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Capital, purpose, and trust: the new grammar of financial decisions in contemporary organizations.

Capital, purpose, and trust: the new grammar of financial decisions in contemporary organizations.

Mayara Costa Machado - Florida Atlantic University (FAU)

Summary

Faced with increasing pressure for sustainability and corporate responsibility, organizational finance is undergoing a paradigm shift. This article analyzes the "new grammar" of financial decisions, in which capital, purpose, and trust become interdependent dimensions.
Based on recent literature and peer-reviewed studies, this article discusses how companies seek to reconcile capital discipline and investor return with the definition of a broader organizational purpose and the building of trust as a reputational asset. Concepts of corporate governance, sustainable finance, ESG materiality, and stakeholder capitalism are examined, along with examples from large corporations and startups. It argues that incorporating socio-environmental impact metrics and transparency into financial decisions strengthens organizational resilience and contributes to the creation of long-term sustainable value for all stakeholders.

Keywords: sustainable finance; corporate governance; ESG; organizational purpose; trust; stakeholder capitalism.

Abstract

Amid growing pressures for sustainability and corporate responsibility, organizational finance is undergoing a paradigm shift. This article examines the “new grammar” of financial decision-making, in which capital, purpose, and trust become interdependent dimensions. Drawing on recent literature and peer-reviewed studies, it discusses how firms seek to balance capital discipline and investor returns with a broader organizational purpose and the construction of trust as a reputational asset.
Concepts such as corporate governance, sustainable finance, ESG materiality, and stakeholder capitalism are analyzed, alongside examples from large corporations and startups. The article argues that embedding socio-environmental impact metrics and transparency into financial decisions strengthens organizational resilience and supports the creation of sustainable long-term value for all stakeholders.

Keywords: sustainable finance; corporate governance; ESG; organizational purpose; trust; stakeholder capitalism.

Introduction

In recent decades, the role of companies in society has been reevaluated, resulting in a A new interpretation of the principles that guide financial decisions. Traditionally, the Maximizing shareholder value was the focus of corporate governance and finance. Milton Friedman, in 1970, summarized this perspective by stating that the only social responsibility of a The company's goal was to generate profit for its owners while complying with market laws and regulations. However, this one-dimensional financial model has proven inadequate in the face of the challenges of 21st century – socioeconomic inequalities, climate change, financial crises and the deterioration of public trust in institutions. Thus, a "new approach" emerges for the financial decisions, which integrates concepts previously considered peripheral: organizational purpose, Sustainability, stakeholders, and trust. Instead of viewing profit and social impact as goals. In the face of conflict, companies and investors are beginning to accept them as complementary elements of a...

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long-term value creation strategy. This transformation is demonstrated by events such as the statement from the Business Roundtable in 2019, in which 181 CEOs of major companies from The United States has committed to serving its stakeholders – customers, employees, suppliers, communities and shareholders – instead of focusing only on the latter. Similarly This is reflected in the World Economic Forum in Davos and in annual letters from institutional investors. Sustainability and stakeholder capitalism stand out as central themes.

Methodology

Given this context, this article explores the fundamental elements of this new approach: the transformation of corporate governance towards a stakeholder-focused perspective and purpose; the incorporation of sustainable finance and ESG criteria into performance metrics, encompassing the concept of expanded materiality; the importance of trust and reputation as essential intangible assets; and the ways in which companies balance financial return with social responsibility. Innovative frameworks for reporting and accountability – such as integrated reporting, IFRS/ISSB, SASB and GRI standards, as well as templates. such as B-Corps – which contribute to translating purpose and impact into concrete information for investors and society.

In a practical context, the experiences of traditional companies and startups are compared. highlighting the challenges and opportunities in applying these ideas in volatile and uncertain scenarios. The discussion provides a summary of theoretical and practical findings, and assesses the obstacles (such as risk). greenwashing or the uncertainties in decision-making among various stakeholders) and proposes alternatives to ensure that the balance between capital, purpose, and trust strengthens resilience and legitimacy of organizations. Ultimately, the aim is to emphasize that adopting this new approach The decision-making process is not merely a matter of complying with regulatory or ethical requirements, but a A shrewd business strategy for maintaining long-term value.

Theoretical Framework

Corporate governance and purpose in the stakeholder era:

Classical corporate governance is based on the primacy of shareholders: managers must, Above all, it aims to maximize profits and financial returns. This view, however, has been challenged by... Stakeholder theory, developed by R. Edward Freeman, states that a company must generate... Value for all stakeholders – shareholders, customers, employees, suppliers, community. and the environment. From this perspective, the organization is a relational *nexus* , and the manager's role is to Maximize collective value, rather than prioritizing only one group.

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This shift gained symbolic momentum in 2019, when the Business Roundtable published the new statement on the "Purpose of a Corporation", committing itself explicitly through the creation of value for all stakeholders. The message from leaders like Jamie Dimon and Alex Gorsky emphasize that serving employees, customers, and communities responsibly is crucial. Having a reliable supplier is essential to generating consistent value for shareholders in the long term as well.

From an academic point of view, stakeholder-oriented capitalism engages with traditions. of corporate social responsibility and corporate citizenship, but its incorporation into the arrangements Formal governance models are still a recent phenomenon. The literature points to benefits such as reduced conflict between... company and society, improved institutional image, increased employee engagement and greater capacity to cope with regulatory and market pressures. Rajan (2020) highlights, for example, Work environments based on trust attract more qualified and willing professionals. to commit to the organization, reinforcing productivity and competitive advantage.

At the same time, authors such as Edmans (2020) question whether *stakeholder* vocabulary *Capitalism* has been accompanied by concrete changes in statutes and practices. Studies cited by Rajan shows that signatories of the Business Roundtable declaration have not delivered performance. clearly superior in protecting jobs or supporting communities at the start of the pandemic. 2020, fueling doubts about *greenwashing* or *stakeholder washing.* Therefore, the current debate is... shifts from the rhetoric of purpose to mechanisms of *accountability:* explicit definition of priority stakeholders, criteria for balancing *trade-offs* , and governance arrangements that link them. Compensation, decision-making, and oversight aligned with long-term socio-environmental objectives.

Sustainable finance, ESG, and materiality in financial decisions.

Alongside the evolution of governance, the field of corporate finance has begun to... To incorporate environmental, social, and governance criteria more systematically. The umbrella. Sustainable finance includes responsible investments (such as *ESG investing* and green funds). Climate finance and instruments that link capital allocation to targets. socio-environmental. The global growth of assets under management with an ESG strategy indicates that Investors view these factors as relevant proxies for risk, opportunity, and capability. adaptation.

A central concept in this movement is that of materiality applied to non-information. financial. Traditionally, materiality referred to what is relevant in financial terms, for a reasonable investor. In the ESG field, two main aspects emerge: materiality financial, focused on how ESG issues directly impact a company's performance and risk. (SASB and ISSB approach), and the materiality of impact – or double materiality –, which

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It also considers the organization's effects on society and the environment (historical approach). from the GRI and European standards, such as CSRD/ESRS).

The fragmentation between investor-oriented standards (SASB, TCFD, ISSB) and standards The challenges oriented towards multiple stakeholders (GRI, ESRS) have been mitigated by initiatives of Convergence. The cooperation agreement between the IFRS Foundation and GRI, the creation of the International The Sustainability Standards Board (ISSB) and the publication of IFRS S1 and S2 (2023) are moving in that direction. of a system in which sustainability disclosures are rigorous, comparable, and relevant. Decision-making should be closely linked to financial statements. The intention is to reduce information asymmetry. increase data reliability and allow different jurisdictions to overlay layers of Impact requirements on a common core focused on investors.

From an empirical standpoint, literature reviews suggest that there is no incompatibility. Structural relationship between ESG and financial performance. Meta-analyses involving more than a thousand studies (2015– (2020) indicate that most investigations find a positive or neutral relationship between good practices. ESG and indicators such as ROE and ROA, both at the company level and at the fund and portfolio level. In In aggregate terms, ESG strategies tend not to sacrifice returns and, in many cases, are associated with... The best risk management and the greatest resilience over long-term horizons.

Edmans' (2020) contribution is particularly relevant in proposing the "mentality of " *Grow the pie.* " Instead of viewing the relationship between profit and social impact as In a zero-sum game, the author argues that companies can expand total value by innovating in... for the benefit of society, so that the "slices" of stakeholders and investors grow. simultaneously. Previous studies by Edmans himself (2011) suggest that companies with high Employee satisfaction has outperformed the market in stock returns over several years. indicating that intangible assets such as human capital and trust are often underpriced.

Nevertheless, the author highlights important limitations: in contexts of high uncertainty, such as Investments in social or environmental programs are difficult to measure, making it far from trivial to estimate the future financial return. In these cases, purpose-driven companies operate based on... principles, assumptions of trust and long-term vision, while *frameworks* such as SASB, GRI, <IR>, and ISSB seek precisely to reduce uncertainty by defining consistent metrics and comparables that connect non-financial performance and economic value, in addition to limiting the space. for *greenwashing.*

Trust as a reputational asset and driver of value.

With the increasing predominance of intangible assets in the composition of market value –

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Brand, intellectual capital, human capital, and reputation – trust stands out as one of the... Structural elements of competitiveness. More than a retrospective image, trust involves... expectations about the organization's future behavior: stakeholders believe that the company "will do what is right" consistently. Edelman research indicates that highly qualified companies Trusted customers receive more support during critical times and exhibit greater customer loyalty. employees, and in many cases, achieve superior performance in long-term financial metrics.

Edelman's trust model articulates four dimensions: capability (competence) technical skills), integrity (ethics), reliability (keeping promises), and purpose (commitment). with a positive impact). The purpose, understood as a concrete contribution to collective well-being, It became a key dimension: during the pandemic, companies that quickly redirected... resources to protect employees, support communities, or strengthen critical supply chains They accumulated significant reputational capital, while organizations were perceived as opportunistic. They suffered lasting damage to their trust.

From a financial perspective, trust functions like reputational capital: it doesn't appear in the... The balance sheet, while a traditional asset, directly influences access to credit and the cost of capital. Revenue stability and vulnerability to crises. Episodes like the 2008 crisis illustrate that... Institutions with a reputation for prudence and responsibility attracted deposits and social support. while those that lost trust faced abrupt exits and loss of value. Scandals such as Volkswagen's emissions or Facebook's data usage reinforce the economic cost of erosion. trust is undermined through fines, boycotts, and regulatory restrictions.

Rajan and Zingales (2003) extend the argument to the systemic level: free markets and Competitive environments depend on trustworthy institutions capable of guaranteeing respect for contracts and rules. common. When trust in such institutions erodes, it opens the door for *crony capitalism.* where political connections and privileges replace merit and innovation, compromising legitimacy. of the market system itself. Thus, in addition to "micro" trust in individual companies, there is a The "macro" dimension of trust in regulatory frameworks, oversight bodies, and reporting standards. This dimension is directly connected to investment decisions and risk appetite.

In this context, transparency and accountability become essential conditions for sustaining the Trust. Integrated reporting, ESG standards, and independent audits of non-financial data. They function as mechanisms that allow for external verification of commitments. By making More visible strategies, goals, and results; these tools reduce information asymmetry. and convert statements of purpose into observable evidence, reinforcing the link between capital, Purpose and trust in the new grammar of financial decisions.

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To operationalize commitments to stakeholders, sustainable finance and Trust is key, and organizations have turned to innovations in governance and *accountability.* The report Integrated *Reporting* (IR), developed by the IIRC, synthesizes this agenda by proposing A concise report showing how the company creates value in the short, medium, and long term, articulating... six capitals (financial, manufactured, intellectual, human, social, and natural). The logic of *integrated Thinking* is about inducing boards and executives to jointly consider the impacts of decisions. about these capitals and about different stakeholders.

At the same time, metrics and impact indicators are multiplying for areas previously addressed. Qualitative metrics include: employee engagement, diversity, emissions avoided, and impact on... Communities. Initiatives like the *Impact-Weighted Accounts Initiative* are testing ways to allocate Monetary values relate to positive and negative externalities, bringing financial reports closer together and impact reports. Although these methodologies are still experimental, they signal a A move towards financial statements that combine economic results and performance. socio-environmental factors in a single analytical panel.

In the legal and institutional sphere, formats such as *Benefit Corporations* have been... used to enshrine in statutes the dual mission of profit and public benefit, while Certifications like B Corp create additional commitments to transparency and performance. socio-environmental. In mature companies, stakeholder committees and formal mechanisms emerge. Dialogue with communities, NGOs, and clients; in startups, business models are already developed from the start. anchored in impact-driven theses, attracting impact *venture capital* investors and talent. aligned with specific purposes – even though reconciling accelerated growth with coherence with values remaining a recurring challenge

Technology expands these possibilities: *regtech* solutions automate processes of *Compliance* and reporting; digital platforms enable near real-time disclosure of data. emissions or working conditions; blockchains *are* used to track emissions. origin of products and ensure ethical standards in the supply chain. Finally, institutions such as IFRS Foundation, GRI, and ISO act as architects of a common language, proposing... Standards that progressively integrate financial and sustainability information.

Taken together, these developments give substance to the capital-purpose triad. Trust: impact indicators, innovative corporate structures, and transparency technologies. They help transform normative concepts into verifiable governance structures, without eliminating the inherent *trade-offs* , but offering more sophisticated tools to deal with them in a A scenario of increasing public scrutiny and pressure for social and environmental responsibility.

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Discussion

Incorporating purpose and trust into financial decisions brings with it a set of challenges. that organizations need to manage, especially in environments of high uncertainty. A first The challenge is dealing with potential short-term versus long-term conflicts of interest. Activist shareholders. or market pressures may demand immediate returns that conflict with investments of long-term sustainability or stakeholder well-being. For example, choosing to eliminate Gradually, a profitable but environmentally harmful product can mean sacrificing Short-term revenue streams aimed at avoiding future environmental liabilities and preserving reputation. Not even The financial market will not always instantly reward such a choice – on the contrary, the reaction Immediate results can be negative. It is up to the leadership and the board to have strategic conviction and Effective communication to support the purpose during these phases, educating investors about the long-term benefits.

Companies with a differentiated capital structure (such as super-voting shares for founders) committed to purpose, or patient closed capital, such as controlling foundations) sometimes They are able to mitigate these tensions. An illustrative case is that of Patagonia, whose founder Yvon Chouinard recently transferred 100% ownership of the company to trusts and philanthropic entities. to ensure that future profits are allocated to environmental protection. This extreme measure It fully aligns purpose and capital in governance, but it's not replicable on a large scale for... publicly traded companies.

Another challenge is measuring and comparing performance across multiple dimensions. When considering both ESG and stakeholder goals, the question arises: how do we weigh different metrics against each other? Different stakeholders may have different priorities – shareholders want returns, Employees value compensation and job security, and local communities want... Social investment and mitigation of environmental impacts. Even within the ESG universe, there is trade-offs (for example, investing in solar energy takes up large tracts of land, potentially conflicting with biodiversity; prioritizing customer satisfaction sometimes puts pressure on conditions of (employee work, etc.). There is still no universally accepted "overall indicator" for purpose or sustainability, equivalent to earnings per share. Shared value models or Social return on investment (SROI) has been tested, but it depends on complex assumptions. Thus, managers face the challenge of navigating multiple success indicators, communicating from It clearly explains to stakeholders how they are balancing financial and non-financial results. Discussions within the board also become more complex: they require a diversity of expertise (financial, socio-environmental, ethical) to evaluate decisions in a multidisciplinary way.

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Regulatory uncertainty and the heterogeneity of global expectations constitute another aspect. Important. In some markets, the demands for corporate sustainability are becoming... mandatory (see the EU with the CSRD, sustainable taxonomy, expanded fiduciary duty of investors), while in others they are still mostly voluntary. Multinational companies They need to meet high standards in certain jurisdictions and decide whether to apply those standards. Globally, they maintain distinct practices depending on the country – which can raise ethical questions. Furthermore, the political environment may change: leaders more aligned with ESG agendas may Some may tighten rules and regulations, while others may ease obligations or even retaliate against companies. that adhere to sociopolitical positions (there are cases of states in the US penalizing institutions) financial institutions that adopt policies against fossil fuels, for example). This volatility Regulatory changes increase uncertainty for companies, which need to maintain strategic flexibility. However, it also opens up opportunities: players who anticipate and create robust internal standards. They often manage to influence future regulations or at least adapt more easily. when new rules come into effect. Furthermore, leading ESG companies often have access... preferential capital from sustainable funds and green credit lines, creating a competitive advantage. financial.

The role of trust in uncertain environments is also noteworthy. Systemic crises, such as the The COVID-19 pandemic or financial shocks test the strength of the relationships that have been built. Companies that entered the pandemic with a high level of trust capital among employees and customers. They saw this asset function as a cushion: employees accepted temporary sacrifices or With changes in role and greater willingness, customers remained loyal even with services. Disrupted operations led strategic suppliers to extend deadlines or guarantee critical deliveries. first, trusted partners. On the other hand, companies that enjoyed little prior trust. They faced far more negative reactions from stakeholders and greater difficulty in coordinating in crisis.

Cultivating trust is therefore also a strategy for managing catastrophic risks. And Crises, paradoxically, can be windows of opportunity to reinforce purpose and confidence – a The way an organization responds to a disaster (prioritizing people, contributing beyond the norm). (strictly necessary) can elevate your reputation for years or decades. This relates to The concept of "earning the license to operate" continuously: companies that, in critical moments, They prove their commitment to society and build a reputation that is difficult to achieve. replicated by competitors using only marketing.

Technology and the millennial/Gen Z generation also bring opportunities and challenges. Young consumers are highly attentive to the authenticity of brands and ready to expose their interest. Inconsistencies on social media – which can quickly destroy trust.

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Conversely, brands that manage to genuinely engage them with a purpose win. true online evangelists, amplifying positive messages. This dynamic puts pressure on... Complete consistency between discourse and practice: there are no "dark rooms" – bad internal practices can be... revealed in an employee post or in a leaked document. Thus, adhering to Transparency and a strong ethical culture are no longer optional for those who wish to avoid crises. image.

Nevertheless, the digital economy has created business models in which trust between strangers is paramount. It is mediated by platforms (Uber, Airbnb). In these cases, the companies have built two-way systems. Assessment and insurance to foster trust among users – a reminder that architectures of Ingenious market strategies can partially replace traditional trust. However, when they fail, the The backlash is directed at the facilitating company, which then needs to intervene (e.g., by expelling). (misbehaving members, reinforcing the insurance). This shows that, even in models In disruptive environments, the platform itself needs to inspire confidence and demonstrate a clear purpose (such as, for example, a platform for disruptive purposes). For example, Airbnb setting safety standards and providing community assistance during disasters.

In conclusion to this discussion, we can affirm that the new grammar of decisions Financials – integrating capital, purpose, and trust – do not simplify management, but enrich and enhance it. This makes it more robust in the face of the demands of the 21st century. Organizations that embrace this grammar They face greater complexity in decision-making and accountability; however, they gain a clearer roadmap. They have a complete understanding of what it means to create value. They are able to identify risks and opportunities that a A purely financial model would ignore (such as climate risks, unmet social expectations and Changes in consumer behavior). They are also able to establish deeper bonds. with those on whom they depend – their stakeholders – which translates into adaptive advantage in Uncertain scenarios. The key is to avoid superficial or merely cosmetic approaches: it is Strategic intentionality and investment in appropriate measurement and management systems are necessary. willingness to align internal incentives with purpose (e.g., ESG metrics in bonuses) executives and stock option programs that encourage a long-term perspective). As As evidenced by the authors and studies cited, the potential rewards include greater innovation, Operational efficiency, financial resilience, and social legitimacy. In a world where intangibles Increasingly, success is determined by confidence and purpose, which can be just as crucial. Financial capital is essential for an organization's future.

Final Considerations

The transformations outlined throughout this article indicate that we are experiencing a A historic turning point in the way financial decisions are thought about in organizations. The Capital triad, Purpose and Trust define, in fact, a new managerial grammar: capital remains fundamental,

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but it is mobilized and allocated under the light of a clear purpose and sustained by the trust of stakeholders. This grammar expands the vocabulary of executives – terms like long-term value. Timelines, stakeholders, ESG, impact, transparency, ethics, and resilience are gaining prominence alongside EBITDA, ROI, and TSR (total shareholder return). More importantly, it provides tools for... Addressing contemporary dilemmas: how to grow economically without depreciating natural capital; How to generate profit while meeting the expectations of a generation that seeks meaning and integrity; how Maintaining financial discipline while simultaneously investing in sustainable innovation; how to make the decision. Decisions made under profound uncertainty, anchored in values and evidence.

The examples and studies discussed demonstrate that purpose and financial performance are not... They are mutually exclusive – on the contrary, they can reinforce each other when well integrated. Companies that adopt stakeholder governance, ESG metrics, and responsible practices tend to to enjoy benefits such as lower cost of capital (investors have more confidence and accept returns) aligned with sustainable risk), greater attraction and retention of talent, customer loyalty and Strategic flexibility to innovate. In aggregate, this translates into a competitive advantage. However, the journey is not trivial: it requires visionary leadership that balances pragmatism and idealism. and an institutional framework (laws, regulations, accounting standards) that favors and rewards those who Do the right thing.

By citing thinkers like Freeman, the notion that purpose and ethics are intertwined is reaffirmed. They need to be at the heart of the business venture, as they are essential conditions for its survival. Capitalism in the long run. Elkington reminds us that triple metrics (economic, social, (environmental) data should serve to effectively change decisions, not just be included in reports. Otherwise, there is a risk of perpetuating the disguised “single profit paradigm.” Ecclesiastes Other architects of integrated reporting have provided us with frameworks for connecting the tangible and the intangible, making visible the hidden value in relationships, trust, and innovation-driven approach. to sustainability. Edmans has shown empirically and theoretically that a broader view of value "It increases the pie" for everyone, demystifying the idea of an inevitable trade-off between impact and return. Rajan and Zingales warn us that the free market system only remains healthy if its foundations... institutional rights are protected – which includes public trust and the inclusion of diverse voices, so that to avoid being captured by a few.

From a practical standpoint, both traditional and emerging organizations need to continue. Learning from each other. Large corporations have the resources to invest in Large-scale sustainability and positively influencing global supply chains; agile startups can, on the other hand, achieve this. To test innovative, purpose-driven business models and push incumbents to evolve. Both face external uncertainties – climatic, technological, geopolitical – that make management difficult. Adaptive and responsible behavior is an imperative, not a luxury. Uncertainty, paradoxically, reinforces the...

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The central argument of this work is that trust and purpose act as a guiding star in times of need. Turbulent times, offering guidance when past data no longer serve as a map for the future.

This article sought to contribute to the understanding of an ongoing paradigm shift. combining conceptual rigor and practical examples with accessible language. It is expected that... The insights compiled here are useful for researchers interested in both corporate finance and business. Ethics regarding managers and policymakers. In the academic field, there is ample room for... Future research, for example: longitudinal studies that quantify the financial impact of Purpose-driven strategies; comparative analyses across sectors or countries regarding effectiveness. of different governance models for stakeholders; investigation of trust metrics and ways to incorporate them into company valuations. At the managerial level, the main message is... Clearly, integrating capital, purpose, and trust isn't just about "doing good," but it may be the most effective way. The intelligent way to "do business" in a rapidly changing world. Ultimately, the new The grammar of financial decisions proposes reconciling the company with society, renewing the A contract that grants organizations their license to operate – and ensuring the creation of value. Private sector initiatives should go hand in hand with the creation of public value, for the benefit of present and future generations.

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