



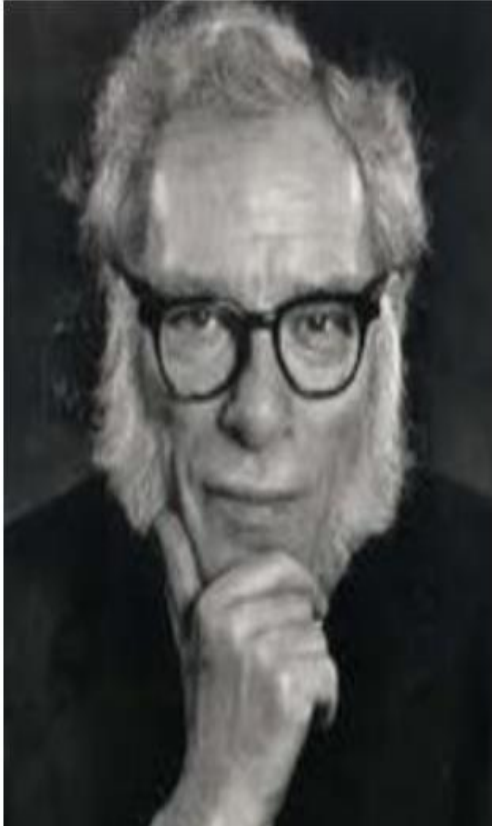
# Unlocking Agility through Purpose and Impact

Vanina Farber, PhD  
elea Professor for social innovation  
Director of Center of Social Innovation

Corporate Research Forum, “Speed Productivity and Agility- Essentials for Tomorrow’s Disruptive Business Environment”  
October 7<sup>th</sup> to 9<sup>th</sup>, 2019, Barcelona



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“It is change, continuing change, inevitable change, that is the dominant factor in society today. No sensible decision can be made any longer without taking into account not only the world as it is, but the world as it will be...”

This, in turn, means that our statesmen, our businessmen, our everyman must take on a science fictional way of thinking.”

– Isaac Asimov, *Asimov on Science Fiction*

# The world as it will be ...



**01** Declining trust in institutions and increasing expectations



**02** Radical digital transparency



**03** Regulatory trends

**04** Declining natural resources



**05** Commodification of brands



**06** Stakeholders activism





## STATEMENT ON THE PURPOSE OF A CORPORATION

Americans deserve an economy that allows each person to succeed through hard work and creativity and to lead a life of meaning and dignity. We believe the free market system is the best means of generating good jobs, a strong and sustainable economy, innovation, a healthy environment and economic opportunity for all.

Businesses play a vital role in the economy by creating jobs, fostering innovation and providing essential goods and services. Businesses make and sell consumer products; manufacture equipment and vehicles; support the national defense; grow and produce food; provide healthcare; generate and deliver energy; and offer financial, communications and other services that underpin economic growth.

**WHILE EACH OF OUR INDIVIDUAL COMPANIES SERVES ITS OWN CORPORATE PURPOSE, WE SHARE A FUNDAMENTAL COMMITMENT TO ALL OF OUR STAKEHOLDERS. WE COMMIT TO:**

**DELIVERING VALUE TO OUR CUSTOMERS.** We will further the tradition of American companies leading the way in meeting or exceeding customer expectations.

**INVESTING IN OUR EMPLOYEES.** This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity and respect.

**DEALING FAIRLY AND ETHICALLY WITH OUR SUPPLIERS.** We are dedicated to serving as good partners to the other companies, large and small, that help us meet our missions.

**SUPPORTING THE COMMUNITIES IN WHICH WE WORK.** We respect the people in our communities and protect the environment by embracing sustainable practices across our businesses.

**GENERATING LONG-TERM VALUE FOR SHAREHOLDERS, WHO PROVIDE THE CAPITAL THAT ALLOWS COMPANIES TO INVEST, GROW AND INNOVATE.** We are committed to transparency and effective engagement with shareholders.

**EACH OF OUR STAKEHOLDERS IS ESSENTIAL. WE COMMIT TO DELIVER VALUE TO ALL OF THEM, FOR THE FUTURE SUCCESS OF OUR COMPANIES, OUR COMMUNITIES AND OUR COUNTRY.**

[BRT.org/OurCommitment](https://BRT.org/OurCommitment) BR Business Roundtable



## THIS IS THE NEW AGENDA

We live in a time of disruption and fragmentation but where others see difficulty, we see opportunity – not just to survive but to thrive: To stand up for wealth creation and free enterprise as drivers of development. To promote better business by holding companies to account. To empower our readers to lead the way in business, society and the wider world. This is the new agenda.



LARRY FINK'S ANNUAL LETTER TO CEOs

## A Sense of Purpose

LARRY FINK'S 2019 LETTER TO CEOs

## Purpose & Profit

# Global tendencies that are shaping a new market environment

## How are these global trends affecting my business?



1. They are redefining the way businesses create value (value proposition) from license to operate, product design, operations, marketing, sales, compliance, logistics, finance to even **business models**
2. Bring purpose and agility inside the market space, pose questions that Board members are not used to answer.

**Agile** business react quickly when challenged and are able to adjust to new ways of doing things

**Purpose** instills leadership clarity and material strategic priorities.

Defining the **impact we want to have in the world** can drive business to act



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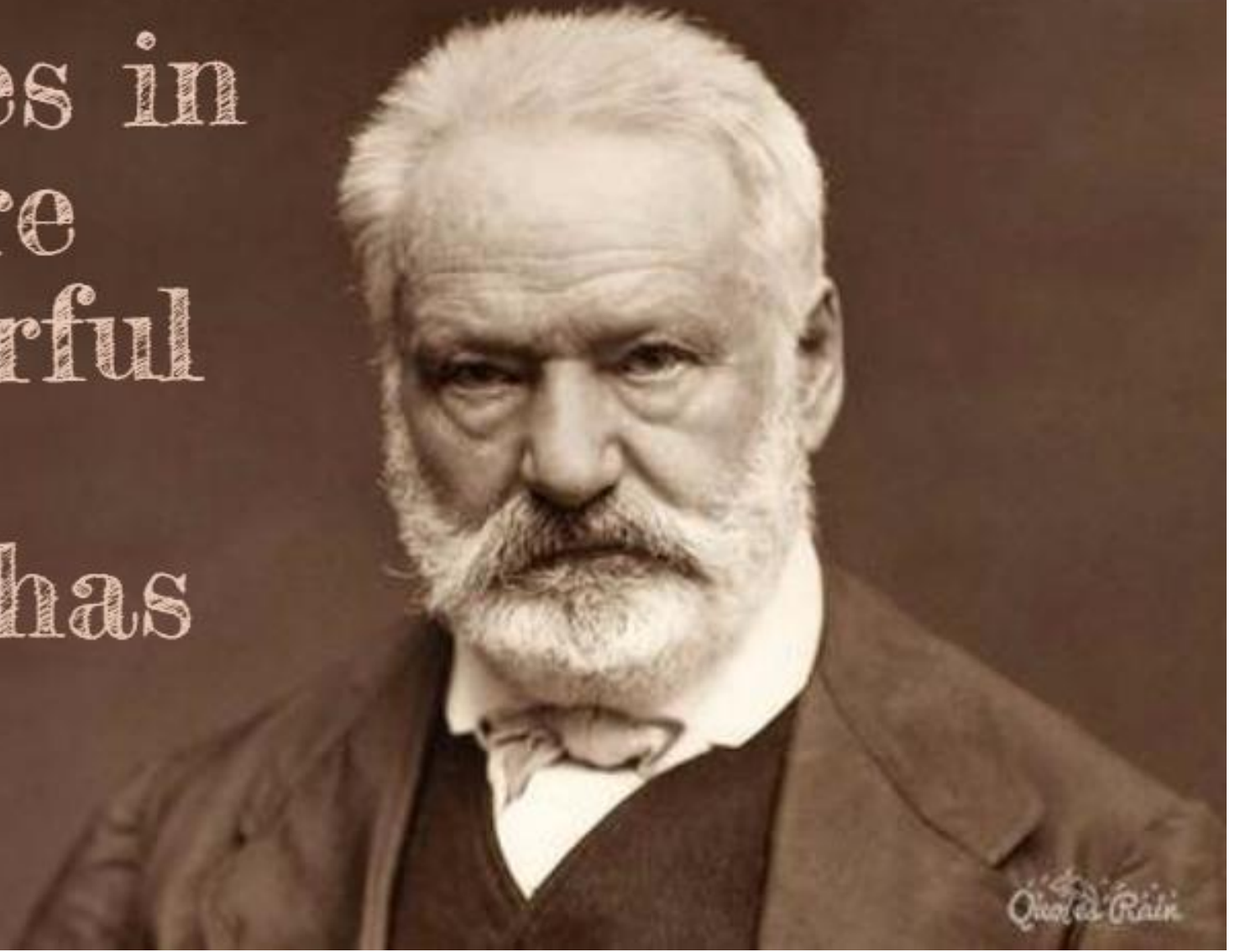
# What is the purpose of your business?

3 minutes: Don't over think!



All the forces in  
the world are  
not so powerful  
as an idea  
whose time has  
come.

--Victor Hugo--





# Some Research I: The nexus between purpose and value creation



# Purpose:

New leadership mindset to unlock bring stability



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Impact	Purpose
<p>Measure, trace and be transparent.</p> <p><b>KPIs and targets</b></p> <ul style="list-style-type: none"><li>• Inform decision making</li><li>• Assess and reward performance</li></ul> <p>Sustainability analytics: <b>prove points and gaps</b></p>	<p><u>Why</u> a business exists, what makes your business distinctive.</p> <ul style="list-style-type: none"><li>- Transformative vs. self-congratulatory</li><li>- <b>Aspirational</b> societal contribution based on <b>unique attributes</b>.</li><li>- Does not have to be altruistic, it has to be <b>"of service"</b></li></ul>

## WHY



Are you **aware of the impact** your business has on society and the environment?

**Your impact =  
the world with your involvement  
minus  
the world without your involvement**



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# Defining a Purpose: some examples



“To make sustainable living commonplace. We want to help create a world where everyone can live well within the natural limits of the planet. “We meet everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life.”



“Use the power of sport to move the world forward. We believe in a fair, sustainable future—one where everyone thrives on a healthy planet and level playing field. Bring inspiration and innovation to every athlete\* in the world” \*If you have a body you are an athlete”



“We are in business to save our planet. At Patagonia, the protection and preservation of the environment isn’t what we do after hours. It’s the reason we’re in business and every day’s work.

Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis.”

# Purpose: defining business contribution against material ESG

Purpose that instills material strategic priorities, clarity and authenticity

**Materiality**  
Most pressing sustainability (ESG) issues faced given the sector/industry that are likely to affect the financial condition or operating performance.

**Long-term value**  
Managing material issues risk and opportunities.

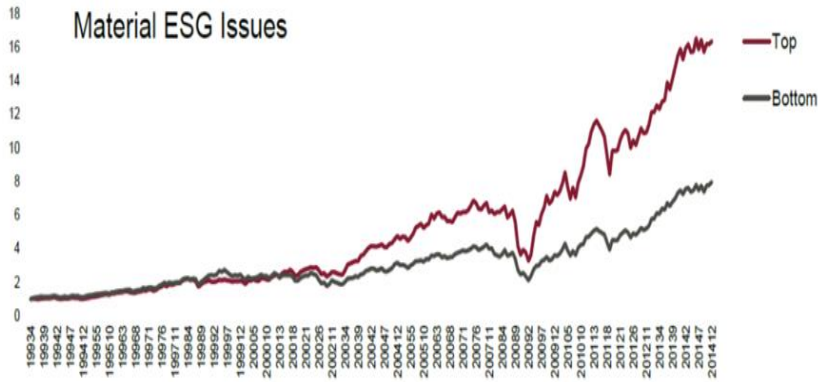
Impact	Purpose

WHAT

WHY

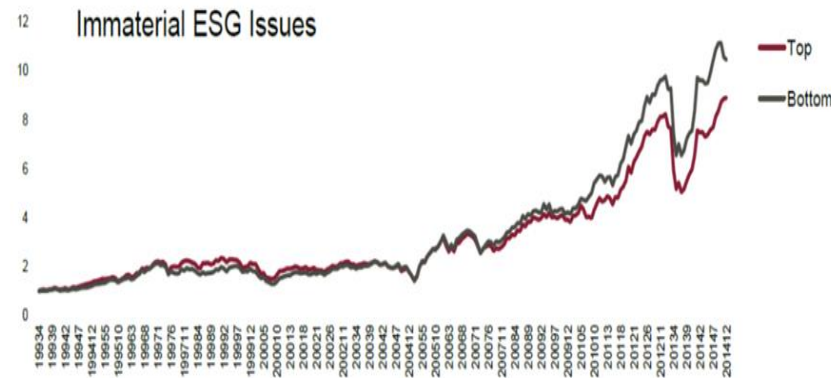
# Some research II: Materiality matters for financial returns

## Stock Price Performance of Portfolios



“Using both calendar-time portfolio stock return regressions and firm-level panel regressions we find that firms with good ratings on material sustainability issues significantly outperform firms with poor ratings on these issues. In contrast, firms with good ratings on immaterial sustainability issues do not significantly outperform firms with poor ratings on the same issues.

**Source:** Khan, Mozaffar, George Serafeim, and Aaron Yoon. ["Corporate Sustainability: First Evidence on Materiality."](#) *Accounting Review* 91, no. 6 (November 2016).



Stock Returns (in annualized alpha) by Type of Sustainability Performance

		Performance on MATERIAL factors	
		LOW	HIGH
Performance on IMMATERIAL factors	HIGH	6.01%	1.96%
	LOW	-2.90%	0.60%

# SASB: 11 sectors, 26 criteria



		Consumer Goods	Extractives & Minerals Processing	Financials	Food & Beverage	Health Care	Infrastructure	Renewable Resources & Alternative Energy	Resource Transformation	Services	Technology & Communications	Transportation
Dimension	General Issue Category <sup>Ⓛ</sup>	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand
Environment	GHG Emissions		█		█							
	Air Quality		█									
	Energy Management	█	█		█							
	Water & Wastewater Management		█		█							
	Waste & Hazardous Materials Management		█		█							
	Ecological Impacts		█							█		█
Social Capital	Human Rights & Community Relations		█			█						
	Customer Privacy	█		█							█	
	Data Security	█		█		█					█	
	Access & Affordability			█		█	█					
	Product Quality & Safety	█			█	█			█	█		█
	Customer Welfare				█	█				█		
Human Capital	Selling Practices & Product Labeling			█	█	█						
	Labor Practices	█	█		█		█				█	█
Business Model & Innovation	Employee Health & Safety		█			█						█
	Employee Engagement, Diversity & Inclusion	█		█		█					█	
	Product Design & Lifecycle Management	█	█		█		█	█				█
	Business Model Resilience		█				█					
	Supply Chain Management	█	█		█				█			█
Leadership & Governance	Materials Sourcing & Efficiency	█			█				█			█
	Physical Impacts of Climate Change		█					█				
	Business Ethics		█	█		█				█		█
	Competitive Behavior		█								█	
	Management of the Legal & Regulatory Environment		█								█	
Leadership & Governance	Critical Incident Risk Management		█				█					█
	Systemic Risk Management		█	█							█	

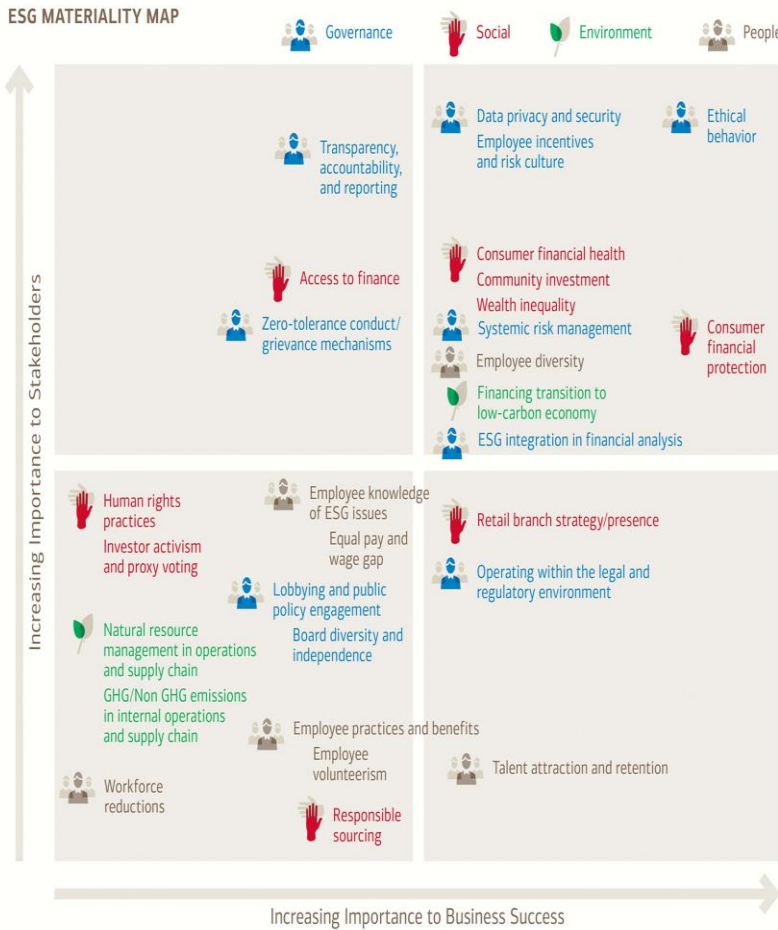
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# SASB materiality: 77 industries

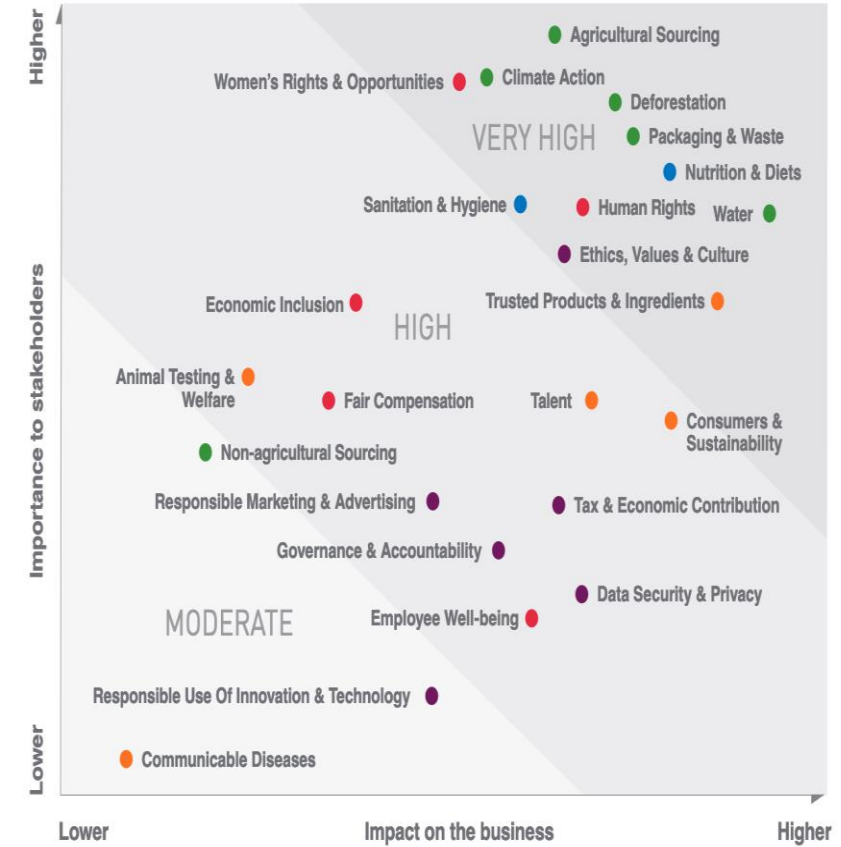
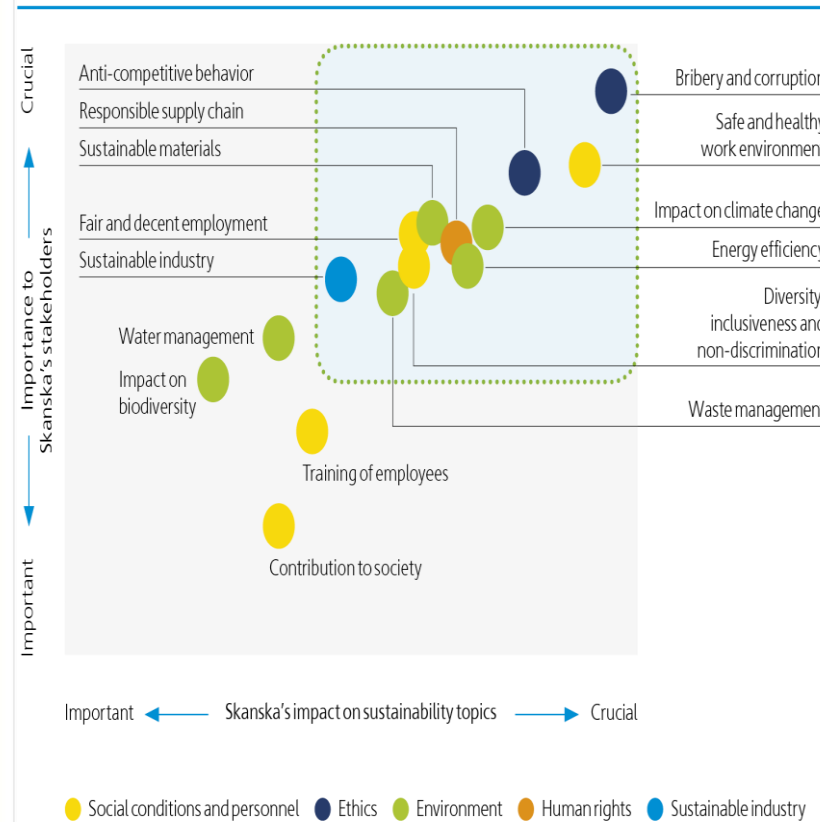
		Consumer Goods							Extractives & Minerals Processing
Dimension	General Issue Category <sup>1</sup>	Apparel, Accessories & Footwear	Appliance Manufacturing	Building Products & Furnishings	E-Commerce	Household & Personal Products	Multiline and Specialty Retailers & Distributors	Toys & Sporting Goods	Click to expand
Environment	GHG Emissions								
	Air Quality								
	Energy Management								
	Water & Wastewater Management								
	Waste & Hazardous Materials Management								
	Ecological Impacts								
Social Capital	Human Rights & Community Relations								
	Customer Privacy								
	Data Security								
	Access & Affordability								
	Product Quality & Safety								
	Customer Welfare								
Human Capital	Selling Practices & Product Labeling								
	Labor Practices								
Business Model & Innovation	Employee Health & Safety								
	Employee Engagement, Diversity & Inclusion								
	Product Design & Lifecycle Management								
	Business Model Resilience								
	Supply Chain Management								
Leadership & Governance	Materials Sourcing & Efficiency								
	Physical Impacts of Climate Change								
	Business Ethics								
	Competitive Behavior								
	Management of the Legal & Regulatory Environment								
Leadership & Governance	Critical Incident Risk Management								
	Systemic Risk Management								



# Materiality maps: Financial, construction and consumer goods



### Materiality assessment



# Two key material issues for your business

3 minutes: Don't over think!



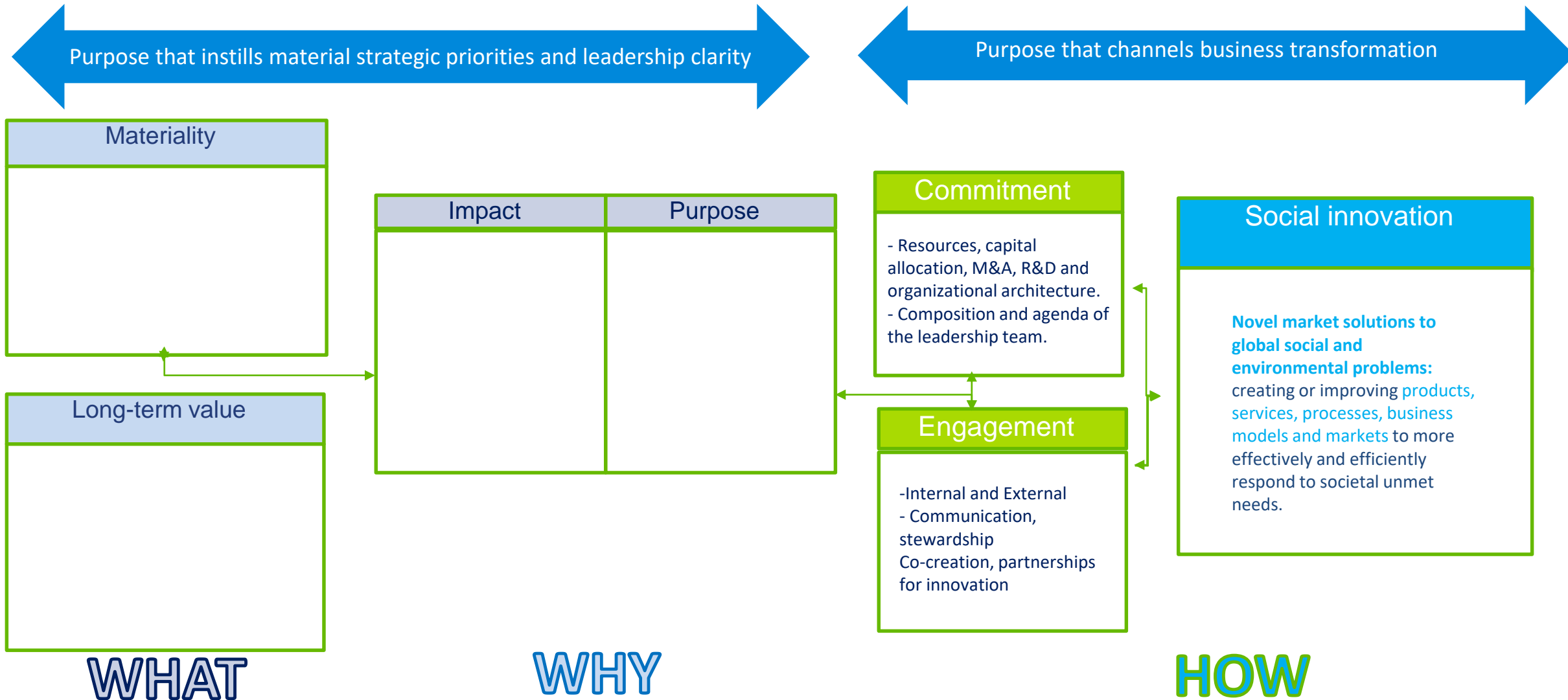
# Is your **purpose** authentic, clear and **aligned with materiality**?

Let's share:

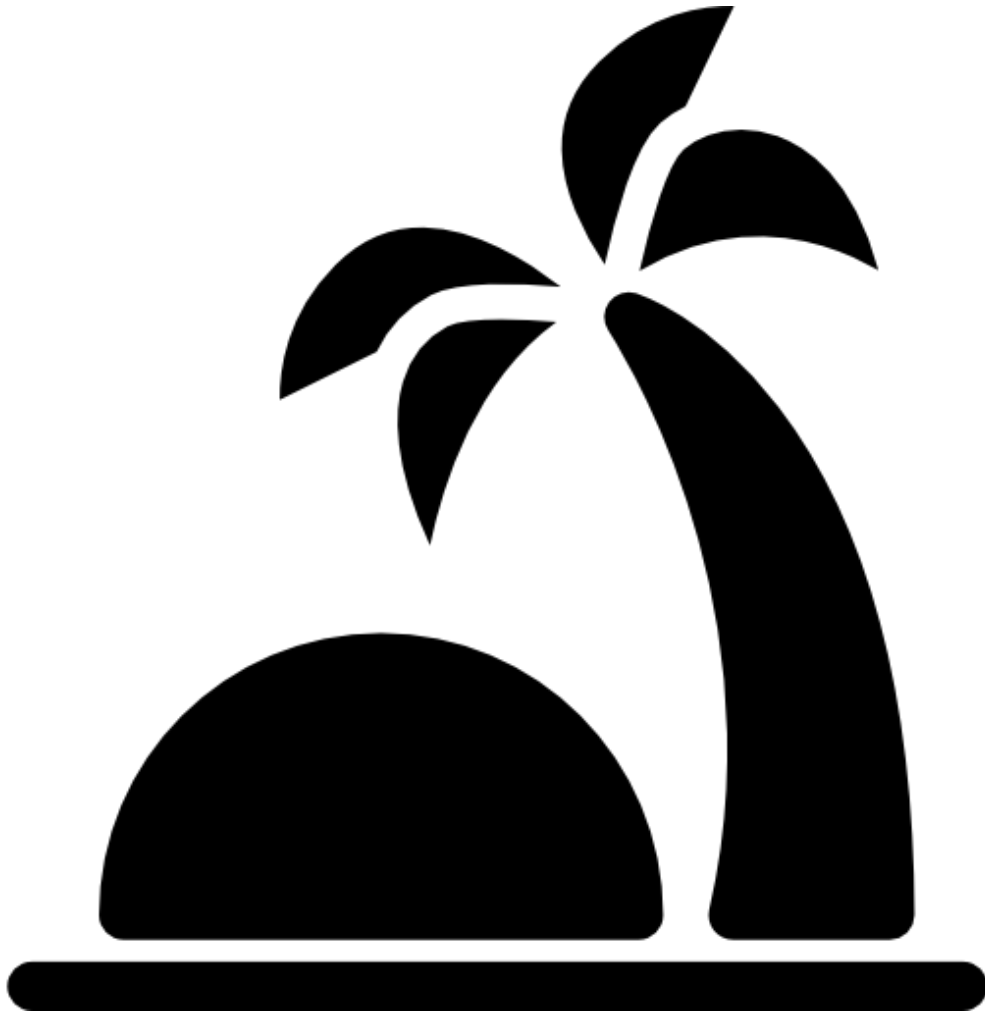


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# Full framework: how



# Let's do an exercise



EVERYONE NEEDS TO HAVE  
CONTACT WITH THE PAPER

NO ONE NEEDS TO HAVE  
CONTACT WITH THE GROUND

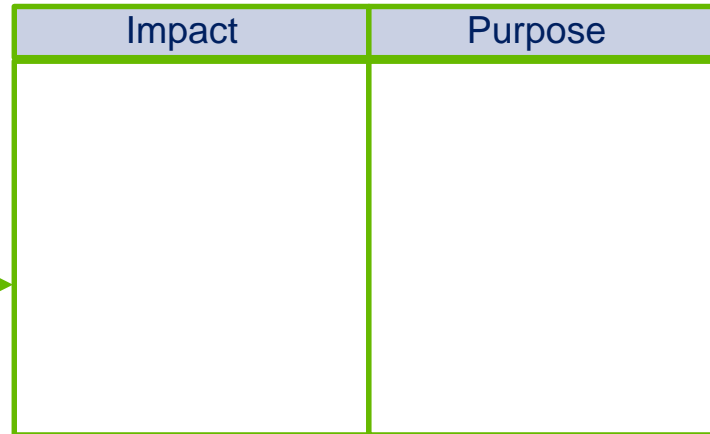
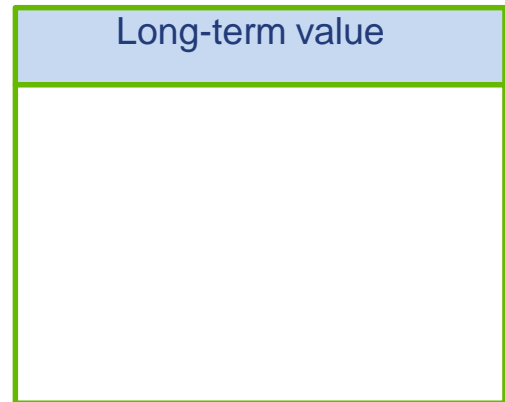
Purpose that instills material strategic priorities and leadership clarity

Purpose that channels business transformation

# WHAT

# WHY

# HOW



# Cynics and believers exercise



**Believer:** What does purpose and agility mean for your organization? What is the dream? Be specific

**Cynic:** Why the dream is not going to happen! (think in terms of capabilities)



## Take 2 min to write

Dreamer: what points made hit home?

Cynic: what specific issues from the dream do you share?

# Cynics and believers exercise



**Believer:** Repeat the dream

**Cynic:** What can HR do to make the dream happen?  
(use capabilities you have or you can develop)

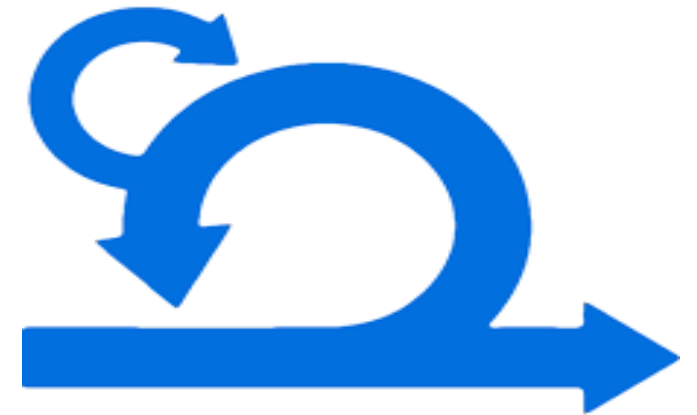


Take 2 min to write

What called your attention this time?



- have a purpose that guides them to create value reimagining the what and how
- align purpose with material issues that drive social innovation, resource commitment and engagement.
- have dynamic and engaged people that believe and act on purpose
- shift from authority and isolation to partnerships and collaborations
- foster innovation and discovery along with transparency
- move mindset from scarcity to abundance



Challenging what is  
and inspiring what  
could be.

Thanks!

We develop leaders  
who transform  
organizations and  
contribute to society.



# SOME BUSINESS EXAMPLES

Nike and Unilever



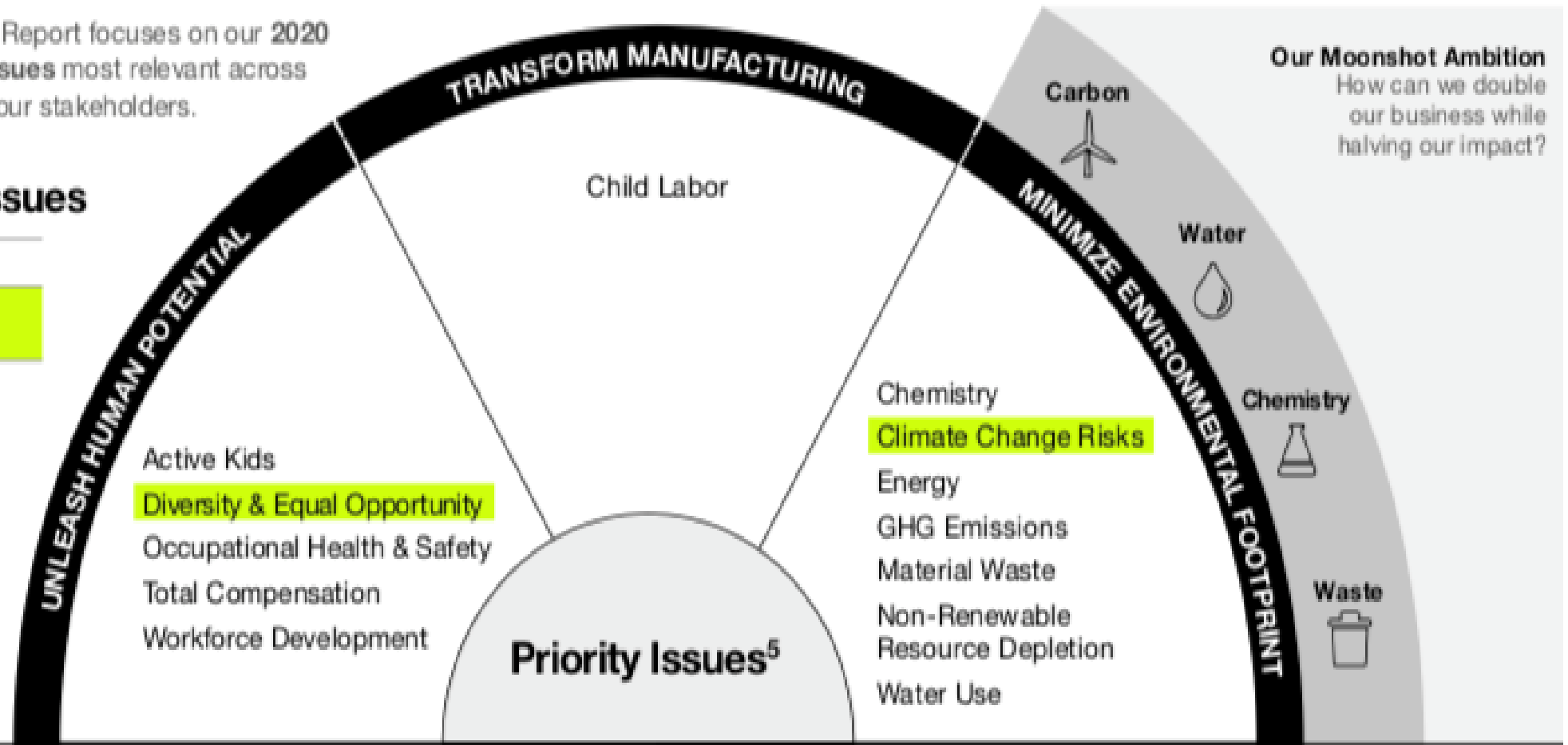
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The FY18 NIKE Impact Report focuses on our 2020 Targets and Priority Issues most relevant across our value chain and to our stakeholders.

## FY18 Priority Issues

Existing Priority Issue

Issues with Increased Relevance in FY18<sup>1</sup>



“Use the power of sport to move the world forward. We believe in a fair, sustainable future—one where everyone thrives on a healthy planet and level playing field. Bring inspiration and innovation to every athlete\* in the world” \*If you have a body you are an athlete”



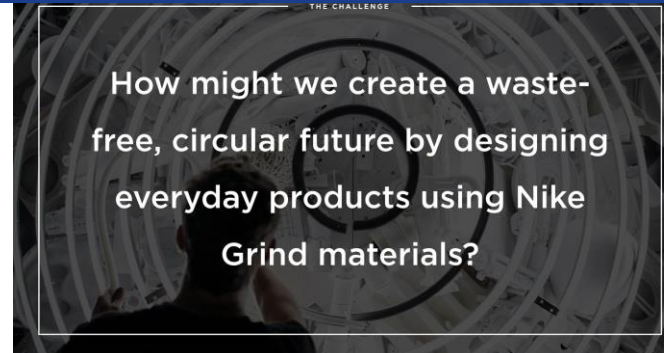
### How Nike's Green Design Recycled 82 Million Plastic Bottles

Matthew Wheeland  
Wednesday, February 9, 2011 - 2:46pm

<b>USES 90% LESS WATER*</b>	<b>40% LIGHTER*</b>	<b>DIVERTS WASTE FROM LANDFILL</b>
<b>80% LOWER CARBON FOOTPRINT*</b>	<b>5x MORE DURABLE**</b>	<b>50% RECYCLED LEATHER FIBER</b>

\*COMPARED TO TRADITIONAL FULL-GRAIN LEATHER

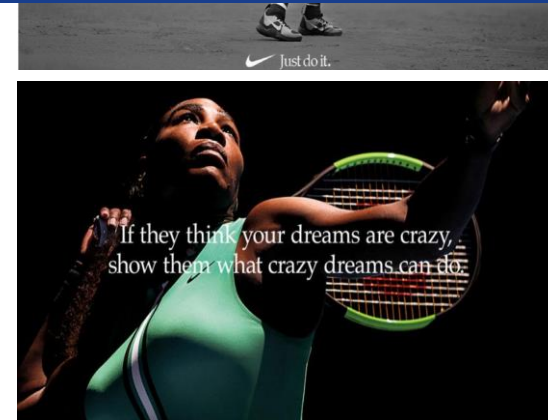
\*\*COMPARED TO TRADITIONAL LEATHER AND BASED ON ABRASION TESTING



BUSINESS 05/11/2016 12:49 pm ET | Updated May 11, 2016

### Nike Is Now Making Most Of Its Shoes From Its Own Garbage

"I never knew how excited I could get about waste," says Nike's sustainability chief.





“To make sustainable living commonplace. We want to help create a world where everyone can live well within the natural limits of the planet. “We meet everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life

Functional food and supplement business OLLY

US brand OLLY supplies gummy vitamins and supplements, as well as protein powders and snacks

Unilever buys New York based The Laundress to boost cleaning business



Procter & Gamble to Redesign Their Product Packaging | Inc.com

Posted on April 12, 2019 by knjohn | Leave a comment

BIG STORY 10 SEPTEMBER 12, 2019 / 4:55 PM / 14 DAYS AGO

Unilever reveals global tea suppliers in drive for slave-free sourcing

28.05.2017

Unilever versus Kraft/Heinz: Competing Models of Capitalism

Posted in: Economics |

UNILEVER ACQUIRES THE VEGETARIAN BUTCHER TO MEET DEMAND FOR VEGAN MEAT

Unilever CEO Announces Divestment From Non-Sustainable Portfolio Companies

