

Leading with a sustainable purpose

Leaders' insights for the development, alignment and integration of a sustainable corporate purpose



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This report reflects the insights and lessons from five leaders from the following four companies, in alphabetical order:



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Executive summary

As companies emerge from the pandemic, they are faced with other systemic challenges, from the climate emergency to growing inequality. This presents an opportunity for companies to align their corporate purpose and strategy with the transition to a sustainable economy. A company's purpose answers the question 'why does the organisation exist?' This provides a 'North Star' aspiration that guides the future direction of the business.

A good purpose does not try to be all things to all people, but rather focuses on the distinctive contribution the company makes to society and the world.

This report distils shared insights into how four leading companies developed, aligned and integrated a purpose and strategy to transition to a sustainable economy. This is intended to inspire and inform any leader, in any organisation that is seeking to align and integrate their purpose and strategy with a sustainable economy.

Based on the experiences of five leaders it captures ten principles. Each principle has practices that describes how it can be achieved. There are also pointers that provide on-the-ground insights and practical tips to help and enable leaders to successfully deliver these practices.

This report begins by providing guidance on how to construct a sustainable purpose. Part one then goes on to set out three principles and their practices to align a sustainable purpose with the corporate strategy, including the inputs required.

The second part sets out four principles and their practices required to integrate the purpose and strategy across the core business. This includes the crucial working practices and organisational 'habits' that need to be adapted and adopted to deliver the differentiation and benefits of the purpose.

Part three sets out three principles and their practices required to successfully communicate and engage externally. These practices include how to involve and partner with external stakeholders across the value chain to create the external conditions required to successfully implement the purpose and drive positive external change.

Wherever the organisation is starting from, those involved in leading this transition will need to use their judgement to select, combine, adapt and sequence the practices to suit the organisational context and aspirations. It is hoped this report will enable businesses to respond to systemic challenges and make their distinctive positive contribution to a sustainable economy.

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Introduction

As we emerge from the coronavirus pandemic many businesses are revisiting what success looks like for them and how they can *Build Back Better*. This is against the backdrop of global megatrends – such as the climate emergency, rising inequality, the loss of nature and the fourth industrial revolution – that are reshaping society and the operating context for business in profound ways.

“The decade that we earmarked for getting our climate on track for net zero by 2050 and making progress on the UN Sustainable Development Goals will now play out in a new paradigm, where transformational change takes on wholly new possibilities.”

(Dame Polly Courtice, March 2020)

In any context, adapting a company’s strategy to its external environment can identify potential new markets and needs. When the landscape is changing so rapidly and fundamentally, aligning a company’s purpose and strategy with the underlying trends and expectations that underpin it becomes a prerequisite for continued success and even survival, providing clarity and meaning to navigate complexity, manage risk and capitalise on opportunity. It can help the company understand the social and environmental dependencies it relies upon, such as the viability of its supplier communities or its consumers’ access to water, and use that knowledge to improve resilience, protect assets and create new sources of value. By expressing its positive contribution to society, the company can also attract and motivate stakeholders, empower employees and drive innovation.

Given that now is a good time for businesses to review their role in society, it raises the question: ‘*how* can organisations develop alignment and integration of organisational purpose and strategy to transition to a sustainable economy?’

This report highlights ten principles and selected practices required to align and integrate a sustainable purpose into the business. It consists of the collective insights and experiences of five leaders from four large multinational companies that are far along this journey. The aim is to distil their experiences and lessons of *how*

these organisations have achieved that alignment and integration. This report is designed to inspire and inform any leader, within any organisation, who wants to align and integrate its strategy, business model and culture with a *sustainable* purpose.

Drawing on its 30 years’ experience of equipping and enabling organisations to lead on sustainability, CISL convened and facilitated the following group of leaders who generously shared their experiences and insights, in alphabetical order:

- **DSM**, Jeff Turner, Vice President Sustainability and Inge Massen-Biemans, Global Director Purpose, Brand & Employee Communications
- **Ingka Group (IKEA)**, Pia Heidenmark Cook, Chief Sustainability Officer
- **Interface**, Erin Meezan, Vice President and Chief Sustainability Officer
- **Unilever**, Rebecca Marmot, Chief Sustainability Officer.

The practices range from ‘hard’ such as changing metrics or business processes, through to ‘soft’ such as the role of leaders or mobilising colleagues. These reflect the range of practices needed to create organisational change. They can be used as both a checklist and a basis for developing a pathway from scratch or enhancing an existing one. There are also ‘pointers’ that provide on-the-ground insights and practical tips to help and enable leaders to successfully deliver these practices.

The rich and varied range of practices and pointers in this report may seem overwhelming. To support the prioritisation and selection of practices that are right for the organisation’s context, the fundamental practices have been **bolded**. The remaining practices are additional tried and tested ways of achieving the principles.

Wherever the organisation is starting from, those involved in leading this transition will need to use their judgement to select, combine, adapt and sequence the practices to suit the organisational context and aspirations.

It is important to recognise that businesses that pursue a sustainable purpose are advancing away from 'business as usual'. This transition can create challenges and may require significant changes to conventional business practices. Many of these changes are practically described in the practices and stories that illustrate them in this report. The challenge of this transformation will feel especially acute for businesses that are severely impacted by the pandemic or are especially reliant on unsustainable business models. Some companies may also lack the internal support to transform.

Leaders need to see this as an iterative journey that will take time. It is unlikely to provide the 'right answer' straight away, but rather emerge over time, as a result of evolving insights, experiences and conversations. There is likely to be an interdependency between the evolving purpose, corporate strategy and approach to sustainability.

Some of the main differences between conventional business and sustainable purpose terms are outlined below:

Value creation

Conventional business reporting focuses on financial value creation within the legal boundary of the business. Sustainable purpose-driven companies recognise that financial value creation and capture is dependent upon other forms of value, such as healthy communities to employ and sell to or consumers having access to clean water and energy so that they can make use of products. These companies understand, measure and innovate ways to protect and restore these dependencies to ensure long-term value creation.

Value chain

Conventional businesses focus on what happens inside the legal boundary of the business. However, sustainable purpose-driven businesses recognise that their value proposition is reliant on the health and resilience of the whole value chain. This requires an understanding of the stakeholders across a company's value chain, as well as the company's impact and reliance on them and nature both now and into the future.

Culture

Conventional businesses have tended to develop hierarchical structures designed to maximise efficiency and profit. Sustainable purpose-driven organisations enable devolved leadership around the purpose, allowing more agile decision-making that optimises value creation by balancing the interests of stakeholders.

Because this report explores how to align and integrate a sustainable purpose, we start with a summary of how to construct a purpose that supports the transition to a sustainable economy.

Constructing a sustainable purpose

A purpose answers the question ‘why does the organisation exist?’, providing a North Star aspiration that guides the future direction of the business.

While there is no one way to construct a purpose, the following insights should prove useful.

Principles one and two of this report provide the essential inputs, including external trends, drivers and stakeholder inputs and employee perspectives, to constructing a sustainable purpose.

Principle three sets out how the Executive team, with representation from the Board, can be involved in the construction of the purpose. It is important to engage Executive team members before constructing the purpose, to share the shifting expectations of the role of business in society, the scope and benefits of having a sustainable purpose for the business.

The purpose is typically constructed through an ongoing process of engagement with the Executive team. A combination of inputs, such as videos and presentations, can be used to immerse the group in the findings from principles one and two.

The purpose statement itself captures the ‘sweet-spot’ for the business between:

- the current or future potential for profitable long-term value propositions
- the domains where the trends point to opportunities to contribute to a sustainable economy
- protecting and restoring the social and environmental dependencies the business relies upon across the value chain
- optimising the company’s distinctive capabilities, assets and offerings.

Avoid trying to draft the specific wording during a workshop. This can be carefully crafted afterwards and presented back to the Executive team. **The purpose should not try to be all things to all people, but rather focus on the distinctive contribution the company makes to society and the world.** A good purpose statement is often formatted into a short phrase that uses everyday language that inspires stakeholders, is distinctive to the business and specific enough to guide decision-making while being flexible enough for local adaptation. The purpose can be tested and refined with external stakeholders.

The purpose statements of the companies represented are:

- **DSM** – ‘to create brighter lives for all’
- **IKEA Group** – “to create a better everyday life for the many people”
- **Interface** – “Lead Industry to Love The World”
- **Unilever** – “making sustainable living commonplace”.

The purpose needs to be brought to life and delivered through the company’s core strategy, which sets out how the company will deliver the purpose through an integrated commercial and sustainability strategy.

Setting evidence-based goals for the organisation’s main dependencies on society and nature (such as protect and enrich suppliers’ livelihoods or substantially reduce carbon emissions) will clarify what needs to change (such as becoming carbon zero) and by when. The organisation also needs to disclose its progress towards its purpose and goals. Principles four and nine, in particular, provide guidance on how this can be achieved.