grew over 70.3 percent between 1967 and 2008, income growth for the middle quintile was far slower and grew by 25.7 percent. Worrisome is the similarity with the Great Depression. Similar to 1928, the time before the Great Depression, income inequality peaked, the US Economic report stated. The trend toward income inequality has been confirmed also through a report (Davies et al., 2007) published by the Center for Global, International, and Regional Studies of U.C. Santa Cruz. According to that study, the richest 2 percent of the wealthiest individuals own more than 50 percent of the global wealth. And Nobel Prize laureate Stiglitz (2011) contends that the richest 1 percent in the United States of America control 40 percent of the total income disregarding the fact that the fate of the 1 percent “is bound up with how the other 99 percent live” and that “common fare—is in fact a precondition for one’s own ultimate well-being" (p. 6). Thus, the general tendency of the wealthiest toward increasing their wealth continues (Becerra et al., 2010), as does the wealth inequality within individual countries. This is further confirmed by recent studies performed in the United States of America (Maloney & Schumer, 2010), Germany (Boeckler, 2009), Japan (Tachibanaki, 2009), the United Kingdom (Hughes & Church, 2010), to name a few.

4.2.3 HOW THE WEST IS LOSING ITS HEGEMONY

The Allianz Global Wealth Report for 2010 (Steck et al., 2010, p. 9) asserts that the overall share of global wealth owned by High Wealth Countries, sank by 6 percent since the year 2000. This is the case, although 90 percent of the global assets are still owned by private households in these countries. These households have an average of €31.600 net assets per capita per annum and the beneficiaries of these assets flows are both the so-called Middle Wealth Countries as well as the Low Wealth Countries. The net assets per capita in Middle Wealth Countries have reached an average of €4.280 and represent an increase of 8 percent per annum. The average per capita net assets in Low Wealth Countries has reached €5.300 per annum and is growing by 16 percent yearly, which is 7 times higher than those in High Wealth Countries. The interesting part is that the per capita net assets in High Wealth Countries was in 2009 still 7.4 percent below the pre-crisis level. At the same time, in 2009 the per capita net assets in Low Wealth Countries were 25 percent higher than before the 2008 crisis. Thus, the financial crisis hit especially hard the High Wealth Countries because of the structure of their assets and the fact that the epicenter of the financial crisis was right below Wall Street.

Although asset owners have recovered the largest part of their losses in 2009, the financial crisis of 2008 has continued to shake the dominant position of the so-called High Wealth Countries. In part, this has to do with the accumulated debt of private households that in High Wealth

Countries represents on average 68 percent of GDP, but also with the increasing inequality in the West, and the lack of collective action both private and public toward fixing the lopsided wealth distribution for the common good. Thus, the crisis accelerated the new trend toward leveling the plain field in net assets between the developed and the developing countries (Steck et al., 2010, p. 10).

4.2.4 WHAT HAPPENED TO HAPPINESS?

On one hand, economic growth led to greater global democratization, to more gender equality, to increased social tolerance, and therefore to a higher happiness index worldwide (University of Michigan, 2008). On the other hand, despite their wealth and abundance, Westerners are among the unhappiest people on earth with US Americans being on average unhappier than the people of Bhutan, which is one of the poorest countries in the world (Veenhoven, 2009). Leading researchers worldwide illustrated even before the financial crisis of 2008 that material abundance had ceased to be the ultimate goal in developed countries (Aburdene, 2005; Kofman, 2006; Klein and Izzo; 1999; Mitroff & Denton, 1999; Pauchant, 2002; Secretan, 2006; Senge et al., 2005; Soros, 2004), but only the crisis led to a wake-up call. Further research published in the Journal of Public Economics by Blanchflower & Oswald (2004) showed that the happiness index in the USA and the UK has even decreased despite increased material prosperity. Not only that, but recent research shows that few investors and business leaders have the opportunity to self-actualize and live a life of meaning through their investments and business leadership (Bozesan, 2010).

"Expunging psychology from [neo-]economics happened slowly" (Camerer & Loewenstein, 2004, p. 6) despite the emergence of behavioral economics and the extraordinary work of people like Keynes (1997/1936), Tversky (Tversky & Kahneman, 1974) and 2002 Nobel Prize laureate in economics, Daniel Kahneman (Kahneman & Tversky, 1982). They all attempted to include interior aspects of human psychology and behavior into the utility maximization directed view of neo-economics without much success. Profit could only go thus far without happiness. Therefore, it was only a question of time until humanity was forced to awaken to the fundamental errors of neo-classical economics, namely the reduction of humans to rational thinkers as the leading function over psychology, higher conscience, values, ethics, beauty, and morals (Aburdene, 2005; Capra, 2002; Kofman, 2006; Klein & Izzo, 1999; Mitroff & Denton, 1999; Pauchant, 2002; Secretan, 2006; Senge et al., 2005; Soros, 2004, 2008). This could explain how it was possible that some of the smartest minds on this planet contributed to the creation of (a) the world's greatest financial meltdown (Lewis, 2010), (b) the Great Recession (Maloney & Schumer, 2010), (c) the biodiversity and water crisis (Sachs, 2008), (d) irreversible environmental degradation (von Koerber, E., Khosla, & Morley, 2009), (e) and the poverty trap (Yunus, 2007).

In summary, we can safely conclude that the paradigm of neo-economics has obviously failed (Sachs, 2008; Soros, 2008). It failed, in part, not only because its profit only orientation led to unprecedented financial wealth that disappeared over night taking down with it millions of innocent people who trusted the system. It failed not only because millions of people lost their homes, their jobs, their healthcare, and now suffer from high food prices and budget deficits of unprecedented proportions (Bilmes and Stiglitz, 2006). It failed not only because today's threats and challenges seem to be the biggest in the world since written history (Bilmes and Stiglitz, 2006; Gore, 2006; Lewis, 2010; Soros, 2008) and neo-economics is not in a position to provide the necessary relief. Neo-economics failed, in part, because, ironically, it did not bring humanity the joy and happiness it deserved and expected. It failed, because it dissociated humanities inseparable Great Chain of Being, the True (science), the Good (morals), and the Beautiful (arts) from each other. It failed because it neglected to honor and adapt to human evolution. It failed because it neglected to acknowledge that every exteriority has interiority. It failed, because it ignored the cultural, social and environmental contexts, as well as ethics and morals, psychology, and beauty (Blanchflower & Oswald, 2004; Camerer & Loewenstein, 2004; Mitroff & Denton, 1999; Pauchant (Ed.), 2002; Secretan, 2006; Soros, 2008).

So, if money and profit-orientation does not lead to more joy and happiness and is therefore not the ultimate measurement of success, what is? If some of the smartest people of this planet created collectively the "worst financial crisis since the 1930s" (Soros, 2008) and we now live in a world of extraordinary challenges (Gore, 2002; Sachs, 2008), how should be a more sustainable finance and economic paradigm look like in the future? How can we claim back our souls and create a financial and economic system that integrates rather than disassociates humanity's value spheres, the True, the Good, and the Beautiful (Plato,1961/1938). Moreover, what should be the measurement criteria on which we can base our financial and economic decisions? How must these criteria evolve if we want to be able to invest in a future "we want to live in, rather than continue to invest in a world that we do not want to live in" (Brill, 2011)?

4.3 THE ROLE OF PHILANTHROPY

The recent Giving Pledge of Philanthropy may very well be part of our current response to humanity's quest for solutions in the midst of today's challenges. The Giving Pledge – called here the Giving Pledge of Philanthropy - was launched on August 4th, 2010, when "forty of the wealthiest families and individuals in the United States have committed to returning the majority of their wealth to charitable causes by taking the Giving Pledge" (Giving Pledge, 2010). As a philanthropist, I am very much in support of the Giving Pledge, yet we can only "re-turn" what we have borrowed or taken away. The sad irony is that humanity—especially Westerners as we have seen earlier—is currently living over its means. In doing that we borrow from our children's future and nobody knows when or if we will be able to pay it back. The truth is that we can only pay it forward. And we can do it. Our ingenuity has shown the way out of crisis numerous times in the past. It changed everything to the better, for instance, through the ratification of the ozone layer protection act, the eradication of smallpox and polio, as well as fighting AIDS, tuberculosis, and malaria. Having been a philanthropist for more than 36 years, I have the privilege of witnessing the sustainable impact of my own philanthropic work first hand and on a daily basis. In my view, there is nothing more rewarding. However, as an investor and businessperson, I must challenge us to acknowledge that philanthropy is not sufficient to help us overcome the numerous crises plaguing us in this 21st century. Why? Because philanthropy, with its outdated legal and management structure, its narrow-mindedness and inward focus, caution and risk aversion, independence and control, inertia and competition, as well as our old and deeply ingrained understanding thereof, is not well equipped to address the challenges at hand in a professional, timely, and efficient manner (Fulton, Kasper, & Kibbe, 2010). Without adequate leadership as well as major legal and structural changes, the current inconsistencies between making philanthropic grants to improve the world and making investments that hurt it, will continue. How is that possible?

What is generally not known is the fact that only approximately 5 percent of the yearly capital of most philanthropic organizations is program related and dedicated to support their philanthropic mission. The remaining 95 percent of the funds, however, usually belong to a separate legal entity—often called a trust. The trust manages the endowment assets and has the responsibility to preserve and increase the endowment over time. The trust capital is often invested on Wall Street and other capital markets. However, more often than not, the asset trust managers get measured only by the financial success of the foundation and not by the success of philanthropic mission, as do the program managers of the same foundation. As a result, the largest part of the philanthropic capital turns into regular capital. It is hence invested into companies that manufacture products, and provide services that sometimes work against the philanthropic mission.

So was the case with the Bill and Melinda Gates Foundation, one of the largest philanthropic organizations worldwide. Although, its founders authentically care about their impact in the world and pledged to spend all of their resources within 50 years after Bill's and Melinda's deaths, the Gates Foundation has been widely criticized on the mismatch between the philanthropic mission and the investments made by their foundation trust. According to research by *The LA Times*, the Asset Trust of the Gates Foundation invested in 2007 in “companies that contribute to the human suffering in health, housing, and social welfare that the foundation is trying to alleviate” (Piller & Sanders & Dixon, 2007). It invested in pharmaceutical companies that “price drugs beyond the reach of AIDS patients the foundation is trying to treat” and held major holdings for instance in “the worst U.S. and Canadian polluters, including ConocoPhillips. Dow Chemical Co. and Tyco International Ltd.” (p. 3). Moreover, in keeping with the financial website GuruFocus.com (August 17th, 2010) the Asset Trust of the Gates Foundation has recently purchased 500,00 shares (or approximately $23.1 million) of Monsanto. According to Dr. Phil Bereano, University of Washington Professor Emeritus, and recognized expert on genetic engineering, “The [Bill and Melinda Gates] Foundation’s direct investment in Monsanto is problematic on two primary levels. First, Monsanto has a history of blatant disregard for the interests and well being of small farmers around the world, as well as an appalling environmental track record. The strong connections to Monsanto cast serious doubt on the Foundation’s heavy funding of agricultural development in Africa and purported goal of alleviating poverty and hunger among small-scale farmers. Second, this investment represents an enormous conflict of interests” (AGRA Watch, 2010, p. 2).

As the rules of the money game are constantly changing, the players must become experts in both philanthropy and capital markets. However, even that is not enough because investment products are often rather obscure, intertwined, and multilayered. For examples, investors who care deeply about high ethics and morals may chose investment products offered by catholic banks such as the Pax-Bank. According to their mission, the Pax-Bank does not invest in “alcohol, gambling, tobacco, pornography, military, and nuclear power products” (Oppong & Wensierski, 2010, p. 1). However, in the Liga-Pax-Rent-Union Fund, one could not only find tobacco companies, but also the financier of Urenco, a Uranium processing company, better known through their Uranium exports to Russia. Furthermore, Liga Bank’s Unirak Fund invested in tobacco, military, and even contraception pill manufacturers (Oppong & Wensierski, 2010, p. 2). Also, the Ethics fund of the KCD Union, a fund of the catholic KD-Bank from Dortmund, Germany, contained investment products in BP and Statoil. Another catholic bank, the BKC Bank from Paderborn in Germany, is offering its investors specific products that – according to their investment thesis - have been analyzed according to specific sustainability criteria in addition to being in line with the catholic ethics codex. Yet, asset owners can invest for instance in Uniprofirente, an investment plan, that offers products including tobacco and defense companies including submarine manufacturer, and other weapons (Oppong & Wensierski, 2010).

Such situations are unfortunate and more often than not, they are unintended. This is not only true for catholic funds but also for instance the Gates Trust Foundation that is constantly making adjustments to their investment thesis and portfolio to make sure it is in line with their mission. The examples given represent, however, the constant struggle in an industry that is currently transforming and is thus under enormous pressure. Investors, who care deeply about sustainable investing, which will be discussed in more detail below, know how difficult it is to make sure all investments are always in line with one’s philosophy and mission. Therefore, the first step toward eliminating inconsistencies is to ensure that the same mission and vision unite both arms of a philanthropic organization - the program driven one and the trust. Consequently, investors and their wealth managers must stay alert, informed, flexible, and be ready adapt their investment portfolio on an ongoing basis. Contrary to current evidence recent research on leaders in philanthropy, investing, and business indicates that it would be a big mistake to assume that greed or lack of consciousness were the driving force for all philanthropists or investors today (Bozesan, 2010). In fact, the opposite is often the case and we are currently witnessing several significant trends toward the convergence of both capital and philanthropy, which begin to measure their success through people, planet, and profit criteria.

4.4 INVESTING FOR PEOPLE, PLANET, AND PROFIT

As we have seen, the decision to expunge psychology, and with-it people's interiors, from neo-economics despite Adam Smith's earlier inclusion, encouraged many brilliant scientists to fight back. From Maslow (1998/1968, 1999), the inventor of both humanistic and transpersonal psychology, to Keynes (1998/1936), to Nobel Prize laureate and inventor of behavioral psychology, Kahneman (1982), people showed successfully that our interior dimensions as well as our cultural and environmental aspects must be factored into our economic and financial systems. This pioneering work inspired eventually the inception, creation, and birth of Impact Investing also known under many other names including Social Responsible Investing (SRI), Program Related Investing (PRI), Mission Related (MRI), or Triple Bottom Line Investing (TBLI).

4.4.1 IMPACT INVESTING

1985 is generally seen as the official birth year of Impact Investing (Robeco & Booz & Co., 2009). That year, the Canadian VanCity Credit Union responded to investors' requests for responsible investment products by "introducing the first ethical mutual fund in Canada" (Robeco & Booz & Co., 2009, p.5). It offered investors the opportunity to make a profit in addition to having a social and/or environmental impact. Through this fund, people could invest their money in companies that care about people and planet as well as profit. For the first time in history of investing, a fund was created that added ethical, social, and environmental criteria to its rating benchmarks. The transition from traditional investing with its profit-only orientation to impact investing with people, planet as well as profit as its success metrics – often called Triple Bottom Line - was made (*Figure 1*).

Figure 1: From Traditional Investing to Impact Investing

Impact Investing is becoming mainstream within the investment world (Robeco & Booz & Co., 2009) and can be demonstrated through the amount of money being invested in this asset class. According to a study performed by Robeco & Booz & Co. (2009), the global assets under management (AuM) invested in the impact investing market had reached USD 5 trillion and represented already 7 percent of the total global AuM at the end of 2007. While the total AuM growth remained globally at 10 percent per annum, the Impact Investing AuM has been growing since 2003 on average by 22 percent per annum. In line with the same study, the Impact Investing market is expected to become mainstream in 2015 with AuM of 15 to 20 percent of total global AuM (USD 26.5 trillion) and total revenue of USD 53 Billion (Robeco & Booz & Co., 2009). In a more recent study, the total social responsible investing AuM in Europe have increased from €2.7 trillion to €5 trillion, as of December 31, 2009 (Eurosif, 2010). This represents a remarkable growth of about 87% since 2007. The socially responsible investing market remains largely driven by institutional investors, which represent 92% of the total AuM. These numbers reveal that an increasing number of investors – private or institutional - care to use their money in order to address social and environmental issues in addition to wanting to make a profit. Yet, what seems to be preventing more capital flow in this direction is the investors' fear of losing it (Becerra et al. 2010). In other words, asset owners who know how to make money continue to do so very successfully, but their trust in wealth managers suffered tremendously and thus asset owners took investing matters in their own hands. Hence, the better the risk mitigation criteria the higher the number of impact investors and the higher the capital flow toward impact investing. However, before addressing this hypothesis, it would make sense to have a deeper understanding of the nature and metrics of impact investing.

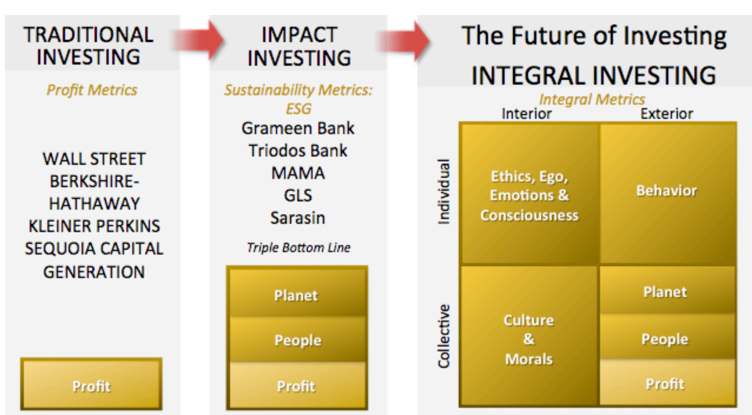
In line with market standards, impact investing is mostly defined as an investment process that takes the environmental (E) and social (S) consequences along with governance (G) aspects into investment considerations (Robeco & Booz & Co., 2009). The Monitor Institute (Freireich & Fulton, 2009) defines impact investing as the process of "actively placing capital in businesses and funds that generate social and/or environmental good and at least return nominal principal to the investor" (p.11). And J. P. Morgan (O'Donohoe et al., 2010) views impact investments as investments that are made with the intention to create positive impact beyond financial return. Thus, they demand the "management of social and environmental performance (for which early industry standards are gaining traction among pioneering impact investors) in addition to financial risk and return" (p. 5). In order to attract more capital by receiving higher investment ratings, businesses committed to impact investing publish their Corporate Social Responsibility (CSR) reports regularly. The ratings are being made by dedicated rating agencies such as Oekom Research, SAM, EIRIS, KLD, Calvert, Vigeo, BMJ or Innovest. They are rating companies regularly based on how well businesses fulfill the sustainability criteria. As a result, companies may be added or even removed from the various sustainability indexes available worldwide. These indexes include the Dow Jones, the Ethibel, the SAM Sustainability Index, or the Global Challenges Index (GCX) to name a few. For instance, on September 17th, 2010, the Google US was removed from the Global Challenges Index (GCX), the sustainability index of the German Boerse Hannover, because of governance issues. According the Oekom Research report (2010), Google did no longer fulfill the sustainability requirements and violated international labor laws. Within the context of thorough financial analysis, impact investing employs evaluation strategies such as positive and negative screening, as well as engagement and integration. It is neither the place nor the intention of this paper to go into the details of ESG criteria. However, it may be noted that the term definitions are evolving along with this new and evolving asset class (O'Donohoe et al., 2010). The successful adoption of these criteria (Knoepfel & Hagart, 2009) will largely depend on various interdependent aspects including (a) specifying and clarifying the risk factors associated with ESG criteria, (b) how much capital will flow how quickly toward Impact Investing, (c) how quickly industry standards for Impact Investing will be created and adopted by investors and businesses, (d) how long will it take for Impact Investing to become main stream in investing, (e) how quickly governments will get in the boat with regulatory and legislator measures for Impact

Investing, (f) what is the cost associated with Impact Investing, (g) technology innovation, (h) increasing pressure through higher energy prices, as well as environmental and economic pressures, (i) increased social awareness and media attention, and (j) how quickly we reach a tipping point containing a critical mass of self-actualizing investors with a more world-centric view.

4.5 INTEGRAL INVESTORS AND INTEGRAL INVESTING

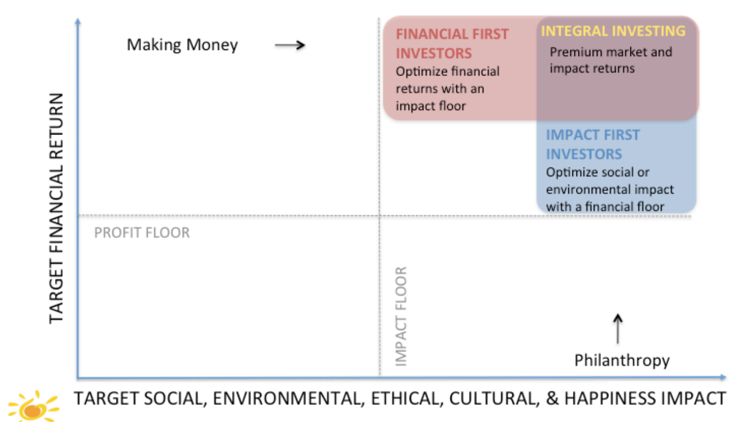
We are still at the beginning of impact investing and even the introduction of the Dow Jones Sustainability Index in 1999 has not stopped its critics from claiming that the introduction of social, environmental, and governance metrics is reducing the profit bottom line. In fact, the opposite is true, as we have seen above and investors are well advised to optimize their Global Equity investments by choosing equity investments where corporate management proactively mitigates ESG risk factors. Through that, investors can increase their expected portfolio return by 0.3% points at similar levels of expected risk (Hoerter, & Mader, & Menzinger, 2010). Optimizing risk management rather than boosting investment returns seems to be the EGS drivers according to Hoepner (2010) and (Roehrbein, 2010). Following thorough research, Bank Sarasin (Plinke, 2008) contends that fulfilling sustainability requirements "does not have a negative impact on the financial performance of share portfolios. This challenges the widely held opinion that applying a sustainability filter actually restricts the optimal selection of investible stocks and therefore has a negative effect on the risk/return profile of sustainable portfolios. It also refutes the argument that environmental and social initiatives adopted voluntarily by companies are incompatible with market rules and tend to destroy value" (p. 5). According to a recent Novethic report (2010), 84% of 251 participating asset owners who represented €7,500 billion in assets from 9 European countries believe that applying ESG criteria maximizes their long term-interests including their financial interests. A major breakthrough seems to be the fact that a majority of investors no longer think that using ESG investing criteria conflicts with their fiduciary responsibilities. Moreover, 59% of French and 68% of German investors assert that their main interest is in using their money to contribute to the creation of more sustainable development models (Novethic, 2010). This research is very significant in that it supports the major hypothesis of this paper that states that some investors have evolved to higher states of consciousness in which they have moved from an ego-centric to a more world-centric perspective of the world (Bozesan, 2010). These investors are called integral impact investors, or short integral investors, because they make their financial bottom line even more successful by adding interior metrics such as culture, ethics, and emotional property to the exterior ones such as financial, social, and environmental. Integral investors are people who use their money to self-actualize. They are people like Warren Buffett (Kelly, 2010) who have recognized that no matter how much money they make or have, it is only in the serving of humanity that they can find their true life's purpose (Bozesan, 2010). Integral investors are leading the field of impact investing by creating parity between people, planet, and profit and by adding interior metrics such as culture, ethics, and emotional property to the exterior ones such as behavioral, financial, social, and environmental (*Figure 2*).

Figure 2: The Future of Investing is Integral Investing based on Wilber (2000).



In the light of today's challenges, integral investors and integral investing are answering the call for higher ethics and morals as well as for innovation and creativity. Most of us agree with Gandhi's statement "we must be the change we want to see in the world" or Einstein's assessment that "the significant problems we face cannot be solved by the level of thinking that created them." Yet, more often than not the calls for change especially in investing are loaded with fear and desperation and those of us who have ever tried to change unwanted habits, know how difficult that is. Behavioral change occurs from within and fear is a good slave that gets us quickly out of trouble but not a good master. As demonstrated earlier, the pricing risk lies at the core of financing and drives our investment decisions (Yazdipour, 2011). Yet, it is very difficult to identify the real sources of risk especially when adding people and planet to the evaluating criteria. The scientific community from economics, finance, behavioral finance to neuroscience and psychology (Camerer & Loewenstein, 2004; Yazdipour, 2011) is united in the fact that risk is a phenomenon created in our psyche "in-here" rather than "out there". Integral investors and awakened leaders (Bozesan, 2010; Kelly, 2010, 2010a, 2010b) however are leading the way by demonstrating through their investing track record and transformational leadership that self-actualization, fulfilling one's life's purpose, joy and happiness must go hand in hand with one's outer preoccupations (Figure 3).

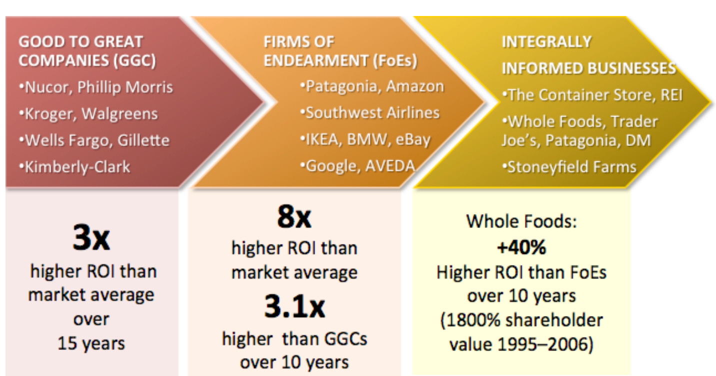
Figure 3: Integral Investing Creates Parity Between Profit and Impact Returns.



4.6 INTEGRALLY INFORMED BUSINESSES

The key to the success of investing depends on the existence of businesses that fulfill the integral investing criteria in which investors can invest. As we have seen, these criteria include the environmental, social, and governance (ESG) criteria mentioned earlier in addition to the cultural, ethical, behavioral, and psychological metrics (*Figure 2*) that will have to be further determined as this field evolves. However, a recent study (Sisodia & Sheth & Wolfe, 2007) indicates that companies that create a certain corporate culture of can achieve through it their biggest competitive advantage. This advantage can be measured at the financial bottom line. *Firms of Endearment* (FoEs), as these companies are being called, outperformed financially S & P 500 companies by 8 to 1 over a period of 10 years (*Figure 4*). Under the premise that every exterior is driven by an interior, these companies such as Timberland, Southwest Airlines, or Whole Foods are driven by a cultural shift toward subjectivity, trust, interdependency, integrity, transparency, caring, passion, and fun in addition to profit. As a matter of fact, Whole Foods, whose founder John Mackey considers it to be an Integral company (Strong, 2009), was even more successful than all other FoEs. Over a period of 10 years, Whole Foods returned 1800 percent to their investors and outperformed significantly all of its competitors including Wal-Mart, Albertsons, and Safeway.

Figure 4: Integrally Informed Businesses Make More Money than Traditional Ones.



Much more research will have to be performed, of course, however, these preliminary studies and my own integral investing experience over the past seventeen years, provide an intriguing indication. Namely, that as investors expand their investment metrics to include cultural, behavioral, psychological, social, and environmental criteria in addition to the financial ones, they could increase not only their return on financial investment, but also their deal flow, its quality, their overall impact, and more importantly their self-actualization in a significant way. As investors expand their selection lens to become integral (impact) investors, they will be able to identify and invest much sooner in integrally informed companies such as Whole Foods, Aveda, and Patagonia. These companies are not only led by the so called consciousness leaders (Bozesan, 2010), but are driven by integral teams with a high level of integrity, passion, and love for people and the planet. Integrally informed companies are driven by cultures of inter-dependency that connect and respectfully honor all stakeholders equally from investors, to partners and suppliers, to customers, to employees, to their communities. Because of that, integrally informed companies are able to maximize their long-term shareholder value by simultaneously optimizing the value of all stakeholders. Moreover, they create, support, and integrate new industries such as green buildings, organic and sustainable agriculture, sustainable fisheries, or local manufacturers. Last but not least, integral companies care about their communities and the environments and are on a philanthropic mission. Whole Foods for example, donates 5 percent of their after-tax profits to nonprofit organizations. Their financial success shows that caring business practices and conscious capitalism pays off in the long term.

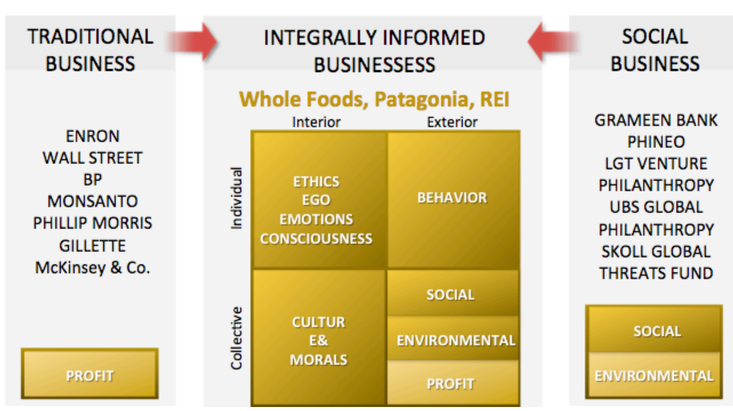
5. CONCLUSIONS AND IMPLICATIONS

In summary, the following major trends and challenges seem obvious. First, through the financial crisis of 2008 a large percentage of private investors has lost faith in institutional wealth managers and began getting deeper involved with their investments. For many wealth owners, investing has become a more intimate and private matter. For a small but growing percentage of investors such as Warren Buffett or Bill Gates, investing has become a vehicle for self-actualization. Second, as both philanthropic and traditional capital institutions are transforming through the myriad of crisis facing humanity, their opposing differences are shrinking, and their goals converge (*Figure 5*).

Figure 5: Convergence of Traditional Capital and Philanthropy.

Third, Impact Investing that is currently focused on environmental, social, and governance (ESG) criteria has already become an asset class and will continue on its way to becoming mainstream investing. Fourth, Impact Investing will evolve into Integral Investing by adding interior dimensions to the ESG criteria such as the culture, behavior, and consciousness (*Figure 2*). However, modeling new solutions is very difficult because the problems are dynamic, multiscale, and in many parts non-deterministic. Fifth, traditional capital and philanthropic capital will increasingly recognize the parity of people, planet and profit and use it as their success metrics in the light of the Millennium Development Goals. The quantification of these metrics (indicators) is very difficult due to the complexity of the horizontal and vertical factors involved in the evolutionary systems. Sixth, a new type of investors the so-called integral investors will emerge and recognize the holistic nature of the world. They will seek to integrate financial with impact returns in their investments for the greater good (Figure 3). Achieving sustainability requires a new generation of participants that are integrally informed and trained to adopt a holistic view of the processes involved. Seventh, the future of business is integrally informed business (*Figure 4*). These are businesses led by integrally informed leaders and leadership teams that recognize and act upon the parity between people, planet, and profit. These are companies are run with a high level of integrity, passion, and love for people and the planet. Integrally informed companies are driven by cultures of inter-dependency that connect and respectfully honor all stakeholders equally from investors, to partners and suppliers, to customers, to employees, to their communities. Because of that, integrally informed companies are able to maximize their long-term shareholder value by simultaneously optimizing the value of all stakeholders. They could become the convergence between traditionally led businesses and social businesses (*Figure 6*).

Figure 6: The Future of Business is Integrally Informed Business (Wilber, 2000).



Notwithstanding enormous current challenges, we can still glance into an exciting future if we are willing to trust our ability to grow, transform, create, innovate, and act every single day for the greater good. New and more successful paradigms in economics, finance, business, and all other areas of life will emerge provided we can individually and collectively grow to the next levels of consciousness so we can act not only in our own little interest but in the interest of our planet and all its inhabitants. There is too much at stake if we do not. Awakening the leader within is our true life's purpose whether we are an investor, an entrepreneur, a dancer, or a farmer. We all have the responsibility to define and implement a new worldview that is based on the essence of all existence, the interior as well as exterior reality. Besides, it is much more fun to act out of joy, happiness, and the gratitude of being alive, than out of greed, fear, and scarcity thinking. Allowing our hearts to speak and our brains to think in concert with each other is not only our moral responsibility but also our raison d'étre and the key to the future and our happiness.

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